ANNUAL REPORT 2014

Up to the next level

NEWAYS®

Up to the next level

Contents

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,

We did not stand still in the past year. We look back at a year in which the whole organisation performed a lot of work, both internally and externally. A year in which we realised the biggest takeover in Neways's history, thereby considerably strengthening our position in the German market that is so important to manufacturing industry.

With the transferred production and closures of Neways Electronics Echt and Neways Electronics Production in Kassel (NEK) we entered 2014 with two fewer facilities. The extra attention that was required, for instance in optimising production activities for the customers of NEK in operating companies elsewhere, brought benefits in the first quarter with noticeably improved capacity utilisation that was reflected in turnover. After this strong first quarter, however, turnover dipped in the following months and we were unable to reverse this trend in the rest of the year.

The watchword for Neways in the past few years has been adaptation of the organisation to a new reality, i.e. responding to the sharper short-term fluctuations in customer demand that have been prompted by the volatility and dynamism so characteristic of the Electronic Manufacturing Services (EMS) market.

We focused on such things as greater organisational flexibility, bringing about an improvement in the working relationship both among the Neways operating companies and with our customers, and seeking to have more balanced capacity utilisation throughout the Group.

In spite of the focus within the organisation on realising greater predictability and being able to pursue a more flexible course, the attention to these key areas did not have sufficient effect in 2014 to compensate for the sharp short-term fluctuations in customer demand. Neways is well able to scale up quickly if demand picks up, but in order to be able to respond to steep falls in demand and abrupt downward planning adjustments by customers, we need to further increase our organisation's adaptability and flexibility.

Also important in this connection are our continual efforts to achieve a more balanced spread of our activities among sectors within the EMS market. We took a significant step forward last year with the successful takeover of BuS Group, which we announced last year and completed in September.

BuS Group is a provider of electronic solutions for the EMS market, with cutting-edge expertise in technology and the development thereof, with a strong service orientation. Customers of BuS Group are mainly in the automotive industry, but also in industrial electronics, medical technology, railways and aviation. BuS Group has a solid customer base, with a lot of customers for whom it has been working for many years. This customer base, moreover, is an excellent addition to that of Neways, which offers good potential for cross-selling.

For 2014 as a whole a net profit of € 5.3 million excluding non-recurring income and expenses was posted, compared with € 4.7 million in 2013. Including non-recurring income and expenses, net profit came to € 7.0 million, compared with € 1.9 million in 2013. Account must be taken here of the consolidation of the results of BuS Group with effect from 11 July 2014.

Since the completion of the takeover we have been working in all kinds of ways on the efficient integration of BuS Group into the Neways organisation. The first results relating to the sharing of best practices in areas such as component and system development, process innovation, and production and supply chain management are (just) perceptible.

With the takeover of BuS Group, Neways has become a European top-5 player in the EMS market. The coming year will see a recalibration of the Neways organisation in order to lay the foundations for future growth. Various initiatives have already been taken in this regard.

For instance, management control of the operating companies has been strengthened, with an expansion at holding company level of the management layer that reports to the Board of Directors.

Adrie van Bragt has joined the Board of Directors with effect from 1 January 2015. The financial statements and the annual report have been signed by the incumbent members of the Board of Directors in 2014, Vincent de Bok and Huub van der Vrande.

In an organisation like Neways it is people who make the difference. With the takeover of BuS Group the number of employees has risen by about one-third. This has resulted in a further increase in our expertise, technological (development) capability and responsiveness. We would like to thank all the employees for their contribution, flexibility and motivation in the past year.

By motivating one another, working together and showing enthusiasm and determination, we can all contribute to creating the strong foundations needed for future growth. We are doing this with and for one another.

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.

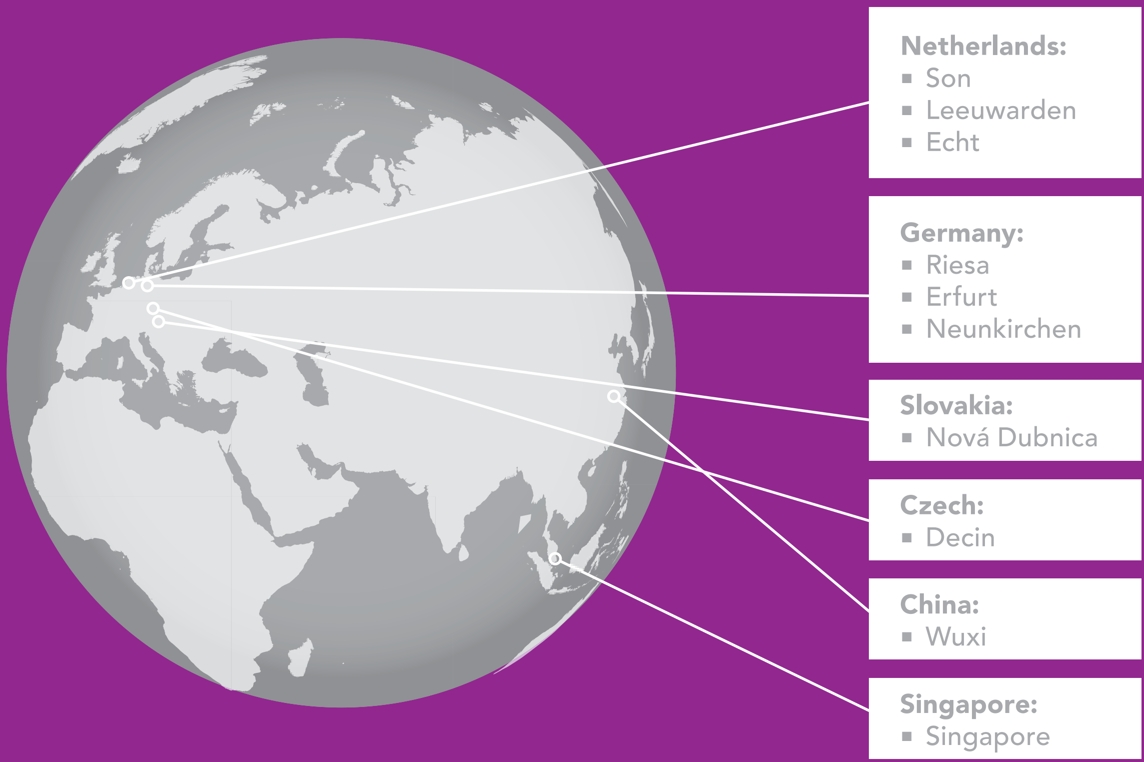
Neways is active in the Electronic Manufacturing Services (EMS) market. Its major customers are multinational Original Equipment Manufacturers (OEMs), such as Philips, ASML, Dräger and FEI, while it also serves a wide range of other industrial suppliers for finished products in various market sectors, such as Bruynzeel Storage Systems, Spirit IT and PeerPlus. 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 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 € 308.6 million in 2014 (2013: € 265.0 million). Customers in the Netherlands accounted for 39% of this turnover, customers in other EU countries for 51%, and customers in countries outside the EU for 10%. At year-end 2014, Neways had a total of 2,611 employees (2013: 1,940), of whom 2,018 in the Netherlands and Germany and 593 in Slovakia, the Czech Republic 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.

With the acquisition of BuS Group, Neways has become the 5th player in the EMS market in Europe, with, at the end of 2014, 14 operating companies in the Netherlands, Germany, Slovakia, the Czech Republic 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, the Czech Republic 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 except where stated otherwise	**2014**	2013	2012	2011	2010
Revenue	308.6	265.0	274.3	283.9	254.5
Gross margin	124.9	105.7	109.2	114.9	103.9
Operating income excl. exceptional items	9.0	6.3	2.4	8.8	8.4
Operating income	6.6	2.6	2.4	7.4	8.4
Net profit excl. exceptional items	5.3	4.7	0.4	5.2	5.1
Net profit	7.0	1.9	-0.4	3.8	5.1
Net cash flow *)	-32.5	28.4	-2.9	1.9	6.4
Equity	66.0	50.1	48.7	49.6	46.2
Guaranteed capital **)	70.9	50.1	48.7	49.6	46.2
Balance sheet total	175.2	120.6	102.5	114.0	109.6
Capitalised goodwill	2.8	2.8	2.8	2.8	0.8
Interest coverage ratio ***)	6.9	11.2	3.2	11.1	12.8
Debt/EBITDA ratio ***)	1.4	0.1	1.1	0.3	0.4
Solvency					
Equity as a % of balance sheet total	37.7	41.5	47.4	43.5	42.2
Guaranteed capital as a % of balance sheet total	40.5	41.5	47.4	43.5	42.2
Profitability ratios *)**					
Return on equity	8.1	9.4	0.8	10.6	11.0
Operating income as a % of revenue	2.9	2.4	0.9	3.1	3.3
Net profit as a % of revenue	1.7	1.8	0.1	1.8	2.0
Operating income as a % of capital invested	9.7	11.5	4.4	16.5	17.0
Data per employee					
Number of employees (FTEs)	2,288	1,909	2,052	2,170	2,027
Revenue per employee (x 1,000)	135	139	134	131	126
Gross margin per employee (x 1,000)	55	55	53	53	51
Data per ordinary share in euros (based on no. of shares at year-end)					
Net profit	0.63	0.19	-0.04	0.39	0.53
Net profit ***)	0.49	0.47	0.04	0.53	0.53
Equity	6.01	5.03	4.90	5.04	4.77
Net cash flow	-2.96	2.86	-0.29	0.19	0.66
Dividend	0.25	0.06	0.01	0.12	0.16
Dividend as a % of net profit (2012: excl. write-down of deferred tax asset in Germany)	40.0	30.0	30.0	30.0	30.0
No. of shares at year-end, x 1,000	10,986	9,946	9,943	9,834	9,685
Highest listing	9.80	6.13	6.65	9.68	9.30
Lowest listing	6.05	3.55	4.33	4.89	5.91
Closing price as at 31 December	7.30	6.13	4.67	5.40	8.86

*) The net cash flow is defined as the cash flow from operating activities plus the cash flow from investing activities.

**) Including subordinated loans.

***) Key figures are based on data disregarding exceptional income and expense.

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 operates in the important industrial, technological regions of the Netherlands and Germany, the latter country being the third-largest market worldwide for Electronic Manufacturing Services (EMS). The activities in these regions are characterized by a relatively strong technological knowledge component.

The operating companies in Western Europe fulfil an important role in putting into practice Neways's strategy of performing the role of a one-stop-provider who combines technological knowledge and know-how in development, engineering and prototyping with high-quality batch production.

Accordingly, most of the operating companies are based in industrial and technological regions close to, in many cases, large multinational customers in manufacturing industry. This physical proximity contributes to a close working relationship with customers and enables Neways to serve its customers appropriately and to anticipate changes in customer demand in this dynamic industry.

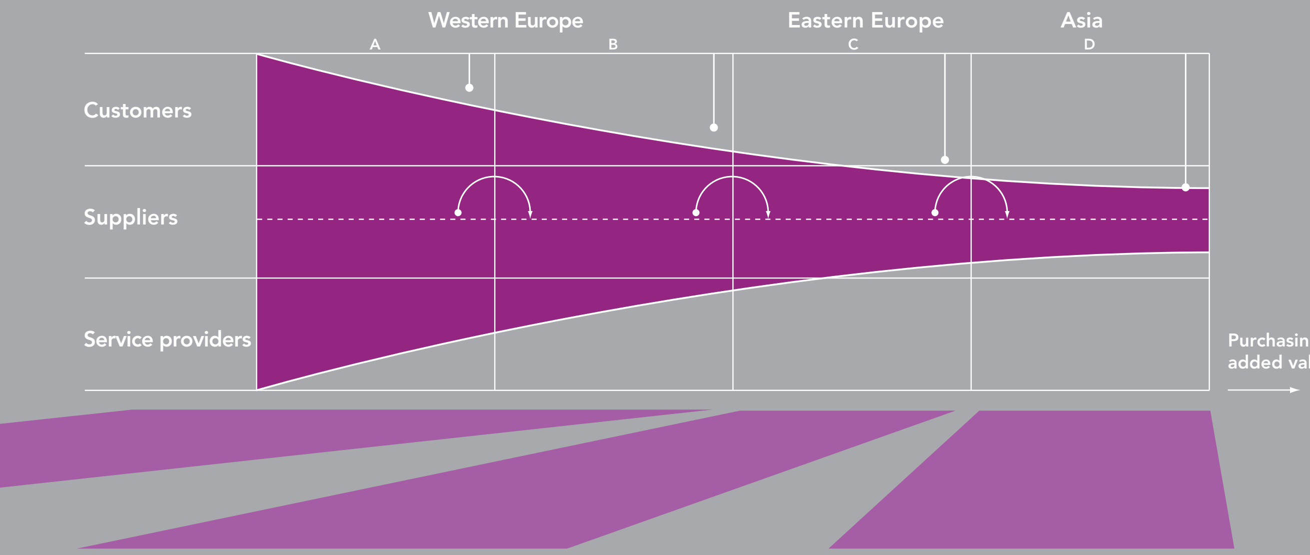
In the past year Neways considerably strengthened its position in the important German EMS market by acquiring BuS Group, which in particular made Neways's market position stronger in the automotive sector. As a consequence of this takeover, Neways is now the 5th player in the EMS market in Europe.

Neways had 8 operating companies in the Western Europe region at year-end 2014.

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.

There is intensive cooperation not only with customers but also between the various Neways operating companies, continually giving rise to new initiatives in product and production process improvement, improvements in quality and efficiency, and innovation. Optimisation of this cooperation results in significant efficiency benefits.

At year-end 2014, Neways employed a total of 1,925 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

Neways has three operating companies in Eastern Europe 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 realize significant cost benefits. This involves things such as 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 Eastern Europe are modern and meet customers' growing quality requirements. The investments of the past few years have created a strong basis for future growth and for the expansion of activities and areas of expertise in the region. Cooperation with the Neways operating companies in Western Europe can be further expanded as a result of these investments, both quantitatively and qualitatively.

At year-end 2014, Neways employed 437 employees in Eastern Europe.

ASIA

Added value	Low
Degree of re-engineering	Stable product
Batch volume	Mid-High
Batch complexity	Low
Degree of automation	Mid / Much manual work
Logistical planning	Simple / Stable
Sales market	Western Europe & Asia (90/10%)

In Asia, Neways has two China-based operating companies in the field of PCB assembly, 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. To a limited extent Neways has started development activities and there is also limited production for the Asian market (primarily China). 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 purchasing activities in the local Chinese market.

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

At year-end 2014 the total number of employees in Asia was 249.

Takeover of BuS Group

In July 2014, Neways took over the German BuS Group, a family firm that supplies electronic solutions in the EMS market. BuS Group comprises two operating companies in Germany and one operating company in the Czech Republic. The business has a total of 900 employees, including 50 development engineers. The service portfolio of BuS Group covers the entire value chain from development to production and logistics. Its customers are mainly in the automotive industry, but also in industrial electronics, medical technology, railways and aviation.

Perfect match

Strategically, Neways and BuS Group are a perfect match. The takeover strengthens Neways's overall position in the EMS market considerably, in particular in the important German market, and it means that Neways is now the 5th player in the EMS market in Europe, boasting, as of the end of 2014, 14 operating companies in the Netherlands, Germany, Slovakia, the Czech Republic and China and a sales and service office in Singapore.

‘BuS Group: a perfect match’

Report of the Board of Directors

Report of the Board of Directors

The year 2014 in brief

For Neways the past year was dominated to a large extent by the biggest takeover in its history, the acquisition of BuS Group. The year 2014 started, however, with the completion of the closure of the operating company Neways Electronics Production in Kassel, following the large fire in September 2013 and the associated transfer of production to other Neways operating companies.

Accordingly, developments at the commercial and operational as well as the financial level were largely influenced by these two events last year.

At the commercial level Neways continued to seek a more balanced spread among market sectors. Various initiatives from the individual operating companies have contributed to enhancing our commercial strength. This was reflected in things such as the distribution of turnover per sector, where there was a clear increase in relative turnover in the automotive and industrial sector and a fall in relative turnover in the semiconductors industry. Furthermore, the acquisition of BuS Group will contribute significantly to achieving more stable turnover and fewer sharp fluctuations in earnings.

Operationally, the main focus in 2014 was on building new foundations. With strengthened control of the various operating companies, Neways has taken an important first step towards creating a strong basis for future growth. In this connection, aspects such as the further professionalisation of the Company, increased effectiveness of the Company and greater predictability of performance will also continue to be fully addressed in the coming years. The monitoring and the measuring of effectiveness and behaviour are instruments that can be deployed to keep improving working relationships in and between the operating companies, the integration of BuS Group into the Neways organisation and the further provision of a comprehensive service to existing and new customers. With the exception of the first quarter, capacity utilisation throughout the group was insufficient in 2014.

From a financial point of view, 2014 was a varying year, with a good start and a not-so-good second half of the year, though the takeover of BuS Group in the second half contributed to turnover and earnings in line with expectations.

In the first quarter an appreciable improvement in capacity utilisation was achieved throughout the group compared with the corresponding period of the previous year. The transfer of various production activities for customers made a notable contribution to this.

After a good first quarter with a strong upward trend in turnover, the trend was reversed in the course of the second quarter of 2014 due to customers showing restraint in placing orders and adjusting their plans downwards. At the same time, the proposed takeover of BuS Group was announced by Neways at the beginning of this quarter.

In the third quarter Neways had to contend with a decline in demand, mainly from the semiconductors sector. The postponement of orders and downward planning adjustments by customers created an imbalance in capacity utilisation between the various Neways operating companies which, despite interventions to remedy the situation, could not be offset sufficiently, thus putting pressure on margins.

Then, in July, the takeover of BuS Group was completed. The increase in turnover in the third quarter, up 31% on the same period of 2013, was entirely due to the takeover of BuS Group, which was included in Neways's consolidated accounts with effect from 11 July.

Trends in the fourth quarter of 2014 were in line with the period before as a consequence of a further fall in demand from the semiconductors sector.

For 2014 as a whole, net turnover came to € 308.6 million, an increase of 16.5% (2013: € 265.0 million). The operating result from normal business activities (excluding special income and expenses) rose to € 9.0 million (2013: € 6.3 million). The net result (excluding special income and expenses) increased to € 5.3 million compared with € 4.7 million in the previous financial year. Including special income and expenses, a net result of € 7.0 million was posted, compared with € 1.9 million in 2013. Net special income came to € 1.7 million, relating to an increase in the deferred tax assets and profit from an advantageous purchase in connection with the takeover of BuS Group, as well as an addition to the expenses for the closure of Echt and Kassel, the provisions made in 2013 having been insufficient.

On a comparable basis, excluding special income and expenses, a net result of € 1.9 million was posted (2013: € 4.7 million).

As regards inventory and cash flow management, there was an increase in working capital at year-end 2014 compared with year-end 2013. This increase was mainly driven by the financial completion of the closure of Neways Electronics Production in Kassel, an increase in inventories and a decrease in accounts payable. The rate of inventory turnover also increased from 59 days at year-end 2013 to 76 days at year-end 2014. Excluding BuS Group the rate of inventory turnover was 64 days (2013: 59 days), an increase attributable in particular to the short-term downward planning adjustments towards the end of the year and greater use of the SMOI principle by customers, which results in an increase in inventory of finished products. Attention will be devoted to the low rate of inventory turnover of BuS Group in the coming period in order to improve the rate of turnover by means of tighter inventory management. Neways's aim is a rate of inventory turnover of 60 days.

The financial position was healthy throughout 2014. This strong financial basis enables Neways to anticipate market trends and to respond continually to changing market sentiments and new market opportunities.

The solvency ratio at year-end 2014 stood at 40.5% (year-end 2013: 41.5%). Adjusted to take account of deferred tax assets and intangible fixed assets, the solvency ratio was 33.2% and thus meets the banks' temporarily lower requirement of 30%. The lower requirement has to do with the marked effect of the takeover of BuS Group.

Other important developments

The Neways organisation worked hard in 2014 on building strong new foundations in response to a more dynamic market, with a more efficient organization and a better balance in capacity utilisation. These foundations should create the basis for further growth. Customers come to Neways seeking answers to complex problems and find in Neways a partner who is smart and pro-active and who anticipates and offers a comprehensive service, increasingly often charting the whole product life cycle of an electronic component or system.

Close cooperation among the various Neways operating companies and with the customers, as well as the ability to see the customer's point of view, remains essential if the organisation is to deploy this one-stop-providership on an ongoing basis and take as much work and as many cares as possible off the customer's hands. This also helps Neways to identify opportunities and possibilities, to create more turnover synergy and to benefit from the structural trend towards the outsourcing of non-core activities by OEMs. In 2014 the focus on customers and their specific wishes once again brought about closer and long-term cooperation with customers, a strengthening of Neways's position with a number of large customers, recognition from OEMs in the form of preferred partnerships, more cross-border work and greater commercial strength.

With the acquisition of BuS Group, Neways's overall position in the EMS market has been appreciably strengthened, particularly in the important German market. There is scarcely any overlap with the existing Neways activities in Neunkirchen (Germany) and the present German customers who are served by the group. Neways anticipates that substantial synergy benefits can be obtained as a result of this acquisition, because the strategies of the two companies are so closely matched, while the customer base, market sectors and activities complement one another.

The BuS Group's customer portfolio is in balance, as regards both the size of the customer base and the market sectors. The customer base is founded on long-term relations and is an excellent addition to the Neways customer base. This offers a lot of potential for cross-selling. BuS Group also adds new technological capability and expertise, as well as the possibility of sharing best practices within the combined group in areas such as component and system development, process innovation, and production and supply chain management. In addition, the new combination is expected to increase purchasing power and offer purchasing synergy.

Neways operates in a sector that is driven by technological modernisation and innovation. For Neways it is of great importance to provide customers with a 'sustained product'. Neways has to ensure that a product remains manufacturable in the future. To achieve this, it is essential to keep modernising and investing in things such as production equipment and new technological applications and methods. In this connection, Neways is itself very active in the field of innovation.

This involves not so much product innovation as process innovation, which enables Neways to produce faster and more efficiently, or more flexibly, or in ways that are more economical, qualitatively better or more sustainable. In this connection it has been agreed with the tax authorities that a portion of the development costs qualifies for the application of the Innovation Box for the period 2010-2016.

After the emphasis on the efficient and effective deployment of modern machinery in 2013, further investments were made in 2014 in the improvement of advanced production lines and test equipment. The reduction of lead times for processes also remains an area for attention where continual improvement can be made. This continues to be crucial to the increasing New Product Introductions (NPIs) and the Time To Market (TTM).

In order to respond to the wishes and requirements of the local facilities in Asia of major OEMs we are continually investing in the quality and efficiency of our production activities, regional marketing, maintaining contacts with existing customers and identifying and establishing contacts with potential customers and suppliers. Neways Electronics Singapore is being given an increasingly important role in managing these activities. For the medical sector, among others, a shift is taking place in the turnover of Neways customers from Europe to Asia, though the absolute amounts involved for Neways customers are still limited.

Outlook

The trend towards the outsourcing of more and more non-core activities by OEMs to trustworthy partners is continuing. In line with this, the trend towards more complex customer demand will also persist.

With a stable financial basis, proven knowledge and know-how and the geographical footprint to follow customers, often large OEMs, to regions that are attractive to them such as Eastern Europe and Asia, Neways is well positioned to be a partner who is able to offer the desired added value.

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.

At year-end 2014 the order portfolio stood at € 155.9 million, compared with € 68.5 million at year-end 2013. As well as an improvement in the Neways order portfolio in the fourth quarter and the addition of the BuS Group portfolio, which at € 68.0 million is at a good level, the new definition of the order portfolio is a reason for this appreciable increase.

From 31 December 2014 the order portfolio is defined as concrete orders over a whole year, including a forecast for the following three months.

The financial starting position is sound. On this basis and with the acquisition of BuS Group, Neways can continue to work in 2015 on strengthening the foundations for serving the customer better and tightening the business model and matching it more closely to the increased volatility of the EMS market.

Development of order portfolio

In € millions

31 December 2014	155.9
31 December 2013	68.5
31 December 2012	62.5
31 December 2011	67.1
31 December 2010	72.2

Financial developments

Summary consolidated income statement (excl. exceptional items)

x € 1 million	**2014**	2013	2012
Net revenue	308.6	265.0	274.3
Gross margin	124.9	105.7	109.2
Operating income	9.0	6.3	2.4
Profit before taxation	7.7	5.7	1.4
Net profit	5.3	4.7	0.4

Revenue

Gross revenue vs. net revenue

x € 1 million	**2014**	2013	2012
Gross revenue	337.2	293.1	298.1
Intracompany revenue	28.6	28.1	23.8
Net revenue	308.6	265.0	274.3

Revenue

Gross revenue in 2014 was € 337.2 million, compared with € 293.1 million in 2013. Disregarding the BuS Group, gross revenue was € 276.7 million. Organic revenue fell by 5.6%. Intracompany revenue rose slightly relative to the year before. On an annual basis, net revenue increased 16.5% to € 308.6 million. Organic revenue dropped 6.4%.

Breakdown of revenue by market sector

x € 1 million	**2014**	2013	2012
Industrial	118	96	103
Semiconductor	62	69	71
Medical	59	64	68
Automotive	55	23	20
Defence	8	6	4
Telecom	4	3	4
Other	3	4	4
Total	309	265	274

Breakdown of revenue by competency

In percentages	**2014**	2013	2012
PCBA	56	39	41
Modules	25	38	39
Cable assembly	5	6	6
Engineering and development	9	11	8
Micro electronics	4	5	5
Service and repairs	1	1	1

Gross margin

The gross margin rose 18.2% in 2014, to € 124.9 million (2013: € 105.7 million). As a percentage of revenue, it was slightly higher (40.5%) than in 2013 (39.9%).

Operating costs

The operating costs were made up largely of employee expenses. Employee expenses rose 4% relative to 2013, to € 88.0 million. Of the value presented for 2013, € 7.9 million concerned allocations to provisions for the restructuring of Neways Electronics Echt (€ 1.2 million) and the closure of Neways Electronics Production in Kassel (€ 6.7 million). As a percentage of net revenue, employee expenses (in 2013: not including allocations to provisions) were slightly lower (28.5%) than in 2013. The average number of FTEs climbed marginally against 2013, to 2,288. The increase in employee expenses stemmed entirely from the acquisition of the BuS Group.

In 2014, a gross amount of € 2.4 million (€ 1.7 million net) was recognised as an exceptional expense, in connection with – among other factors – the higher than projected costs attached to the closure of the operating companies in Echt and Kassel.

The other costs presented in this item include costs of housing, production costs, selling expenses and consultancy costs, which fell during the past financial year. These costs also fell relative to revenue.

Amortisation and depreciation

Amortisation and depreciation in 2014 came to € 6.3 million including the BuS Group. Compared with the previous year, and not including the BuS Group, Neways amortisation and depreciation fell from € 3.6 million in 2013 to € 3.0 million in 2014.

Operating income and operating margin

Operating income (excluding exceptional items) was € 9.0 million, compared with € 6.3 million in 2013, bringing the operating margin for 2014 to 2.9% (2013: 2.4%). The improvement stemmed largely from the acquisition of the BuS Group.

Financing costs

Financing costs rose to € 1.3 million (2013: € 0.6 million), resulting largely from the takeover of the BuS Group. With a view to the acquisition, the overdraft facility was increased from € 30 million to € 35 million, a 3-year loan of € 12.5 million was contracted and a € 5 million subordinated convertible bond loan was issued to existing shareholders.

Net profit and earnings per share

Net profit (disregarding exceptional items) came to € 5.3 million, compared with € 4.7 million in 2013. The net profit per share came to € 0.63 (2013: € 0.19).

Dividend

The principal assumption in the present dividend policy is to distribute 30% of the net profit, subject to the condition that the financial position is solid, including a solvency of at least 35%. Based on an assessment of the dividend policy a modified dividend policy will be proposed to the General Meeting of Shareholders on 16 April 2015, under which

40% of the profit after taxation will be distributed. The condition of at least 35% solvency will still apply.

The Board proposes that the General Meeting of Shareholders approve a distribution of a dividend, in accordance with this new dividend policy, of € 0.25 per share, based on the net profit of € 7.0 million.

Summary consolidated balance sheet

x € 1 million	**2014**	2013	2012
Equity	66.0	50.1	48.7
Balance sheet total	175.2	120.6	102.5

Equity and solvency

Equity increased from € 50.1 million in 2013 to € 66.0 million in 2014. Solvency (guaranteed capital/total capital) at year-end 2014 was 40.5% (2013: 41.5%). Adjusted for the deferred tax asset and intangible assets, solvency was 33.2%, which satisfies the banks' temporary modification of the 30% solvency requirement in connection with the acquisition of the BuS Group.

Cash and net debt position

At year-end 2014, the net debt position was € 34.8 million. Following the receipt late in 2013 of the remainder of the € 23.5 million claim payout for the fire and the sharp decrease in working capital during the latter half of the year, the balance of cash as at 31 December 2014 was € 22.1 million. The overdraft facility remained unchanged in 2014 in connection with the takeover of the BuS Group.
The applicable interest rate was changed to Euribor plus a margin ranging between 1.5% and 2.0%.

Working capital and net cash flow

Last year saw significant progress in terms of working capital management and cash management. The working capital (inventories plus receivables less trade and other payables) increased to € 53.5 million (2013: € 13.3 million). Inventories fell as a result of a strict inventory management policy.

Inventories, measured in the number of days of turnover, came to 76 days at year-end 2014 (2013: 59 days). Disregarding the BuS Group, the turnover rate was 64 days. The increase stems primarily from the short-term downward planning adjustments late in the year and the increased application of the SMOI principle by customers, which leads to larger supplies of finished goods. The low rate of turnover at the BuS Group will be examined during the coming period, and more careful inventory management will be applied with a view to improving the turnover rate.

The number of days sales outstanding at the end of 2014 was 36 (2013: 34 days), which is a respectable level. The total allowance for bad debts at the end of 2014 was € 1.1 million (2013: € 0.4 million). Both Neways and the BuS Group apply reliable debtor management policies, with some major customers utilising a supplier finance programme to encourage fast payment.

Summary consolidated cash flow statement

x € 1 million	**2014**	2013	2012
Cash flow operating activities	1.9	30.8	1.3
Cash flow from investing activities	-34.4	- 2.4	- 4.2
Net cash flow	-32.5	28.4	- 2.9
Cash flow from financing activities	12.3	- 6.7	2.6
Movements in cash	-20.2	21.7	- 0.3

The cash flow from operating activities fell to € 1.9 million (2013: € 30.8 million). The net cash flow (net profit plus amortisation and depreciation adjusted for investments, movements in provisions and working capital) was -€ 32.5 million in 2014 (2013: € 28.4 million), largely as a result of the acquisition of the BuS Group.

Investments and return on investment

In 2014, in addition to the usual replacement investments, capital was expended to add to the testing equipment and cleanroom facilities. In the latter half of 2013, successful simulation tests were conducted in preparation of the implementation of Infor's new ERP LN system at Neways Advanced Applications. The ERP system will foster closer cooperation between staff of the separate Neways operating companies and might also help improve the efficiency of how the Group uses its combined people and resources. The investments in the ERP LN system consist exclusively of the costs of external workers.

The total additions to property, plant and equipment and intangible assets were € 8.7 million, compared with € 4.1 million in 2013. In its efforts to accommodate customers in their continually increasing full service expectations for projects, Neways is investing primarily in technology that will allow it to offer its customers not only faster service, but also improved quality and efficiency. Amortisation and depreciation in 2014 exceeded the amounts for 2013. The reasons driving this increase included not only additions to testing equipment, modifications to buildings in Echt and cleanroom facilities, but also an SMD module for a production line and improvements to the infrastructure at one of the operating companies in Eastern European. Another important reason for the increase lay in the consolidation of the BuS Group. The return on capital invested (operating income as a percentage of the capital invested) fell to 9.7% in 2014 (2013: 11.5%).

Financing cash flow and net liquidity position

The cash flow from financing activities was € 19.0 million higher than the previous year. The cash flow in 2013 stemmed from the € 23.5 million claim payout received from the business interruption insurer. The cash flow in 2014 was the result of the additional financing contracted for the acquisition of the BuS Group. The net debt position at year-end 2014 was € 34.8 million (at year-end 2013 the Group had a net liquidity of € 22.1 million).

Close cooperation with the customer

A relationship requires cooperation, and cooperation stands or falls by mutual understanding and being aware of one another's wishes and needs. Our aim is to provide our customers with a comprehensive service. This can take the form of support services for the complete life cycle management of electronic components and systems. Neways is also able, however, to manage the whole supply chain. Whether it be complete development projects, prototyping and engineering or the involvement of several operating companies each with their own specific competency, Neways works in close cooperation with all its customers.

Smartnership

Preferably, our cooperation with customers develops from partnership to what we call smartnership. Our aim is not only to be smarter and faster and to do it right first time, we also like to look ahead and anticipate. Always being aware of the sales period and combining this knowledge with delivery times, this is not only a question of timing, but also one of interest – interest and involvement in order to achieve joint success.

'Successful together'

Operational developments

Creating new foundations

In 2014, Neways made the biggest takeover in its history. The acquisition of BuS Group was completed in July, after which a start was made on integrating this company. Quite a lot of steps have already been taken, but a lot more will be asked of the organisation in the coming year in view of the considerable volume of work that remains to be done.

Neways also started the definition and introduction of core and customer values in 2014. The latter values, which have been made explicit for the whole group, relate to customer intimacy. At management level, moreover, a Lean Leadership Model was launched, an instrument which contributes to the further improvement of the leadership structure at Neways.
At present this instrument and the core and customer values are being further concretised, while specific training and assistance is being provided for employees in this area. The core and customer values will be made public in 2015. The Lean Leadership Model will likewise be rolled out.

This new focus on the organisation, operational control and the approach to the customer will further support the Neways organisation in responding as effectively as possible to short-term planning adjustments by customers and more complex customer demand, for instance in the direction of combined development and production orders and more 'box-build' systems assembly in which the added value and knowledge component play a greater role – based of course on the one-stop-provider principle, with several operating companies and several disciplines increasingly often adopting a joint approach to customers so as to be able to offer them the highest-quality and most effective solution.

The acquisition of BuS Group also helps us significantly in our efforts to bring about a more balanced spread of our activities among sectors within the EMS market. In this way the Neways organisation including the BuS Group can be prepared for future growth.

BuS Group, based in Germany and operating throughout that country, provides electronic solutions in the EMS market. BuS Group comprises two operating companies in Germany (in Riesa and Erfurt) and one operating company in the Czech Republic (Decin). The group employs a total of 900 people, including 50 development engineers.

BuS Group's customers are mainly to be found in the automotive industry, but also in industrial electronics, medical technology, railways and aviation. The operating company in Erfurt provides (support) services in the field of engineering and product development within the group and direct to customers. BuS Group's service portfolio covers the whole value chain from development to production and logistics.

At present we are working in a planned way on the integration of BuS Group into the Neways organisation. This integration forms part of all the initiatives that are being taken within the Neways organisation. After full integration the BuS combination will be able to benefit from the presence of Neways's existing (low-cost) production capacity in

Asia, making competitive and tailor-made solutions available to BuS Group's customers to a greater extent.

Cooperation between operating companies

Ongoing intensification of cooperation between the operating companies, both within Western Europe and with the operating companies in Eastern Europe and Asia, has been taking place in the past few years, with a focus on improvement of quality and the strengthening of innovative capability through more joint approaches to customers and the exchange of knowledge and experience. Progress still has to be made with regard to improving efficiency and realising turnover synergy. There was a strengthening in the past year of the way in which various operating companies are managed. The results will become increasingly perceptible in 2015 with regard to such things as synergy, efficiency and customer orientation. After the completion of the takeover of BuS Group the first initiatives were taken to facilitate the working relationship with the other Neways operating companies, with the sharing of knowledge in the field of business development and the exchange of best-in-class projects, as well as efficiency gains in purchasing and agreements with suppliers.

Capacity utilisation throughout the group

Improvement of capacity utilisation throughout the group is an important action point at Neways. The sharp short-term peaks and troughs in customer demand which have characterised the EMS market for some years present an extra challenge to Neways. The transfer of production activities and the increasingly improved deployment of the flexible layer within the group contributed to a better distribution of capacity utilisation in the first quarter of 2014.

As a result of downward planning adjustments by customers, a number of operating companies again experienced capacity shortages in the course of the second quarter, which had an adverse impact on capacity utilisation. The effects of this, in combination with more deliveries in accordance with the SMOI principle, were clearly felt in the sales trend, the order portfolio and earnings in this part of the year.

More focus on the management of purchasing and inventory

To make better use of the available purchasing capacity and to further develop the purchasing organisation, we worked on smarter purchasing, structural management of inventories, a reduction in the number of suppliers and optimisation of the supply chain, so that the central (group-wide) purchasing organisation can provide more added value to all operating companies in improving their performance.

New role for purchasing departments

Several Neways operating companies do business with the same suppliers. Approximately 70% of Neways's turnover is purchasing-related. As a professional player in the EMS market Neways has adopted the one-contact-person principle in relation to suppliers, just as we have the one-stop-providership principle in relation to customers. A new initiative was launched in this connection in May 2014. To give extra support to cooperation between the Neways operating companies, a team of Supplier Account Managers (SAM) was formed. SAM creates stronger direction and a focus on achieving improved performance through more joint purchasing. The introduction of SAM can also lead to more effective targeting of improved performance in the operating companies themselves and in the Group.

There has been, and will continue to be, a strong focus on further reducing delivery times and the quantities of components ordered in order to restrict to a minimum the risk of obsolescence and to reduce operating costs within the operating companies. Agreements have been reached on this with a number of large suppliers and the targets have now been achieved.

Supplier reduction and improvement programme

With the new design of the purchasing organisation, Neways has been able to further reduce the number of its suppliers. Following the acquisition of BuS Group there will of course be an extra focus on this in 2015. The main reason for reducing the number of suppliers is to obtain a serious relationship in which focus and business are central. In 2014 approximately 85% of the suppliers were based in Western Europe and the remaining 15% in China.

Changeover to new ERP system

Under the project name Next Generation, the Neways organisation is working on the replacement of the present BaaN IV system with a new ERP system. The new Infor system, which in effect is the direct successor to BaaN IV, reduces, among other things, the number of applications and offers more new functionalities that will facilitate the desired closer cooperation between employees of the various Neways operating companies and a more efficient deployment of resources throughout the Group.

This ICT program is being rolled out thoroughly and in phases by Neways, as far as possible with employees of our own who are very experienced in this specific field. Simulation tests have been successfully completed in recent years.
Implementation of the new ERP system will take place by individual operating company.

In 2014 the ICT team gave priority to the settlement of the fire at Neways Electronics Production in Kassel, Germany and the activities involved in the takeover of BuS Group. Now that there is again more scope within the team, the next steps with the New Generation project will be taken in 2015.

The first physical implementations of the new ERP system will be realised in the course of 2015. The first operating company which following extensive tests in 2015 will work under the new ERP system is Neways Advanced Applications. Phased implementation will then follow in the individual operating companies.

Streamlining of transfers of production

Since 2012 the transfers of production to China and Slovakia have been supervised by the Neways Outsourcing Team. One of the team's principal tasks is to assist the Western European operating companies and advise them on which products are suitable for transfer to the operating companies in Eastern Europe or China, so as to realise cost benefits and synergy, while retaining sufficient flexibility for the customers. Good progress was made again in 2014.

Expansion of activities in Asia

Neways has been active in Asia since the mid-1990s. As a pioneer, Neways saw the relevance of a presence on the Asian market. With two operating companies in Wuxi, China and a sales office in Singapore, Neways operates in Asia principally for batch production on behalf of Western European facilities of OEMs. Although the turnover is still limited in absolute terms, there was again a definite increase in local-to-local assignments in 2014.

The operating companies in Wuxi are mainly engaged in batch production. In the past year there was a further increase in the complexity of the batches.

Present trends suggest that in the coming years the number of projects for development, testing, prototyping and batch production for local OEMs based in China can be expected to grow substantially. With the investments in the past years in advanced production lines, modern facilities and well-trained local professionals, our Asian facilities are well equipped to meet this demand. Extra use was already made of these facilities in 2014 as a result of new customer start-ups. In 2015 we shall see whether we can start to serve customers of BuS Group. Talks on the possibilities of production in Asia are already taking place with several customers of BuS Group.

Purchasing in China is another priority. In the past year the Neways Outsourcing Team devoted continual attention to the streamlining and expansion of our purchasing in Asia for all Neways operating companies, so as to realise further cost benefits. Purchases in Asia are still relatively limited, but increased again in 2014 on an annual basis.

Expansion of higher added-value development activities

Demand for development, prototyping and testing activities is continuing to grow and the expansion of these activities continued in 2014. The number of developers/engineers at Neways increased last year, and at the end of the year represented about 8% of the Group's total employees.

A System Architects group has been established at the Neways Technologies operating company to safeguard and expand the development of engineering know-how. Good progress was made in 2014 in the acquisition and safeguarding of knowledge and the first results have been achieved.

Some members of this team are working on a regular basis with large customers on the development of new components and systems, while others are deployed right across the Neways organisation on various projects for customers.
The increased size of the organisation and the expansion of the development team, in part due to the acquisition of BuS Group, mean that the Neways development engineers will increasingly often be able to take final responsibility for larger projects, for instance in the field of industrial installations and control systems.

To safeguard growth and development and growth and knowledge in this field, Neways Technologies, in collaboration with Neways Advanced Applications, actively contributed last year to arousing the interest of students in the technological profession by being present at the open days of the Eindhoven University of Technology.

Neways Technologies also participated last year in the Dutch Technology Week 2014, an initiative which involved leading technological and other firms allowing people to look behind the scenes in their organisation in order to instil in various target groups, notably young people, an enthusiasm for the technological profession.

Other developments within the Group

Last year a market leader in Germany in the field of convection ovens for the retail sector selected Neways as a supplier. In 2015 Neways, in combination with various operating companies, will produce electronic components and systems for at least 50% of their product range.

In connection with the closure of Neways Electronics Production in Kassel, Neways Advanced Applications (NAA) took over, to the customer's complete satisfaction, the range of activities for Dräger, a leading company in the field of medical technology.

In collaboration with VDL Group – an international industrial enterprise specialising in areas such as the development, production and sale of semi-finished products – the operating company NAA presented a leading-edge product range at Medica, a prestigious medical trade fair in Düsseldorf. This has now resulted in interesting contacts with various companies operating in this field, including a medical manufacturer based in Russia.

The operating company Neways Leeuwarden (NEL) defined a number of focus markets in 2014, including the agrimarket, a market which – in view of the existing customer portfolio – matches NEL in terms of its origins, has growth potential and is relatively insensitive to the economic cycle. In 2014, NEL was able to add various customers in this sector to its portfolio. One of them is Tolsma, a developer and producer of innovative preservation techniques for agricultural products and plants.

NEL has given advice on how to make efficiency gains in the production process by means of redesign and optimisation.

Organisation and employees

Organisational structure and allocation of employees

Neways, based at the Science Park Eindhoven, is an exponent of Dutch high-tech manufacturing. The company has an organisational structure in which the holding company acts as the pivot of the 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 the exchange of knowledge among the operating companies and the adoption of a joint approach to suppliers and customers.

At the beginning of 2014, the Neways organisation had 11 operating companies. All the Neways operating companies serve a clearly demarcated specialised and knowledge-intensive field of operations within the EMS market that reduces competition among one another as much as possible and facilitates cooperation.

The average number of employees in 2014 was 2,288 (FTEs). Of the workforce, roughly 70% work in Western Europe and 30% in Eastern Europe and Asia. The figures and percentages are influenced very much by the acquisition of BuS Group which was completed in September of 2014 and added approximately 900 employees to the total workforce in Europe. BuS Group does not have its own activities and employees in Asia. The completion of the closure of Neways Electronics Production in Kassel (Germany) in the first half of 2014 also had an impact on the size of the workforce. At year-end 2014 the number of people employed was 2,611 (FTEs).

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. Western Europe requires capacity for more complex components and systems that are developed and produced in close proximity to, and in close cooperation with, the customers.
The capacity in Eastern Europe and Asia is needed 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. In Asia we see an increase in demand for 'local-to-local' on the part of OEMs with a local presence. We seek to respond to this trend by investing in advanced production lines, modern facilities and well-trained local employees.

Flexible deployment of personnel

Neways operates in the Electronic Manufacturing Services (EMS) market, which is characterised by acute volatility, resulting in fluctuations in demand and short-term planning adjustments on the part of customers throughout the year. This calls for flexibility of the organisation, also with regard to the deployment of personnel.

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. Compared with year-end 2013 (82%/18%), the deployment of flexible employees was lower at year-end 2014 (93%/7%). This illustrates the importance of having flexible employees, as this ensures that Neways can adjust naturally to sudden shifts in demand, whether it be to quickly scale up or to reduce capacity.

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 highly educated engineers and developers

Innovative services for leading-edge technological solutions for which flexibility is a precondition 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, and this year too there has been further growth, in particular among the organisation's engineers, an example being the establishment of a new team of System Architects at the Neways Technologies operating company, which will further expand and safeguard the development of engineering know-how. The acquisition of BuS Group with about 50 developers will also contribute to the greater quality of the leading-edge solutions required by customers.

Through 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, prototyping, testing and re-engineering of those components and systems. As a result of this development, the need for employees with higher education will further increase also in the coming years.

Scarcity in the labour market for technical specialists

In recent years the labour market has generally – in view of economic conditions - not been too tight. That was again the case in 2014. However, the supply of technical specialists in the labour market remains scarce. In the past years Neways's recruitment and selection policy has been targeted more at specialist knowledge.
The recruitment of technical graduates in 2014 took place primarily via agencies which, also with flexibility in the size of the workforce in mind, initially place candidates at Neways on a secondment basis. In this regard Neways does not restrict itself to candidates in the Dutch labour market, but also looks to foreign personnel, with English as the working language.

At the beginning of 2015, Neways started with Recruitment Process Outsourcing (RPO), having made arrangements with an external organization called Recuitin. This firm specialises in filling vacancies by using social media. They also advise on optimisation of awareness of the Neways brand in the labour market. They handle the recruitment activities centrally, beginning with the Neways companies based in the Netherlands.
So as well as channelling recruitment in this way, they also focus on the further growth of awareness of the Neways brand in the labour market. A start will be made this year on rolling out an employer branding policy. This means that targeted activities will be started with a view to further increasing awareness of the Neways brand in the labour market and its attractiveness as an employer. For instance, a 'working for Neways' website will be developed which will be linked to the existing website and which will be aimed at the labour market and would-be/potential employees, showing them the interesting work that is done at Neways. A pro-active policy towards educational institutions remains a part of the employer branding policy. One of the key elements of this policy is raising the Company's 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.

Binding talented employees to the Company and promoting personal 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 count on innovative solutions and, more and more, on a pro-active, solution-orientated mindset.

Having specialist technical knowledge is the rule rather than an exception among our employees. That is not all, however. There is a growing need within the Company for innovative thinking, flexibility and a team player's ability to cooperate in thinking up and developing total solutions for customers. To facilitate this, Neways provides education and training programmes, including customised courses, which encourage the employee's creativity, problem-solving ability and customer orientation.
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 essential to retaining talented employees.
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. At the same time Neways is aware as an organisation that the work environment also counts towards the provision of interesting work, a work environment that is collegial and caring and where an empathising attitude plays an important role. Neways encourages such behaviour on an ongoing basis, this being an important task for managers.

A start was made in 2012 on the introduction of a new system of employee appraisal. Following a preparatory phase and an extensive test phase at two Neways operating companies, the new system was first used at the end of 2012. The system is fully attuned to the needs within the Neways organisation and was developed entirely within the Company. This appraisal system is based on norms rather than the commonly used scoring system of "weak-unsatisfactory-satisfactory-good-very good". Performing at the required level means that an employee complies with the current norm. Outside that, the employee can function above or below the norm. The advantage of a norm-based system is that a norm can change each year according to the way in which the Company performs in the market.

Using input from experts with first-hand experience, an update of the system appeared at the end of 2013, with the whole system being placed in a professional software environment and a number of substantive changes being made in response to user feedback (management and workforce) from the first round. The system is called "NEWAYS N.A.P.", NAP standing (in Dutch) for Norms, Current measurement and Personal development. In 2014 work was done on the further development of the system, which has now been sufficiently optimised to be rolled out internationally in 2015, when the meaning of the letters NAP will change to 'Neways Appraisal Process'.

Values and norms

In 2014 greater attention was given to the Company's core and customer values, which were explicitly formulated for the whole Group. A start was also made at the highest management level on the introduction of a Lean Leadership Model, which can be used to take a critical look at ways in which the leadership structure at Neways can be improved. In 2015 the core and customer values will be introduced worldwide, while the Lean Leadership Model will also be rolled out, both accompanied by training and assistance for management and employees.

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 devoting attention to 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 in 2014 was 3.75% (2013: 4.3%).

Employee involvement

In the Netherlands and Germany 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 consultative body "Centraal Overleg Neways" (CON).

Delegates from the various Works Councils in the Netherlands are represented on the CON. In 2014 the CON met five times with the Board of Directors, including an annual meeting with the chairman of the Supervisory Board in attendance.

Regular items for discussion at the CON meeting are market developments and results. In 2014 the meeting dealt with specific subjects such as the acquisition of BuS Group. 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.

In the last quarter of 2014 the existing Neways rules & regulations manual (all arrangements on terms and conditions of employment that are not covered by, or differ in a positive way from, the Collective Employment Agreement) was updated in close consultation with the CON. So three years after the introduction of the first harmonised manual of rules & regulations for the Neways companies, the first update appeared on 1 February 2015.

The rules & regulations manual can be found on the corporate website, together with a lot of other information about various HR-related subjects such as the organisational structure and the sustainability policy. The website also deals with development and career prospects in the Neways organisation and contains information about pensions. 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.

Shoulder to shoulder

Neways has 14 operating companies in the Netherlands, Germany, Slovakia, the Czech Republic and China, and has a sales and service office in Singapore. Each operating company has its own expertise, its own processes and its own customers, though they are all part of a single Neways.

Sharing success

Together we share knowledge and experience and exchange information and customers' wishes, because we also serve customers jointly, across the various operating companies. Our Customer Focus Teams see to it that all the disciplines required are brought together, so that together we ensure that sales, engineering, logistics, quality and purchasing have joint responsibility for a seamless working relationship with the customer and, of course, a successful end result. Together, shoulder to shoulder.

‘Seamless working relationship with the customer’

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

Employees, and therefore investing in employees, are paramount at Neways. One of the ways in which Neways invests in people is by providing good education and training programmes. 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 a good number of years in the foundation Stichting Atlant Partnership, a network of small and medium-sized enterprises and large employers in the Eindhoven/Helmond 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 within the Group for taking on, and keeping in employment, people with a labour disability. For some time now Neways has had contact with Stichting Atlant Partnership in Helmond to work jointly to this end. In 2013 Neways again made a number of jobs available to people put forward by the Stichting Atlant Partnership.

In the past year Neways worked on developing a policy on possible participation of people who are distanced from the labour market. The already existing contacts with Atlant have been intensified. For 2015 consideration is being given to starting, in collaboration with Atlant, a 'Job Carving' survey on the basis of which even more can be done to offer employment to people from the aforementioned target group, something which at present is not easy to do in many jobs, given the complexity of jobs at Neways, with broad responsibilities and complex and simple tasks. The survey will be used to see whether it will be possible to divide up tasks in an efficient way into simple and complex, as well as highly repetitive and infrequent tasks. Separation of these tasks can create more possibilities for closing the distance from the labour market for these people.

Integrated sustainability policy

An integrated sustainability policy was introduced by Neways in 2013. This policy is based on the Electronic Industry Citizenship Coalition (EICC) code of conduct, an international code developed for the market sectors in which Neways operates. The existing ethics policy has become part of the sustainability policy, which as well as ethics deals specifically with work, health & safety, and the environment. Both documents are available in their entirety on the Company's website. In addition, a management system has been developed to put the sustainability policy into effect and to monitor progress.

In this connection, one of the first steps taken in 2013 was to form a team of sustainability representatives from all the Neways operating companies based in the Netherlands. These representatives consult periodically with the sustainability coordinator in order to draw up an annual plan with action points.

The zero measurement scheduled under this annual plan for 2014 among all operating companies based in the Netherlands has been postponed to 2015. This zero measurement will be carried out using a questionnaire filled in by employees of the operating companies in the Netherlands.

Sustainability is not only an important issue internally, but in recent years more and more customers have become sustainability-minded. Sustainability features not only in questionnaires but also in periodic supplier audits.

Safety first

For Neways as a high-tech company it is of vital importance to adopt a preventive approach to dealing with and creating a safe work environment. Maintaining a safe work environment is an ongoing process, however. 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 officers and safety coordinators 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 again no noteworthy industrial accidents in 2014.

Like the policy on sick leave, Neways's safety policy is aimed at prevention. Employees are kept aware via instructions and workplace information 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.

Focus on the environment

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. After the successful introduction of the Paperless Factory project at Neways Advanced Applications, which involves the digitisation of the quantities of paper used for adding instructions to an order, it will be rolled out, in combination with the functionalities of the Next Generation project, in the other Neways operating companies. In this connection there was again a reduction in quantities of paper in 2014, as change and information flows between departments are increasingly taking place digitally.

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. Neways has adjusted all its production processes accordingly. Completely lead-free production is not yet compulsory in certain sectors, for instance in the medical sector and the semiconductor industry.

Production is fully or partly lead-free in the majority of the Neways operating companies, but in 2015 a number of products from these sectors will also fall within the ROHS regulation. However, there will continue to be exceptions for a number of years. So for these customers Neways will continue to solder with lead in the coming years.

Wellbeing and employee satisfaction in an international context

The quality of the employees determines the end result and Neways therefore expects its employees to meet high standards. Likewise, the employees are also entitled to expect their employer to meet high standards. Neways wishes to position itself as an attractive and caring employer, i.e. an employer who not only offers a challenge in terms of job content but also provides good 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.

When production is transferred to China the employees concerned are sent to work temporarily at the operating company in the Netherlands or Germany in order to acquire the necessary knowledge and hence bring about a problem-free transfer of product and processes.

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 global players in manufacturing industry (OEMs).

Neways is a leading-edge player that differentiates itself on the basis of its specialist technological knowledge and concentrates on the development and production of medium-sized batches of components and systems with a higher added value.

The global EMS market is highly fragmented and therefore has many players, varying from companies with turnover of several millions to multinationals with many billions. This turnover can best be characterised as consumer electronics. Industrial/professional EMS companies, whose customer base consists of the OEMs, are involved solely with electronics for professional applications.

The trend towards consolidation of these industrial/professional EMS companies persisted in 2014 and Neways played a prominent role in this process with the takeover of BuS Group. Consolidation is expected to continue in this market in the coming years because customers give preference to suppliers who have a strong financial position and a worldwide footprint and who are able to follow them.

With the acquisition of BuS Group, Neways has become a top-5 European player in the industrial/ professional EMS segment. Neways anticipates that it will be able to obtain significant synergy gains as a result of this acquisition. The profile and the strategy of the two companies are well matched, while the customer base, market segments and activities complement one another.

Asia has been the main growth market for the EMS sector for several years now. Because this is such an up-and-coming market, OEMs are transferring more of their activities to the Asian market. This trend is expected to persist, so that more and more production and, in the long run, front-to-end projects will take place at these local facilities in Asia in the coming years.

The worldwide EMS market is continuing to grow 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 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). Accordingly, the increased complexity of the issues requires that contracting policy and the design of processes be regularly scrutinised. This is an ongoing process in which important steps were again taken in 2014 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 has brought 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 in its own turn 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 which will continue to guide Neways, as a niche player, in the coming years and with which it can differentiate itself as a qualitatively strong knowledge partner for OEMs, offering them the extra added value that they seek.

Market trends

- Both in assembly and in development and (sub-) systems there has been a clear trend for a number of years towards outsourcing by large OEMs to suppliers. This trend continued in the past year and 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 continuing apace, offering opportunities not only to globally operating players who concentrate on high volumes and mass production, but also to niche players like Neways who focus on added value in combination with medium-sized to small batch production;
- Eastern Europe is acquiring an important role as a production base for Germany; OEMs are rapidly expanding their market presence in the growth market of Asia by means of local facilities Their main focus is on China;
- A growing need on the part of 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 call for ever greater flexibility and 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 sufficient 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 professional electronics sector because of the relatively higher margins that the sectors in these markets offer;
- Required growth of knowledge/employees with higher education;
- 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 modernisation of 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;
- Good/strong entrepreneurial spirit in the Group;
- 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;
- Neways is strengthening its position through early involvement in customers' development processes.

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 organization;
- 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;
- Greater / earlier involvement with the customer means more creativity in the DNA of all our employees.

Information on management of the Company

Neways has an organisational structure in which the holding company acts as the pivot of the whole 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 the 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 as far as possible reduces competition among one another and facilitates cooperation.

Composition of Supervisory Board, Board of Directors and management team

Situation as at 31 December 2014

SUPERVISORY BOARD

Dick Boers (1947)	Chairman
Henk Scheepers (1949)	Vice-chairman
René Penning de Vries (1954)	
Dick Boers	First appointment 2002
	Present appointment until 2015
	Nationality: Dutch
	Positions:
	Former partner/chairman of the board of Govers Accountants/Consultants
	Chairman of Stichting EMA Beheer – Eindhoven
	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
	Member of Advisory Board of Brainport Industries
	Member of Advisory Board of Diemer en Ramaekers
	Chairman of Supervisory Board of Solliance
	Chairman of High Tech NL
René Penning de Vries	First appointment 2013
	Present appointment until 2017
	Nationality: Dutch
	Positions:
	Former CTO and member of Board of Directors of NXP Semiconductors
	Supervisory Director of Brabantse Ontwikkel Maatschappij (BOM)
	Chairman of Stichting Health Valley
	Member of Advisory Board of Holst Institute
	Figurehead of ICT Topteam (Ministry of Economic Affairs)

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
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
Mark Hofman (1970)	Director Corporate Procurement
Harrie van Houtum (1959)	Director Corporate Operations
Jörg Hupfeld (1968)	Managing Director Neways Deutschland
Hans Ketelaars (1957)	Managing Director Neways Technologies
Nick Klein (1958)	Corporate Director Strategy & Business Development
Bob Konings (1971)	Managing Director Neways Industrial Systems
Jack Kromhof (1951)	Director Cable & Wire Projects & Technologies
Jörg Neukirch (1958)	Managing Director Neways Vertriebs GmbH
Michel Postma (1972)	Managing Director Neways Leeuwarden
Tom van Wanrooij (1958)	Corporate Director ICT
Werner Witte (1953)	Managing Director BuS Elektronik

List of activities by operating company

Neways Advanced Applications Son
- PCB/product assembly
- Development
- Engineering / Prototyping
- Systems assembly

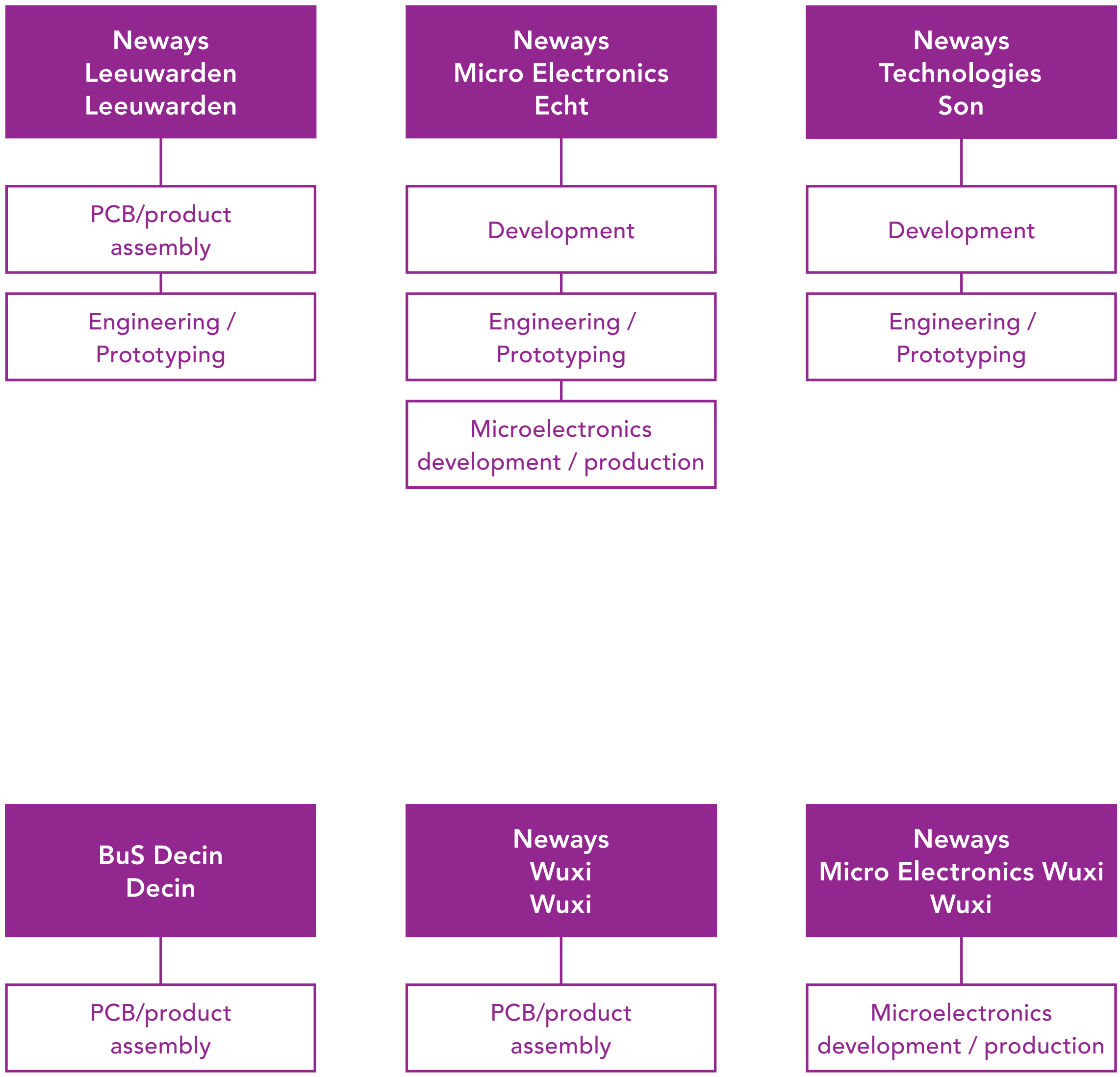
Neways Cable & Wire Solutions Echt
- Engineering / Prototyping
- Cable production / assembly

Neways Industrial Systems Son
- PCB/product assembly
- Systems assembly

Neways Neunkirchen Neunkirchen
- PCB/product assembly
- Engineering / Prototyping

BuS Elektronik Riesa
- PCB/product assembly
- Systems assembly

Neways Slovakia Nova Dúbnica
- PCB/product assembly
- Cable production / assembly
- Systems assembly


Neways Leeuwarden Leeuwarden
PCB/product assembly
Engineering / Prototyping
Neways Micro Electronics Echt
Development
Engineering / Prototyping
Microelectronics development / production
Neways Technologies Son
Development
Engineering / Prototyping
BuS Decin Decin
PCB/product assembly
Neways Wuxi Wuxi
PCB/product assembly
Neways Micro Electronics Wuxi Wuxi
Microelectronics development / production

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 off 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. More and more work is taken off the customer's hands.

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 are crucial. This is essential for rolling out 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 offer it to other customers.

Quality and service orientation are differentiating factors for a leading-edge 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. Extra attention was devoted to this in the past year through the Lean Leadership Model, which is designed to further improve the leadership structure at Neways.

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.

Neways also serves customers who 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 provide advice 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 leading-edge 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 activities 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, the Czech Republic 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 and there are programmes 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 does this on the basis of a long-term competency development plan that is used throughout the group. Instead of identifying the skills that are lacking in an employee's present work, the emphasis is placed on the sales markets and customers with which the employee is, or will be, involved. In this way the development needs are identified and the competency development programme is drawn up in consultation with the employee. This system, Neways N.A.P. (Norms, Current Measurement and Personal Development) is now in operation for the third year and is evaluated and further developed annually. If necessary, modifications will also be made after the round of appraisal/development meetings of 2014.

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, Neways continually looks out for possible acquisitions, though at present the focus is on the integration of BuS Group.

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 macroeconomic 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 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% (operating result as a percentage of turnover), 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 and intangible fixed assets. This percentage is set taking into account the capital-intensive and partly cyclical nature of the Company's activities.

On the basis of an evaluation of the dividend policy, a modified dividend policy will be submitted to the General Meeting of Shareholders to be held on 16 April 2015, with a dividend distribution of 40% of the net profit, subject to 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	Mid/much manual work
Logistical planning	Complex/shorter delivery times	Less complex	Simple/stable
Sales market	Western Europe	Western Europe	Western Europe/Asia 90/10%

Fun with Neways

Successful service is something we provide together. Together with our closest colleagues, together with other Neways operating companies and together with our customers. We set the bar high, to obtain success for the customer and success for Neways. We celebrate our successes together and then set the bar even higher.

Challenging

At the same time we want to be accessible, for one another and for our customers. Not least when we are working at full stretch. An order can come under pressure, whether due to the price or a challenging deadline. At Neways we want to be winners and share success with our customers. With each success that we celebrate we both become better. A win-win scenario.

'Sharing success with our customers'

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. Great importance is attached to commitment to the Dutch Corporate Governance Code by the Company 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 came into effect on 1 January 2012. Consequently, from that date 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 that date.

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).

- For reasons of cost, 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 on the basis of experience, expertise and personality.

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 in the section "Strategy and objectives" of this annual report. The implementation of this strategy and the progress achieved in the reporting period are dealt with in the Report of the Board of Directors. More information about the main risks, the management thereof and the Board's statement on the operation of the internal control systems can be found in the section "Risk factors and risk management" of this annual report.

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. In 2014, as in previous years, the Board of Directors was composed of two members, a COO and a CFO, 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 in the section "Composition of the Supervisory Board, Board of Directors and management team" of this annual report.

In October 2014 Mr Vincent de Bok (CFO) expressed the wish to step down from office in the course of 2015. Having regard to the departure of Vincent de Bok, it has been decided to add a third person to the Board of Directors to be responsible as COO for operational matters.

With effect from 1 January 2015 the Board of Directors consists of three members. The position of COO has been filled by Mr Adrie van Bragt. As CEO, Mr Huub van der Vrande will remain responsible for general management and commercial operations. The successor to Mr Vincent de Bok will be appointed as CFO.

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 in the Remuneration Report. 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. As at 31 December 2013 Neways has an outstanding loan to one of the members of the Board of Directors for a sum of € 1.1 million. This loan was fully redeemed in 2014. No guarantees have been provided to the members of the Board of Directors. More information about the remuneration of members of the management board can be found in Note 24 to the financial statements.

Supervisory Board

The Supervisory Board is a body which is independent of the Board of Directors. This independence is reflected in the requirement that members of the Supervisory Board may not be part of the management of the Company or employees of the Company. The members of the Supervisory Board are also independent within the meaning of the Corporate Governance Code.

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 in the section "Report of the Supervisory Board" 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 Central 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 the section "Composition of Supervisory Board, Board of Management and management team" of this annual report.

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 Note 24 to the financial statements.

General Meeting of Shareholders

On 1 July 2013 a new Act based on the recommendations of the Corporate Governance Code Monitoring Committee introduced a number of amendments which affect the rules governing General Meetings of Shareholders. The threshold for the right of shareholders to place items on the agenda (article 2:114a, clause 2 of the Netherlands Civil Code) has been raised from 1% to 3%. Furthermore, the alternative threshold of € 50 million for the right to place items on the agenda for listed companies has been abolished.

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 3 % 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 management board resolutions 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 16 April 2015 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), the General Meeting of Shareholders and the annual visit to an operating company.

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. In the past few years it has become clear that the EMS market as a whole has changed and become more volatile. Consequently, demand throughout the year fluctuates more than in the pre-crisis period. These are variables that also affect the Neways organization, a new reality marked by considerable market volatility.

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, and to better manage the brief shortages of capacity in the locations.

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 Asia. A shortage of developers and engineers with a technological education could eventually restrict Neways's growth.

Neways wishes to position itself as an attractive employer for a career in the technological heart of the Netherlands, such as the "Brainport" region in and around Eindhoven. To this end, the Company conducts a clear and proactive recruitment and selection policy, working together on various fronts with universities of technology and other institutions of higher education. Changes are made where necessary in the provision of attractive training programmes, career and promotion prospects and an appropriate remuneration policy in order to successfully recruit and keep highly qualified personnel.

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

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 modified, 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 wavesoldering 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 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 is ascertaining, 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 the central ERP system. This guarantees the standard organisation of the logistical and financial processes. The possible failure of this (BaaN IV) system 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. Improvements and extensions of functionality are also planned in the new ERP environment.

Some years ago the Next Generation project started for the replacement of the BaaN IV systems with a new Infor ERP LN system, the successor to BaaN IV. The project is being rolled out very thoroughly and in phases by Neways, 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. Successful simulation tests have taken place. The next physical implementations will take place in the course of 2015. The first operating company which following extensive tests at the beginning of 2015 will operate under the new ERP system is Neways Advanced Applications.

The migration to the office automation platform was set in motion in 2014; implementation will continue in 2015.

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 and 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. As a result, the outstanding balance of accounts receivable and hence the risk in relation to accounts receivable is relatively low.

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 quarterly for correct inclusion in the consolidation process and their elimination.

Accounting principles and closing procedures are prepared centrally at group level and issued to the operating companies. Correct compliance is likewise managed and monitored at group level.

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

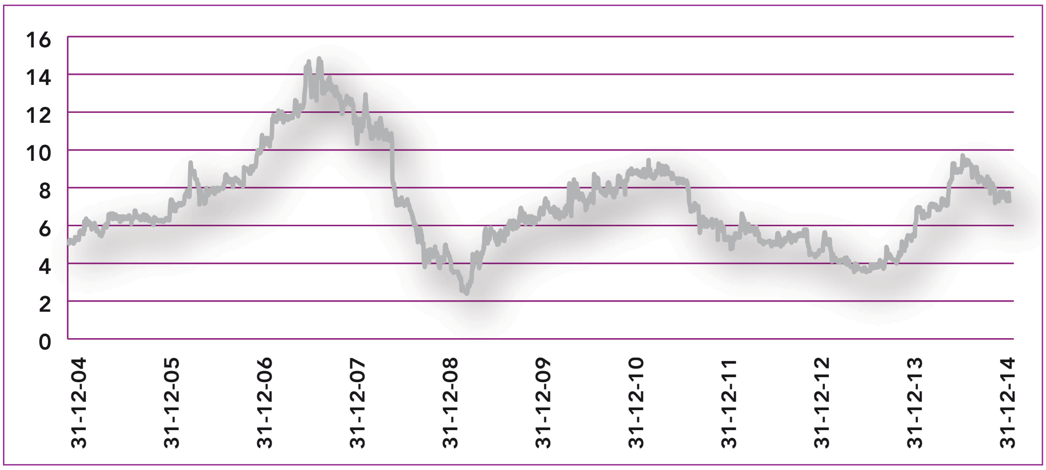
Neways ordinary shares are listed on NYSE Euronext in Amsterdam. In 2014, SNS Securities acted as liquidity provider for the Neways shares. This working relationship will be continued in 2015.

Share price

From a lowest Neways share price at the end of January 2014, the price rose steadily in the following months due to positive market trends, demand for extra capacity, improved results and the announcement of the takeover of the German BuS Group. The highest share price of the year was reached at the beginning of July 2014. In the course of the second half of the year Neways's results and share price were affected by postponements of orders and downward planning adjustments by customers, which are part and parcel of the continuing volatility of the EMS market.

Closing price 31 December 2013	€ 6.13
Lowest price 2014	(27 January 2014) € 6.05
Highest price 2014	(3 July 2014) € 9.80
Closing price 31 December 2014	€ 7.30

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 issuance of shares for the takeover of BuS Group, the number of outstanding ordinary shares increased from 9,945,706 at year-end 2013 to 10,985,907 at year-end 2014.

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

	2014	2013
At year-end	10,985,907	9,945,706
Weighted average	10,236,107	9,943,418

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

Shareholders/Share ownership

Under the new Act on corporate governance a number of amendments were introduced on 1 July 2013 which affect the disclosure of shareholdings and/or voting rights. This means that the threshold of 5% in connection with the disclosure of a shareholding in a listed company has been lowered to 3%. 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 3%:

VDL Beleggingen B.V.	26.5%
Stichting Administratiekantoor Tymen	20.0%
Todlin N.V.	9.6%
Fam. Maiwald	7.7%
Menor Investments B.V.	7.3%
Otterbrabant Beheer B.V.	5.6%

The greater part of the outstanding ordinary shares is held by institutional investors, family offices and private investors in the Netherlands.

As at 31 December 2014 the Board of Directors held no Neways shares. Furthermore, 9.0% of the outstanding shares are held by the former owners of BuS Group as a consequence of the financing of the takeover. The percentages relate to the total outstanding share capital of 10,985,907 as at 31 December 2014.

Dividend policy

On the basis of the current 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 and intangible fixed assets/total equity) should be 35% or higher. On the basis of an evaluation of the dividend policy the General Meeting of Shareholders to be held on 16 April 2015 will be presented with a revised dividend policy proposing a dividend distribution of 40% of the net profit.

On the basis of the profit posted for 2014 of € 0.63 per share, it will be proposed to the General Meeting of Shareholders to distribute a dividend of € 0.25 per share for the financial year 2014, to be paid in shares. This represents a pay-out ratio of 40%.

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 2014, 15,000 options were granted to each of the members of the Board of Directors, and 20,000 options in total were granted to other officers, with an exercise price of € 7.05 and a term of five years. In the reporting period, 47,500 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 in Note 16 to the financial statements.

Financial calendar

2 March 2015	Publication of annual figures for 2014 / Annual Report 2014
16 April 2015	General Meeting of Shareholders*)
16 April 2015	Publication of interim trade report
26 August 2015	Publication of half-year figures for 2015
3 November 2015	Publication of interim trade report

*) The General Meeting of Shareholders for the financial year 2014 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 16 September 2014 a Neways Open Day was held at the operating companies Neways Cable & Wire Solutions and Neways Micro Electronics in Echt. Approximately 70 institutional and private shareholders attended. Presentations were given by the members of the Board of Directors and by the managing director of Neways Cable &

Wire Solutions, Mr Mark van den Heuvel, and by the managing director of Neways Micro Electronics, Mr Wim Gosselink. The shareholders were also given a guided tour of Neways Micro Electronics. The visit gave shareholders the opportunity to have an informal exchange of views with members of the Board of Directors.

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 (financial) media 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 is extremely grateful to 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 and consistent strategy and innovative capability is indispensable for an organisation that wishes to offer added value as an employer, a business partner and an investment, also in the future.

More information about Neways shares can be found at www.newayselectronics.com.
You may also contact us by email (info@newayselectronics.com) or by telephone (+31 40 267 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 2014 give a true and fair view of the assets, the liabilities and the financial position as at 31 December 2014 and the result for 2014 of Neways Electronics International N.V. and the group companies included in the consolidated statements;

- The annual report 2014 gives a true and fair view of the state of affairs as at 31 December 2014, the business performance during 2014 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

Neways has gone through an eventful year. There was a busy start in the first months of 2014, with demand for extra capacity for several operating companies, in part due to the closure of Neways Electronics Production in Kassel (Germany) following the large fire which rendered production in that operating company no longer possible.

The year 2014 was of course largely dominated by the successful takeover of BuS Group, the largest takeover ever in Neways's history. With the acquisition of this company, the integration of which is fully under way, Neways has become a top-5 player in the EMS market in Europe and, more specifically, has in one move considerably strengthened its position in the German market that is so important for manufacturing industry.

In the past year Neways saw a fall in turnover in the second quarter, volatility in demand creating an increasing imbalance in capacity utilisation within the Group. The ability to react quickly, anticipate and think pro-actively together with the customer is a must for a successful company, and this is of course a given for Neways as a one-stop-provider for the life cycle management of electronic components and systems.

As well as the focus on the integration of BuS Group, attention will be devoted in 2015 both to improvement of the individual performances of the Neways operating companies and to joint earnings. In this connection, management control of various operating companies was strengthened in 2014, which should lead to concrete improvements in 2015.

Financial statements and discharge of directors from liability

The financial statements for the financial year 2014 prepared by the Board of Directors have been submitted to the Supervisory Board and discussed in detail with EY, registered accountants. EY has examined the 2014 financial statements and issued an unqualified report thereon. This report appears under Other Information.

The Supervisory Board has ascertained that the report of the Board of Directors for the year 2014 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 € 5.3 million excluding non-recurring income and expenses was posted in 2014, compared with € 4.7 million in 2013. Including non-recurring income and expenses, the net result came to € 7.0 million (€ 1.9 million in 2013). On the basis of an evaluation of the dividend policy the General Meeting of Shareholders to be held on 16 April 2015 will be presented with a revised dividend policy, namely a dividend distribution of 40% of the after-tax profit instead of 30%. The Board of Directors has decided, with the approval of the Supervisory Board, to distribute a dividend of € 0.25 per share for the financial year 2014.

The dividend for 2014 amounts to 40% of the net result, in line with the revised dividend policy to be submitted to the shareholders' meeting. The Supervisory Board recommends to the shareholders' meeting that it adopt this profit appropriation.

Composition of Board of Directors

No changes were made to the Board of Directors in 2014. The two-member Board of Directors consists of Vincent de Bok (Chief Financial Officer) and Huub van der Vrande (Chief Operating Officer), who were both appointed for an indefinite term. Once again, in 2014 the two members jointly performed the duties of Chief Executive Officer.

In October 2014 Mr Vincent de Bok expressed the wish to stand down from his position in the course of 2015. Having regard to the proposed departure of Mr De Bok, the selection procedure for a successor has started and it has also been decided to add to the Board of Directors a third person who as COO will be responsible for operational affairs.

This means that there will be a different distribution of tasks on the Board of Directors, with Mr Van der Vrande being responsible as CEO for general management and commercial operations. The successor to Mr De Bok will be appointed as CFO and will not have CEO responsibilities.

With effect from 1 January 2015, Mr Adrie van Bragt has been appointed COO and a member of the Board of Directors. He has been employed at Neways since 1992, for the last 10 years as managing director of the operating company Neways Advanced Applications.

After a thorough selection process for a suitable candidate for the position of CFO on the Board of Directors, the Supervisory Board will notify the General Meeting of Shareholders to be held on 16 April 2015 of the proposed appointment of Mr Paul de Koning as CFO. Mr De Koning (1963) was CFO of Scheuten Glas in Venlo from 2009 to the present, having previously held various financial positions at NXP Semiconductors and Philips.

Composition of Supervisory Board

The current term of Mr Boers as chairman and member of the Supervisory Board ended after the General Meeting of Shareholders held on 10 April 2014. He had indicated that he did not wish to make himself available for reappointment. As stated in the annual report 2013, the Supervisory Board had found in Mr Jan Buné a person who was prepared to put himself forward as a candidate in 2014. However, for personal reasons Mr Buné has decided, in consultation with the Supervisory Board, to withdraw his candidacy.

In view of this situation, Mr Boers has undertaken to make himself available for a maximum period of one year on the Supervisory Board for the sake of continuity and in order to ensure the thoroughness of the search and selection process for a suitable replacement candidate.

The reappointment of Mr Dick Boers as a member of the Supervisory Board for a maximum period of one year was approved at an Extraordinary General Meeting of Shareholders held in May 2014. As in previous years, Mr Boers will act as Chairman of the Supervisory Board.

The composition of the Supervisory Board complies with the guidelines of the Dutch 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.

The chairman of the Supervisory Board, Mr Dick Boers has a strong background going back many years in finance and business administration, as well as management experience. Mr Henk Scheepers has considerable expertise in markets that are relevant to Neways. With the appointment of Mr René Penning de Vries in 2013 the Supervisory Board has a member who, as well as having considerable knowledge and experience in the semiconductors market and knowledge and expertise in innovation and R&D, has an extensive relevant network.

The (temporary) reappointment of Mr Boers as chairman and member of the Supervisory Board will end after the General Meeting of Shareholders to be held on 16 April 2015. As already stated, Mr Boers will not make himself available for reappointment.

During 2014 the Supervisory Board gave consideration to finding a suitable candidate to replace Mr Boers as a supervisory director. At the end of 2014 the Supervisory Board found in Mr Peter van Bommel a person who is prepared to put himself forward as a candidate in 2015. It will be proposed to the General Meeting of Shareholders to appoint Mr Peter van Bommel (1957) as successor to Mr Boers. Mr Van Bommel is at present CFO and member of the Board of Directors of ASMI. He is also a member of the Supervisory Board of KPN and a non-executive director of ASM-PT (Hong Kong). Mr Van Bommel has previously held positions as CFO with companies such as NXP and in several divisions at Philips. With his knowledge of the sector, and his financial, business administration and managerial experience, Mr Van Bommel will be a valuable addition to the Neways Supervisory Board.

By way of introduction, Mr Van Bommel has had talks with the Board of Directors and the Central Works Council of Neways and has attended a meeting of the Supervisory Board. The Supervisory Board believes that in Mr van Bommel it has found a worthy successor and will put his name forward for appointment as a supervisory director at the General Meeting of Shareholders to be held on 16 April 2015. After the appointment of Mr Van Bommel as a member of the Supervisory Board, Mr Henk Scheepers will be chairman of the Supervisory Board and Mr René Penning de Vries will be vice-chairman in the new composition.

Work

The Supervisory Board holds at least five formal meetings per year with the Board of Directors. One of these meetings took place in the presence of the external auditor, EY. In addition, it meets at least once per year without the presence of the Board of Directors in order to discuss its own performance. There was also additional consultation among the individual members of the Supervisory Board in the course of the year.

As well as discussing the financial performance, the Supervisory Board devoted considerable attention last year to a number of important strategic and operational issues, also consulting the Board of Directors quite a few times.

In total there were ten meetings in the presence of the Board of Directors, the extra meetings having been convened mainly to discuss the acquisition of BuS Group. In addition, the Supervisory Board specifically concerned itself with the selection process for finding a worthy successor to Mr Dick Boers in 2015, the recruitment and selection of a successor to Mr Vincent de Bok for the role of CFO in 2015 and the addition of Adrie van Bragt to the Board of Directors as COO. There were also extensive deliberations on the strengthening of management control of the various operating companies, improvement of capacity utilisation within the Group and the operational and financial performances of individual operating companies.

The working relationship between the Supervisory Board and the Board of Directors in 2014 can again 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 always determines the way in which they operate.

The auditor's report is discussed at length each year with the auditor. Other subjects discussed with EY include the design, operation and further improvement of the internal risk management systems, as well as the integration process following the takeover of BuS Group and 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 chairman of the Supervisory Board also attended one of the meetings of the Central Works Council (CON), discussing in detail the takeover of BuS Group and other subjects.

Remuneration of the Board of Directors

The remuneration policy is evaluated every year by the Supervisory Board. The principles underlying the remuneration policy can be found in the Corporate Governance section 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 December the Supervisory Board again set the remuneration of the members of the Board of Directors. In 2014 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 € 7.05. For further details of the remuneration of the members of the Board of Directors, please refer to Note 24 to the financial statements.

Corporate Governance Code

Neways attaches great importance to good corporate governance. In 2014 the Company complied with the majority of the recommendations contained in the Dutch Corporate Governance Code. Exceptions are dealt with in the Corporate Governance section of this annual report. As usual, the Corporate Governance Code was discussed by the Supervisory Board in the financial year 2014. This did not lead to any changes with regard to the recommendations not adopted by Neways and the reasons for this.

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 2014 to have a formal and informal exchange of views. In addition, three Extraordinary Meetings of Shareholders were held in 2014 to deal with the takeover of BuS Group, the reappointment of Mr Boers as a member of the Supervisory Board and the appointment of Mr Van Bragt as COO and member of the Board of Directors.

Remuneration of Supervisory Board

The members of the Supervisory Board received in 2014 a fixed emolument which is not related to the Company's results. Further details concerning this can be found in Note 24 to the financial statements.

Appreciation for management and workforce of Neways

The start to 2014, with two operating companies fewer, a major takeover with the acquisition of BuS Group and continually having to respond to customers' various planning adjustments, meant that last year too the Neways organisation was very much in flux.

It also means that a lot was asked of the Neways workforce in terms of dedication, determination and the ability to adapt, as well as a proactive attitude and the ability to come up with solutions. These are the "softer" attributes that we expect Neways employees to have or to develop, in addition to technological expertise and know-how. They are attributes that in 2015 will again be crucial to winning and retaining the trust of customers, so as to be able to effectively anticipate sharp fluctuations in demand during the year and to further strengthen Neways's market and competitive position in the EMS market in Europe.

The Supervisory Board would like to express its appreciation for the commitment, enthusiasm and all the work done by the employees, the management and the Board of Directors in 2014.

Son, 27 February 2015

Supervisory Board
Dick Boers (Chairman)
Henk Scheepers (Vice-chairman)
René Penning de Vries

Technology partner

Neways is an international one-stop-provider of advanced and integrated electronic components, assemblies and systems. For our customers we are a technology partner, a trusted party who is pro-actively involved in development right from the beginning – both at a strategic and an operational level.

Providing solutions

Neways thinks in terms of solutions – solutions for a range of sectors: the industrial sector, the automotive sector, the semiconductor industry, the medical sector and the defence industry. Intensive cooperation continually gives rise to new initiatives in the areas of quality and innovation. Optimisation of this cooperation results in significant efficiency benefits, for Neways but above all, of course, for our customers.

The service provided by Neways does not stop when a project is completed; our responsibility goes further. As a partner we familiarise ourselves with the customer and go the extra mile, not only making sure that we know the customer's wishes and requirements but also taking into account the needs of the end customer. That makes Neways a technology partner who always strives to reach a higher level, for our customers and with our customers.

‘Neways: an international one-stop-provider’

2014 Financial Statements

CONSOLIDATED BALANCE SHEET

Amounts x € 1,000 as at 31 December	Notes	2014	2013
Fixed assets			
Property, plant and equipment			
Land and buildings	6	15,225	2,491
Plant and equipment	6	22,571	10,666
		37,796	**13,157**
Intangible assets			
Software	7	5,347	3,493
Goodwill	7	2,754	2,754
Customer relationships	7	6,180	0
		14,281	**6,247**
Financial assets		**10**	**0**
Deferred tax assets	8	**4,620**	**1,242**
Total fixed assets		**56,707**	**20,646**
Current assets			
Inventories			
Raw materials and consumables	9	55,382	37,773
Work in progress	9	24,025	9,640
		79,407	**47,413**
Receivables			
Trade and other receivables	10	36,889	30,420
Corporate income tax		412	0
		37,301	**30,420**
Cash		**1,778**	**22,143**
Total current assets		**118,486**	**99,976**
Total assets		**175,193**	**120,622**

Amounts x € 1,000 as at 31 December	Notes	2014	2013
Equity			
Issued and paid-in capital	11	5,493	4,972
Share premium		39,237	30,120
Retained earnings		20,671	14,712
Foreign exchange reserve	11	590	267
Equity attributable to holders of equity instruments in the parent company		**65,991**	**50,071**
Long-term liabilities			
Interest-bearing borrowings	13	22,144	380
Provisions	14	0	257
Pension and anniversary commitments	15	5,380	4,025
Deferred tax liabilities	8	4,002	1,052
		31,526	**5,714**
Current liabilities			
Bank overdrafts	13	6,088	0
Interest-bearing borrowings	13	8,352	263
Trade and other payables	17	56,723	51,151
Taxes and social security premiums		6,312	5,900
Corporate income tax		0	763
Provisions	14	201	6,760
		77,676	**64,837**
TOTAL EQUITY AND LIABILITIES		**175,193**	**120,622**

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amounts x € 1,000	Notes	2014	2013
Proceeds from sales of goods		308,628	265,017
Proceeds from sales of goods		*5,986*	*0*
Movements in fair value of shares between contract date and acquisition date		*-2,482*	*0*
Profit from advantageous purchase on acquisition date		*3,504*	*0*
Business loss insurance payout		*0*	*8,597*
Other operating income	18	3,504	8,597
Movements in work in progress and finished products		1,605	-36
Raw materials and consumables		-185,381	-159,294
Employee expenses	19	-88,045	-84,649
Amortisation and depreciation	20	-6,283	-3,604
Other expenses	21	-27,468	-23,435
Operating results		**6,560**	**2,596**
Finance costs	22	-1,258	-589
Profit before taxation		**5,302**	**2,007**
Tax charge	8	1,657	-87
Net profit		**6,959**	**1,920**
Other comprehensive income			
To be reclassified to profit or loss in subsequent periods:			
Foreign exchange differences arising from translation of non-Dutch associates		323	-49
Total other comprehensive income to be reclassified to profit or loss in subsequent periods:		**323**	**-49**
Not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains and losses on defined benefit plans	15	-562	175
Impact of tax on income		161	-55
		-401	120
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods:		**-401**	**120**
Other comprehensive income after tax		**-78**	71
Total comprehensive income after tax attributable to holders of ordinary shares:		**6,881**	**1,991**

Net profit attributable to holders of equity instruments in the parent company		**6,959**	**1,920**
Total comprehensive income after tax attributable to holders of equity instruments in the parent company		**6,881**	**1,991**
Earnings per share (in €):	23		
- Net earnings per share attributable to holders of ordinary shares in the parent company		0.68	0.19
- Diluted net earnings per share attributable to holders of ordinary shares in the parent company		0.66	0.19

CONSOLIDATED CASH FLOW STATEMENT

Amounts x € 1,000	Notes	2014	2013
Operating activities			
Profit before taxation		5,302	2,007
Adjusted for:			
Profit on advantageous purchase		-3,504	0
Depreciation on property, plant and equipment	6	4,454	3,532
Amortisation on intangible assets	7	1,829	72
Costs of employee options granted	16	69	83
Finance costs	22	1,258	589
Movements in provisions and pension commitments		-6,640	6,578
Movements in working capital *)		4,171	18,272
		6,939	**31,133**
Other movements:			
Interest expense paid		-1,017	-560
Corporate income tax received/paid		-4,029	158
Cash flow from operating activities		**1,893**	**30,731**
Investing activities			
Payments to acquire intangible assets	7	-1,175	-1,548
Payments to acquire property, plant and equipment	6	-7,483	-2,502
Proceeds from disposals of property, plant and equipment	6	0	1,669
Acquisition of a subsidiary less cash acquired	5	-25,777	0
Cash flow from investing activities		**-34,435**	**-2,381**
Financing activities			
Proceeds from interest-bearing borrowings		17,897	0
Redemptions of interest-bearing borrowings		-11,236	-390
Increase/decrease in withdrawals from bank overdrafts		6,088	-6,191
Dividends paid to holders of equity instruments in the parent company		-599	-119
Revenues from exercise of options		156	7
Cash flow from financing activities		**12,306**	**-6,693**
Movements in cash		**-20,236**	**21,656**
Net currency exchange difference		-129	79
Cash as at 1 January		22,143	407
Cash as at 31 December		**1,778**	**22,143**
***) Movements in working capital**			
Inventories		897	6,103
Trade and other receivables		11,029	-3,621
Trade and other payables		-4,090	17,010
Taxes and social security premiums		-3,665	-1,220
		4,171	**18,272**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts x € 1,000	Notes	Issued and paid-in capital	Share premium	Retained earnings	Foreign exchange reserve	Total equity
Balance as at 1 January 2013		**4,971**	**30,031**	**12,791**	**316**	**48,109**
Profit for the financial year				1,920		1,920
Other comprehensive income				120	-49	71
Total comprehensive income		0	0	2,040	-49	1,991
Exercise of options	11	1	6			7
Issuance of share options	16		83			83
Dividends	12			-119		-119
Balance as at 31 December 2013		**4,972**	**30,120**	**14,712**	**267**	**50,071**
Profit for the financial year				6,959		6,959
Other comprehensive income				-401	323	-78
Total comprehensive income		0	0	6,558	323	6,881
Issuance of shares	11	497	8,785			9,282
Exercise of options	16	24	132			156
Issuance of share options			69			69
Call option on convertible loans	12		131			131
Dividends				-599		-599
Balance as at 31 December 2014		**5,493**	**39,237**	**20,671**	**590**	**65,991**

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 2014 are presented to the General Meeting of Shareholders for their adoption on 16 April 2015. Neways Electronics International N.V. is a company incorporated and domiciled in the Netherlands, whose shares are traded publicly on Euronext Amsterdam (symbol: NEWAY).
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

Neways Electronics International N.V. has not identified any material uncertainty that might give rise to serious doubts about the entity's ability to continue its operating activities on a going concern basis. The consolidated financial statements are presented based on historical cost. The currency in which the consolidated financial statements are denominated is the euro.

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 beginning 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. Upon consolidation, all assets, liabilities, capital, income, expense and cash flows resulting from transactions with the Group are eliminated in their entirety. 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 24 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 applied are consistent with those applied to the previous financial year, with the exception of the initial application of new and amended IFRS standards and IFRIC interpretations which entered into force on 1 January 2014. The changes concern the following standards and interpretations.

- IFRS 10 — Consolidated Financial Statements, in force effective 1 January 2014
- IFRS 11 — Joint Agreements, in force effective 1 January 2014
- IFRS 12 — Disclosure of Interests in Other Entities, in force effective 1 January 2014
- IFRS 10-12 — Transitional Provisions, in force effective 1 January 2014
- IFRS 10, IFRS 12 en IAS 27 — Investment Entities, in force effective 1 January 2014
- IAS 27 — Separate Financial Statements, in force effective 1 January 2014
- IAS 28 — Investments in Associates and Joint Ventures, in force effective 1 January 2014
- IAS 32 — Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities, in force effective 1 January 2014
- IAS 39 — Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting, in force effective 1 January 2014
- IFRIC 21 — Levies, in force effective 1 January 2014

IFRS 10 Consolidated Financial Statements
The initial application of this standard, which became effective on 1 January 2014, did not affect the Group's financial position or its results.

IFRS 11 Joint Agreements
The Group does not include any entities that are subject to joint control.

IFRS 12 Disclosure of Interests in Other Entities
As the Group does not have any subsidiaries that include significant minority interests, no unconsolidated structured entities exist.

IFRS 10-12 Transitional Provisions
The initial application of this standard, which became effective on 1 January 2014, did not affect the Group's financial position or its results.

IFRS 10, IFRS 12 and IAS 27 Investment Entitles
The amendments do not affect the Group, as none of the group's divisions satisfy the definition of an investment entity within the meaning of IFRS 10.

IAS 27 Separate Financial Statements
The initial application of this standard, which became effective on 1 January 2014, did not affect the Group's financial position or its results.

IAS 28 Investments in Associates and Joint Ventures
The Group does not hold any investments in associates or joint ventures; therefore the amended standard does not affect the Group's results or its financial position.

IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
The amendments do not affect the Group.

IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
The Group did not hold any derivatives during the period under review. However, the amendments will be applied to any future novations of derivatives designated as hedging instruments.

IFRIC 21 Levies
The initial application of this standard, which became effective on 1 January 2014, did not affect the Group’s financial position or its results.

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 (with the exception of costs of financing) relating to the acquisition are taken directly to the income statement. Costs of financing for taking out loans to finance the acquisition are taken to the balance sheet and amortised over the duration of the loan.

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, as profit on the advantageous purchase as at the acquisition date.

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 the translation of equity and borrowings of the Group's associates are taken directly to 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.

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

Property, plant and equipment 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 is based on the substance of that arrangement upon formation of the rental agreement. The agreement constitutes (or includes) a lease if the performance of the agreement is contingent upon the use of one or more specific assets and the agreement grants the right to use the asset or assets, even where the arrangement does not include explicit reference to that right.

The Group as a lessee

A lease contract is categorised as a financial lease or an operational lease as at the date of the contract. Leases under which both the income and expense associated with ownership accrue entirely or almost entirely to the Group are categorised as financial leases.

When the lease commences, financial leases are capitalised at their fair value of the leased asset as at the commencement date or, if lower, the discounted value of the minimum lease payments. Lease payments are divided between the costs of financing and the reduction in the lease obligation to achieve a constant rate of interest on the remaining balance of the obligation. The costs of financing are presented on the income statement under finance costs.

Leased assets are depreciated over the useful life of the asset in question. However, assets for which it is not reasonably certain that the Group will acquire ownership at the end of the lease period are depreciated over the asset's estimated useful life or, if shorter, the lease period.

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

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 recognised 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 recognised 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 contribution 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: *Bedrijfstakpensioenfonds Metalektro and Pensioenfonds Metaal en Techniek*. These pension schemes are administered together with those of other legal entities. The associated businesses are not obliged to make good any deficits in the pension funds, nor are they entitled to any surpluses. As such, these pension schemes qualify as contribution schemes in the financial statements.
The Group has defined benefit plans and early retirement schemes for employees of some German associates. The costs of the defined benefit pension schemes and early retirement schemes are calculated using actuarial methods. Revaluations that include actuarial gains and losses are recognised in other comprehensive income. Revaluations are not taken to profit or loss in subsequent periods.

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 23 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 4% of the Group's total revenue during the 2014 financial year (2013: approximately 3.5%).

Costs of financing

Costs of financing 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 asset 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 agreements 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.

Fair values of assets and liabilities

Contingent income resulting from business combinations is stated at fair value as at the acquisition date, as part of the business combination. If the contingent income satisfies the definition of a financial liability, it is subsequently restated at fair value as at each reporting date. The fair value is determined based on the discounted cash flows. The principal assumptions allow for the probability that the performance targets will be achieved and for the discount rate (see also item 5 of the Notes).

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. No adjustments were made during the financial year.

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 2014 was € 2.8 million (2013: € 2.8 million). For further information, please refer to item 6 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 previously been offset. Determining the amount that may be recognised 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 recognised as at 31 December 2014 was € 4.5 million (2013: € 1.2 million), while the tax losses not presented on the face of the balance sheet as at 31 December 2014 totalled € 12.5 million (2013: € 21.6 million). For further information, please refer to item 8 of the Notes.

Inventories
The valuation of inventories includes an assessment of the possibility of obsolescence. Estimates are made to this end based on both historic and future revenues. The future revenues are based on estimates of the future inventory turnover rates. As at 31 December 2014, the allowance for write-downs of raw materials and consumables was € 9.4 million (2013: € 7.9 million).

Restructuring provisions
During the 2013 financial year, provisions were formed for the closure and reallocation of production activities at the location in Echt (Netherlands) and the production facility in Kassel (Germany). The calculation of the amount of these provisions and other liabilities recognised under trade and other payables includes assumptions and estimates concerning the projected costs of redundancy and reemployment of workers, the amount of the compensation for the third-party assets lost in the fire, the advance on the insurance payout for the costs to be incurred in 2014, in particular for the transfer of clients to other production sites within the Group, and the lump-sum payment to buy off the ongoing rental commitment for the premises in Kassel. As at 31 December 2014, the carrying amount of the restructuring provisions was € 0.2 million (2013: € 7.0 million). The other liabilities recognised under trade and other payables as at 31 December 2013 included € 5.0 million for this purpose. No liability was included as at 31 December 2014. For further information, please refer to item 14 of the Notes.

Pensions and anniversary schemes
The costs of defined benefit pension schemes, early retirement schemes and anniversary schemes are calculated according to actuarial methods. The actuarial methods consist of making assumptions about discount rates, 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 2014 was € 5.4 million (2013: € 4.0 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 is a € 0.7 million reduction in the depreciation charge in 2013 and a reduction of € 0.3 million in 2014. For 2015, the result will be a reduction in the depreciation charge by € 0.1 million.

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 9 Financial instruments, entry into force on 1 January 2018
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities, entry into force on 1 January 2016
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, entry into force on 1 January 2016
- Amendments to IFRS 11 Joint Arrangements, entry into force on 1 January 2016
- IFRS 14 Regulatory Deferral Accounts, entry into force on 1 January 2016
- IFRS 15 Revenue from Contracts with Customers, entry into force on 1 January 2017
- Amendments to IAS 1 Presentation of Financial Statements, entry into force on 1 January 2016
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets, entry into force on 1 January 2016
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture, entry into force on 1 January 2016
- Amendments to IAS 19 Employee Benefits, entry into force on 1 January 2015
- Amendments to IAS 27 Separate Financial Statements, entry into force on 1 January 2016
- Annual Improvements to IFRSs, 2010-2012 cycle, entry into force on 1 January 2015
- Annual Improvements to IFRSs, 2011-2013 cycle, entry into force on 1 January 2015
- Annual Improvements to IFRSs, 2012-2014 cycle, entry into force on 1 January 2015

The standards and interpretations listed above had been issued on the date of publication of the financial statements, but were not yet in force. The Group is investigating what impact these new standards and interpretations will have on the explanatory notes, the financial position or the results of the Group. The Group will begin to apply these standards and interpretations as soon as they come into force.

5. BUSINESS COMBINATIONS

On 11 July 2014, Neways Deutschland GmbH. – a wholly owned subsidiary of Neways Electronics International N.V. – acquired 100% of the shares and voting rights in BuS Holding GmbH, Riesa (Germany). BuS Holding GmbH is the holding company of a number of subsidiaries based in Germany and one subsidiary in the Czech Republic. The entire entity is referred to below as 'the BuS Group'. The acquisition date of 11 July 2014 was used to facilitate the initial consolidation of the BuS Group. No meaningful commercial transactions were conducted between the acquisition date and the initial consolidation date that would have interfered with that facilitation.

The BuS Group is a German EMS supplier with a strong focus on service. The company's headquarters, which performs office functions and important management functions, is situated in Riesa. Depending on the technical requirements and the terms of the specific order, part of the production might be transferred to the wholly owned subsidiary BuS Decin in the Czech Republic, where the BuS Group has its own production site (since late 2011). The BuS Group took over a company called Software & Systeme Erfurt (S+SE) in 2013, in order to expand its value chain and generate more R&D orders, leading to an expansion of the existing R&D department in Riesa.

The BuS Group's customers generally operate in the automotive industry, though some are in industrial electronics, medical technology, rail transport and aviation. The BuS Group has a strong customer base which it has been serving for many years. That customer base dovetails excellently with that of the Neways Group, offering exciting opportunities for cross-selling. The BuS Group also offers added technological capacity and expertise, as well as the possibility to share best practices within the combined Group, in the areas of component and system development, process innovation and production and supply chain management. These factors make the BuS Group an excellent addition to the acquiring company (the Neways Group and its subsidiaries).

The initial purchase price was € 37.0 million in cash and shares. The cash portion was € 30.2 million, of which € 3.0 million was withheld as a deferral of the purchase price. If no claims are exercised under the contractual guarantee provisions, it will be paid on 29 November 2016. The share portion comprises a transfer of 992,701 shares in Neways Electronics International N.V., at € 6.85 per share, to the sellers of the BuS Group. This price is based on the listed price as at 3 April 2014 and was formalised in the Letter of Intent. On the acquisition date (11 July 2014) the price of Neways stock was € 9.35. Pursuant to IFRS 3.33/3.37, this means that the fair value of the consideration received by the sellers of the BuS Group was € 39.5 million.

Amounts X € 1,000	
Purchase price	
Shares issued at fair value	9,282
Cash portion of purchase price	30,185
Total consideration	**39,467**

As at the acquisition date, the fair values of the identified assets (tangible and intangible) and liabilities of the BuS Group were as follows:

Amounts X € 1,000	Notes	Fair value as at acquisition date
Outstanding orders	7	1,491
Customer relationships	7	6,136
Other intangible assets	7	1,071
Property, plant and equipment	6	21,671
Financial assets		5
Inventories		32,891
Trade receivables		16,585
Other receivables		652
Cash at bank and in hand		1,408
Capitalised costs		259
Deferred tax assets	8	495
Total assets		**82,664**
Provisions		3,362
Interest-bearing borrowings		12,219
Trade payables		7,572
Payable to shareholders		1,685
Other payables		11,459
Deferred tax liabilities	8	3,396
Total liabilities		**39,693**
Fair value of the net assets identified		42,971
Profit on advantageous purchase	18	3,504
Purchase price transferred		**39,467**

The acquisition of the BuS Group resulted in negative goodwill to the amount of € 3.5 million, which is recognised in the income statement under ‘other revenue’, as ‘profit on advantageous purchase as at the acquisition date’. This negative goodwill is not subject to tax.

The outstanding orders presented at € 1.5 million comprise the fair value of orders to be produced in the short and medium term. The € 6.1 million for customer relationships represents the long-term relationships that have been identified with customers. The identified customer relationships are measured according to the valuation model used and satisfy the criteria of IAS 38 for recognition as intangible assets.
The plant and equipment and the land and buildings presented under property, plant and equipment have been measured in accordance with valuation reports by external experts. The fair value of the inventories is € 32.9 million, and represents the recovery value less the selling expenses.
The fair value of the trade receivables is € 16.6 million and is identical to the gross value. None of the trade receivables have undergone any impairments, and it is expected that the contractual sums can be collected in full.
The deferred tax assets and liabilities mostly concern the tax effect of differences between the values for tax purposes of property, plant and equipment, intangible assets and inventories and their values in the Group’s financial statements.

For the acquisition of S+SE in 2013, BuS had included an earn-out clause in the purchase contract for S+SE, which provides for payments over 2014 and 2015 if certain targets are realised. S+SE's management assumes that future payments will result from the contractual earn-out clause. The fair value of this liability has been established at € 0.1 million, presented under the provisions. A further provision of € 0.1 million has been recognised for two loss-generating contracts.

Amounts X € 1,000

Breakdown of the cash flows for the acquisition:	
Cash portion of purchase price	-30,185
Less: withheld portion of purchase price	3,000
Net cash acquired upon acquisition	1,408
Presented in cash flow from investing activities	-25,777
Transaction costs of the acquisition (presented in cash flow from operating activities)	-2,086
Net cash flow upon acquisition	**-27,863**

The fact the result of the purchase price calculation yielded an advantageous purchase is evidenced by the following facts:

- The pressure to sell (on the seller of the majority of the shares) was considerable, in light of his age (75) and a number of earlier transaction processes that were cancelled (the transaction process had already been terminated four times in the past).
- The seller's focus was not on receiving a high purchase price, but on finding a strategic investor to support the production site in Riesa and the plans for growing the BuS Group.
- The negotiations about the purchase price took place early in 2014. The BuS Group outperformed the forecasts in the following months.
- The Group used the positive momentum described above and professionally optimised the negotiations about the purchase price.

Since 11 July 2014, the newly acquired companies of the BuS Group have generated approximately € 60.5 million in revenue and a pre-tax profit of € 5.3 million. These figures have been presented in the Group's consolidated income statement for 2014. If the acquisition had been effected on 1 January 2014, the BuS Group would have contributed approximately € 126.9 million in revenue and a pre-tax profit of approximately € 8.4 million to the Group's revenue and profit.

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, effective 1 July 2012, 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 € 1,000	Note	Land and buildings	Plant and equipment	Total
Acquisition value:				
Balance as at 1 January 2013		**9,476**	**70,728**	**80,204**
Acquisitions		305	2,197	2,502
Disposals		-752	-6,207	-6,959
Exchange differences		0	0	0
Balance as at 31 December 2013		**9,029**	**66,718**	**75,747**
Acquisitions		3,166	4,317	7,483
Acquisition of subsidiary	5	10,231	11,440	21,671
Disposals		-142	-298	-440
Exchange differences		0	0	0
Balance as at 31 December 2014		**22,284**	**82,177**	**104,461**

Amounts x € 1,000	Land and buildings	Plant and equipment	Total
Depreciation and impairments:			
Balance as at 1 January 2013	**6,059**	**58,289**	**64,348**
Depreciation charge for the financial year	500	3,032	3,532
Disposals	-21	-5,269	-5,290
Exchange differences	0	0	0
Balance as at 31 December 2013	**6,538**	**56,052**	**62,590**
Depreciation charge for the financial year	663	3,791	4,454
Disposals	-142	-237	-379
Exchange differences	0	0	0
Balance as at 31 December 2014	**7,059**	**59,606**	**66,665**
Carrying amount:			
As at 31 December 2014	15,225	22,571	37,796
As at 31 December 2013	2,491	10,666	13,157
As at 1 January 2013	3,417	12,439	15,856

Property, plant and equipment include a sum of € 0.6 million for a financial lease obligation. Of the disposals in 2013, € 1.4 million concerns plant and equipment destroyed by the fire in Kassel and by water damage in Slovakia (see also item 18 of the Notes). The claims received as a result are presented in the consolidated cash flow statement under cash flow from investing activities.

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 € 1,000	Note	Software	Goodwill	Customer relation-ships	Total
Acquisition value:					
Balance as at 1 January 2013		**4,894**	**2,798**	**759**	**8,451**
Acquisitions		1,548	0	0	1,548
Balance as at 31 December 2013		**6,442**	**2,798**	**759**	**9,999**
Acquisitions		1,175	0	0	1,175
Acquisition of subsidiary	5	1,061	0	7,627	8,688
Balance as at 31 December 2014		**8,678**	**2,798**	**8,386**	**19,862**

Amounts x € 1,000	Software	Goodwill	Customer relation-ships	Total
Amortisation and impairments:				
Balance as at 1 January 2013	**2,877**	**44**	**759**	**3,680**
Amortisation	72	0	0	72
Balance as at 31 December 2013	**2,949**	**44**	**759**	**3,752**
Amortisation	382	0	1,447	1,829
Balance as at 31 December 2014	**3,331**	**44**	**2,206**	**5,581**
Carrying amount:				
As at 31 December 2014	5,347	2,754	6,180	14,281
As at 31 December 2013	3,493	2,754	0	6,247
As at 1 January 2013	2,017	2,754	0	4,771

The customer relationships comprise customer orders and customer bases acquired through business combinations, resulting from the process of recognition and identification of all identifiable intangible assets acquired through the takeover. Customer orders are amortised over periods of 1-2 years, while customer bases are amortised on a straight-line basis over periods of 5-10 years.

The estimated amortisation of customer relationships for the next four years is as follows:
- 2015: € 1.3 million
- 2016: € 0.8 million
- 2017: € 0.8 million
- 2018: € 0.8 million

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 recognised if the recoverable amount is less than the carrying amount.

The carrying amount of the software as at 31 December 2014 includes a sum of € 3.5 million (31 December 2013: € 2.7 million) for costs of the Infor-LN project that will not yet be amortised. Amortisation will commence when the software is put into use. As at the balance sheet date, it was established that the carrying amount of this software has not undergone any impairment.

Impairment testing of goodwill

The cash-generating unit to which the goodwill resulting from business combinations is allocated consists of the Western European production companies within the Group.

The Group conducted its annual impairment tests on 31 December 2014 and 2013. As at 31 December 2014, the Group's exchange capitalisation was more than the carrying amount of its equity.

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 11.3% (2013: 10.2%). The cash flows beyond the 5-year period have been extrapolated using a growth rate of 2% (2013: 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:
- Operating results;
- Discount rates;
- Growth rate used for extrapolating cash flows after the budgeted period.

Operating results

The operating results as a percentage of revenue are 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.

The consequences of the principal assumptions for the recoverable amount are explained below.

- Operating results
  An increase in operating results of no more than 2% per year from 2016 forward will not lead to any impairment.
- Discount rates
  If the discount rate (after tax) rises above 17%, an impairment will result.

Growth rate
Using a growth rate 0% will not cause grounds for an impairment.

8. TAXES

Amounts x € 1,000	Consolidated balance sheet		Consolidated income statement	
	2014	2013	**2014**	2013
Deferred tax assets				
Available from tax losses	4,500	1,242	3,258	231
Pensions	120	0	-16	0
Total deferred tax assets	**4,620**	**1,242**	**3,242**	**231**
Deferred tax liabilities				
Intangible assets	-2,030	-128	346	-48
Property, plant and equipment	-1,727	-924	275	459
Other valuation differences	-245	0	-533	0
Total deferred tax liabilities	**-4,002**	**-1,052**	**88**	**411**
Net deferred tax asset	**618**	**190**	**3,330**	**642**
Presented as follows on the face of the balance sheet:				
Deferred tax assets	4,620	1,242		
Deferred tax liabilities	-4,002	-1,052		
Net deferred tax asset	**618**	**190**		

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

Amounts x € 1,000	**2014**	2013
Tax on income for the financial year:		
Current tax charge	-1,422	-985
Adjustment of tax charge for previous years	-251	256
Deferred taxes:		
In connection with the emergence and reversal of timing differences	72	411
Recognised in connection with available losses	3,258	231
Tax on income presented in the consolidated income statement	**1,657**	**-87**
Deferred taxes on items presented in other comprehensive income during the financial year:		
Tax gains/losses on defined contribution schemes	161	-55
Tax on income presented in other comprehensive income	**161**	**-55**

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 € 1,000	**2014**	2013
Profit before taxation	**5,302**	**2,007**
Taxes at the applicable Dutch rate of 25.0%	-1,326	-502
Adjustment of tax charge for previous years	-251	256
Non-deductible expenses	-53	-35
Innovation box benefit	100	98
Negative goodwill, untaxed	1,051	0
Effect of other tax rates at non-Dutch subsidiaries	-311	116
Effect of unrecognised tax assets on profits/losses at non-Dutch subsidiaries	25	-20
Valuation of a tax asset for available losses at non-Dutch subsidiaries	2,422	0
Tax on income presented in the consolidated income statement	**1,657**	**-87**

The Group recognises deferred tax assets totalling € 4.5 million (31 December 2013: € 1.2 million), which pertain in their entirety to tax-loss carry-forwards representing total available losses of € 15.0 million (31 December 2013: € 4.0 million). Of this total, € 14.8 million pertains to losses offsettable in Germany, and € 0.2 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. This also includes the projected profits of the BuS Group, which is included in the fiscal unity of the German associates effective 1 January 2015. No tax asset is recognised on the face of the balance sheet for the remaining available loss of € 12.5 million in Germany (31 December 2013: € 21.6 million), as its realisation is not yet probable. These available losses in Germany, generated by Neways Deutschland GmbH, can be carried forward indefinitely; the available losses in Slovakia can be carried forward for 7 years.

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 € 2.4 million for available losses at the German associates, the effective tax rate – i.e. the ratio between taxes and the income before tax – is 14.4% (2013: 4.3%). The reason why this effective tax rate differs significantly from the corporate income tax rate of 25% as applicable in the Netherlands in 2014 lies in the goodwill recognised in income, which is untaxed, and in the applicability of other tax rates to non-Dutch associates. An arrangement was made with the tax authorities during the 2013 financial year to the effect that part of the development costs qualify for application of the Innovation Box facility for the period from 2010 until year-end 2016. During the 2013 financial year, this resulted in a tax benefit for the years 2010 to 2012 of € 0.3 million, which is presented as an adjustment to the tax charge for prior years. In the 2014 financial year, the tax charge was adjusted relative to the tax returns in the Netherlands and Germany by a total sum of € -0.3 million. The Group's areas of activity are the Netherlands, Germany, Slovakia and China, where the tax rates for 2014 are as follows: Netherlands 25%, Germany 30% (2013: 32%), Slovakia 22% and China 25%.

9. INVENTORIES

The allowance recognised for write-downs of raw materials and consumables is € 9.4 million (2013: € 7.9 million).
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. TRADE AND OTHER RECEIVABLES

Amounts x € 1,000	**2014**	2013
Trade receivables	35,141	26,969
Affiliated parties	1,748	3,451
Total	**36,889**	**30,420**

For the conditions that apply to receivables from affiliated parties, please refer to item 24 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 2014, trade receivables with a nominal value of € 1.1 million (2013: € 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 26 of the Notes):

Amounts x € 1,000	2014	2013
Balance as at 1 January	**382**	**546**
Charges for the financial year	930	2
Write-downs	0	-13
Reversals for unused amounts	-245	-153
Balance as at 31 December	**1,067**	**382**

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 € 1,000	Total	Not overdue, nor subject to impairment	< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
2014	36,889	29,446	5,395	804	412	396	436
2013	30,420	26,105	3,391	391	361	139	33

11. EQUITY

For a summary of the various equity components and the movements in those components between 31 December 2013 and 31 December 2014, please refer to the consolidated statement of changes in equity.

Capital

The authorised capital as at 31 December 2014 was € 15,000,000, divided into 30,000,000 ordinary shares with a nominal value of € 0.50 each. Of that number, 10,985,907 ordinary shares had been issued and paid in as at 31 December 2014, bringing the paid-in capital to € 5,493,000. The movements in the increase in the number of issued and paid-in shares during the 2013 and 2014 financial years can be broken down as follows:

Numbers x 1,000	Note	Ordinary shares issued and paid in
1 January 2013		**9,943**
Issued in exchange for cash payment upon exercise of share options	16	3
31 December 2013		**9,946**
Issued in exchange for cash payment upon exercise of share options	16	47
Issued on 11 July 2014 for acquisition of BuS Group		993
31 December 2014		**10,986**

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 € 1,000	**2014**	2013
Declared and paid during the year		
Dividend on ordinary shares:		
Final dividend for 2013: € 0.06 (2012: € 0.012)	599	119
Proposed for the approval of the General Meeting of Shareholders		
Dividend on ordinary shares:		
Final dividend for 2014: € 0.25 (2013: € 0.06)	2,746	599

13. OTHER FINANCIAL LIABILITIES

Amounts x € 1,000	Effective interest rate	Maturity date	Amount outstan-ding	Amount outstan-ding
			2014	2013
Current				
Money loans	5.0%	2015	227	263
Financial lease	3.4% - 4.2%	2015	155	0
Bank overdrafts	Euribor + (1.5 - 1.9 %)	Opeisbaar	6,088	0
Other current borrowings				
Bank loans	Euribor + (1.6 - 2.0 %)	1 okt. 2015	2,500	0
Bank loans	4.0% - 6.7%	2015	2,244	0
Employee loans	6.0% - 8.0%	2015	3,226	0
Total current interest-bearing borrowings			**14,440**	**263**
Long-term				
Money loans	5.0%	2016	142	380
Financial lease	3.4% - 4.2%	2018	442	0
Other long-term borrowings				
Bank loans	Euribor + (1.6 - 2.0 %)	1 okt. 2017	9,816	0
Bank loans	4.0% - 4.2%	31 mrt. 2018	2,800	0
Employee loans	6.0% - 8.0%	30 apr. 2016	1,069	0
Purchase price yet payable	2.5%	29 nov. 2016	3,000	0
Convertible subordinated loans	4.6%	30 sept. 2019	4,875	0
Total long-term interest-bearing borrowings			**22,144**	**380**

Money loans (5.0%):
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.

Financial lease 3.4%-4.2%
These comprise loans with terms of 4 years. They are repaid in monthly instalments, based on the annuity method.

Bank overdrafts
The credit facilities available as at 31 December 2014 (overdraft and committed facilities) total € 35 million (interest rate: EURIBOR + 1. 5%-1.9%, depending on the debt/EBITDA ratio). As at the balance sheet date, € 9.3 million of the credit facility was in use for overdrafts and bank guarantees As at 31 December 2013, the credit facility was not in use. 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 2014 was approximately € 135 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 30% of the adjusted balance sheet total as at 31 December 2014. Further details about the bank covenants with financial institutions are provided in item 26 of the Notes.

Bank loans (Euribor + 1.6-2.0%)
During the financial year, the Group took out new bank loans to finance its acquisition of the BuS Group, to be repaid in five semi-annual instalments of € 2.5 million. The first instalment is payable on 1 October 2015. 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 finance costs associated with taking out these loans have been capitalised and will be amortised over the terms of the loans.

Bank loans (4.00%-6.70%)
This item represents four bank loans with maturity dates varying between 30 September 2015 and 31 March 2018. Two of those loans, with a combined outstanding balance as at 31 December 2014 of € 0.4 million and carrying interest rates of 5.49% and 6.70%, respectively, fall due on 30 September 2015. The other two loans, carrying interest rates of 4.00% and 4.20%, respectively, are payable in annual instalments of € 1.8 million.

Employee loans (6%-8%)
Until the date of the takeover the BuS Group took out loans from employees with varying terms to maturity. No further loans were taken out following the acquisition by the Group. The final loans will be repaid by 30 April 2016. Redemption is secured by a bank guarantee issued to a trust office.

Purchase price yet payable (2.5%)
This item comprises a deferred portion of the purchase price agreed when the BuS Group was acquired, to the amount of € 3 million. If no claims are exercised under the contractual guarantee provisions, it will be paid on 29 November 2016.

Convertible subordinated loans (4.6%)
The convertible subordinated loans with a nominal value of € 5 million carry a conversion rate of € 8.50 per share and a conversion right that may be exercised between 30 September 2017 and 30 September 2019. The nominal interest rate is 4%. Repayments on the principal sums of these borrowings are subordinated in respect of all other existing and future debts to third parties. The presentation of the equity component is reported in item 11 of the Notes.

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.

Hierarchy of fair values
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 recognised and are directly or indirectly observable
Level 3: methods in which all variables are used that have a significant impact on the fair values recognised but are not based on observable market data.

For the 2013 and 2014 financial years, the Group did not use any financial instruments that are measured at fair value.

For recurring assets and liabilities presented in the financial statements, the Group determines at the end of each reporting period whether a reassessment requires a different categorisation within the hierarchy (based on the input from the lowest level with significance for the entire measurement). No transfers between Level 1 and Level 2 occurred during the reporting period.

14. PROVISIONS

The movements in the item for provisions during 2014 can be summarised as follows:

Amounts x € 1,000	Restructuring provision
Balance as at 1 January 2014	**7,017**
Addition for the period	0
Utilised	-6,816
Balance as at 31 December 2014	201
Current	201
Long-term	0

Restructuring provisions
As at 31 December 2013, € 0.3 million related to the restructuring provision in connection with the closure of the site in Echt and the reallocation of its production activities. The restructuring was completed in its entirety by early 2014.

During Q4 of 2013, a decision was made not to rebuild the production facility in Kassel (Germany), following a major fire. A € 6.7 million restructuring provision for the redundant workforce was formed in December 2013. In 2014, € 6.5 million was utilised, bringing the balance as at 31 December 2014 to € 0.2 million.

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. These collective schemes, which are based on what is commonly known as the career-average system, are administered with the schemes of other legal entities and are managed by *Bedrijfstakpensioenfonds Metalektro* and by *Pensioenfonds Metaal en Techniek*.

The associated businesses are not obliged to make good any deficits in the pension funds, nor are they entitled to any surpluses. As such, these pension schemes qualify as contribution schemes in the financial statements. At year-end 2014, the coverage ratio of *Bedrijfstakpensioenfonds Metalektro* was 102.0% (2013: 103.4%), while that of *Pensioenfonds Metaal en Techniek* was 102.8% (2013: 103.8%). 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). This pension scheme is a final pay-scheme, where the amount of the benefits depends on the years of service and the employee's salary at the retirement date. The participants are not required to contribute to the pension scheme.
The pension commitments are calculated and presented in accordance with IAS 19. The pension scheme is exposed to interest rate risks and changes in the life expectancy of retired participants.

Early retirement schemes

An early retirement scheme is in place for some of the employees of the association acquired in Germany in 2014. The payments and contributions for early retirement were presented in accordance with IAS 19R.

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 recognised 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:

Amounts x € 1,000	Pension commitments		Early retirement provisions		Provision for anniversary commitments		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Balance as at 1 January	**3,425**	**3,679**	**0**	**57**	**600**	**671**	**4,025**	**4,407**
New associations	684	0	192	0	0	0	876	0
Expenses allocated to the financial year	2	13	0	0	82	37	84	50
Interest expense	110	118	0	0	0	0	110	118
Realised actuarial gains/ losses	0	0	0	0	0	0	0	0
Past-service costs	0	-40	0	0	0	0	0	-40
Benefits paid	-169	-170	0	-57	-108	-108	-277	-335
Adjustments stemming from changes to financial assumptions	550	0	0	0	0	0	550	0
Experience adjustments	12	-175	0	0	0	0	12	-175
Balance as at 31 December	**4,614**	**3,425**	**192**	**0**	**574**	**600**	**5,380**	**4,025**

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

Amounts x € 1,000	Pension commitments		Early retirement provisions		Provision for anniversary commitments		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Expenses taken to the income statement:								
Expenses allocated to the financial year	2	13	0	0	82	37	84	50
Interest expense	110	118	0	0	0	0	110	118
Realised actuarial gains/ losses	0	0	0	0	0	0	0	0
Past-service costs	0	-40	0	0	0	0	0	-40
Subtotal in the income statement	**112**	**91**	**0**	**0**	**82**	**37**	**194**	**128**
Revaluation gains/losses presented in other comprehensive income:								
Adjustments stemming from changes to financial assumptions	550	0	0		0		550	0
Experience adjustments	12	-175	0	0	0	0	12	-175
Total of pension and anniversary charges	**674**	**-84**	**0**	**0**	**82**	**37**	**756**	**-47**

The Group expects to contribute € 234,000 to the defined benefit pension plans in 2015 (2014: € 112,000).

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

	2014	2013
Discount rate	2.0%	3.3%
Future wage increases	2.25%	2.5%
Future pension increases	1.75%	2.0%
Departure rate between the ages of 20 and 50	0.5%	0.5%

Quantitative sensitivity analysis of the important assumptions used in the actuarial calculations for the schemes for the German employees as at 31 December 2014:

	Discount rate		Future pension increases		Life expectancy of retired participants
Sensitivity	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	Increase by 0.88 years
Amounts x € 1,000					
Impact on the liability	-224	247	225	-207	146

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

	2014	2013
Discount rate	2.0%	3.4%
Departure rate	25%	25%

Quantitative sensitivity analysis of the important assumptions used in the actuarial calculations for the schemes for the Dutch employees as at 31 December 2014:

	Discount rate		Departure rate	
Sensitivity	0.5% increase	0.5% decrease	5% increase	5% decrease
Amounts x € 1,000				
Impact on the liability	-33	35	-53	45

These sensitivity analyses are based on an extrapolation of the effect of reasonable changes to the important assumptions at the end of the reporting year on the liability stemming from the defined benefit scheme and the anniversary commitments.

The 2014 cost for the pension schemes presented as defined contribution plans for the employees in the Netherlands was € 3,761,000 (2013: € 3,461,000).

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, 50,000 options were granted, with an exercise price of € 7.05 per share, exercisable between 11 April 2017 and 11 April 2019. A total of 47,500 options were exercised during the financial year. The fair value of the options granted before 31 December 2013 was € 244,262. The weighted average fair value per option was € 1.40. Of this sum, € 52,637 is recognised as an expense in the income statement (2013: € 72,816). The fair value of the options granted during the financial year was € 68,306. The fair value per option was € 1.37. Of this sum, € 16.93 (2013: € 10,260) is recognised as an expense in the income statement. The average stock exchange price of Neways shares during 2014 was € 7.89 (2013: € 4.33).

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

Option holders	Balance as at 31-12-2013	Awarded in 2014	Lapsed in 2014	Exercised in 2014	Balance as at 31-12-2014	Exercise price (in €)	Maturity
V.B.M. de Bok	15,000			-15,000			
	15,000				15,000	6.66	03/2015
	15,000				15,000	8.60	04/2016
	15,000				15,000	5.60	04/2017
	15,000				15,000	4.09	04/2018
		15,000			15,000	7.05	04/2019
H.W.T. van der Vrande	*) 125,000				125,000	6.00	12/2019
	15,000			-15,000	0		
	15,000				15,000	6.66	03/2015
	15,000				15,000	8.60	04/2016
	15,000				15,000	5.60	04/2017
	15,000				15,000	4.09	04/2018
		15,000			15,000	7.05	04/2019
Other officers in the Group's employ	10,000			-10,000	0		
	17,500			-7,500	10,000	6.66	03/2015
	25,000				25,000	8.60	03/2016
	27,500				27,500	5.60	04/2017
	22,500				22,500	4.09	04/2018
		20,000			20,000	7.05	04/2019
Total	**377,500**	**50,000**	**0**	**-47,500**	**380,000**		

*) Options on shares held by major shareholders. The contract that ended in 2014 will be renewed for five years, until December 2019, and the exercise price will be raised to € 6.00.

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.

	2014	2013
Dividend yield (%)	1.05	2.06
Expected price-sensitivity of the share (%)	37.01	45.52
Risk-free interest rate (%)	0.30	0.62
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 € 1,000	**2014**	2013
Trade payables	41,650	34,001
Other payables	14,146	15,240
Interest payable	165	0
Affiliated parties	762	1,910
Total	**56,723**	**51,151**

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 24 of the Notes.
- For an explanation of the credit risk policy adopted by the Group, please refer to item 26 of the Notes.

18. OTHER OPERATING INCOME

Amounts x € 1,000	**2014**	2013
Business interruption insurance payout for water damage	0	632
Business interruption insurance payout for fire damage	0	7,965
Profit on advantageous purchase as at acquisition date	3,504	0
Total other operating income	**3,504**	**8,597**

Income in 2014

On 11 July 2014, the Group acquired 100% of the shares and voting rights in BuS Holding GmbH, Riesa (Germany) (see item 5 of the Notes, Business Combinations). Part of the purchase price was paid through an issuance of 992,701 new shares in Neways, at a price per share of € 6.85, as agreed with the seller. This led to a profit on the advantageous purchase as at the date of the contract of € 6.0 million. Movements in the fair value of Neways stock between the date of the contract and the acquisition date caused the stock price to climb to € 9.35 as at the acquisition date. As a consequence, the fair value of the consideration received by the seller was € 2.5 million less, bringing the profit that the Group ultimately realised as at the acquisition date to € 3.5 million.

Income in 2013

In February 2013, the Group suffered water damage at the site in Slovakia. The total insurance payout to cover the damage came to € 0.8 million. The € 0.6 million connected to book profit on the replacement of the destroyed plant and the payout of the business interruption claim is recognised in other operating income. The remaining € 0.2 million served to compensate for loss of inventories and for additional expenses.

In September 2013 the Group suffered a major fire at the site in Kassel (Germany), which brought production activity to a complete standstill. The production activities were subsequently transferred to other production sites of the Group as soon as possible. An arrangement was reached with the insurer late in 2013 about the amount of the total payout for the claim relating to the fire. This payout on the claim was set at € 23.5 million, and covers all loss of inventories, plant and equipment, the additional expenses incurred after the fire to retain and transfer contracts from customers and the business interruption loss.

The claim payout received is presented as follows in the financial statements:

Amounts x € 1,000	Note		2013
Recognised in other revenue:			
Payout for business interruption loss			7,965
Recognised as payout for additional expenses			2,173
Fixed and current assets destroyed and written down:			
Carrying amount of inventories		7,115	
Carrying amount of plant and equipment		1,295	
			8,410
Recognised in trade and other payables	17		
Third-party inventories		1,787	
Third-party plant and equipment		287	
			2,074
Lump-sum payment for continuing rental agreement			1,000
Expenses to be incurred in 2014, primarily for transferring customers			1,878
Total claim payout received			**23,500**

The portion of the insurance payout for the business interruption loss is recognised in the consolidated cash flow statement from operating activities.

19. EMPLOYEE EXPENSES

Amounts x € 1,000	Note	2014	2013
Wages and salaries		73,584	64,661
Pension charges		4,542	4,504
Other social expenses		9,850	7,466
Costs of share option schemes	16	69	83
Provision for restructuring costs in Echt		0	1,200
Provision for restructuring costs in Kassel (Germany)		0	6,735
Total employee expenses		**88,045**	**84,649**

The Group had an average of 2,288 employees during 2014 (2013: 1,909). This number also includes temporary workers.

20. AMORTISATION AND DEPRECIATION

Amounts x € 1,000	2014	2013
Property, plant and equipment	4,454	3,532
Intangible assets	1,829	72
Total amortisation and depreciation	**6,283**	**3,604**

21. OTHER EXPENSES

In 2014, as a consequence of its decision in 2013 not to resume the production activities in Kassel, the Group cancelled its rental agreement. A termination fee of € 2.1 million was paid, of which a payable of € 1.0 million was recognised as a liability as at 31 December 2013. The additional expense of € 1.1 million in 2014 is presented in other expenses.
In connection with the takeover of BuS Holding GmbH, a sum of € 2.1 million is presented in other expenses for transaction costs for 2014.

The amount for 2013 includes a sum of € 2.5 for expenses relating to the closure of the site in Echt and the reallocation of its production activities.

22. FINANCE COSTS

Amounts x € 1,000	2014	2013
Interest on loans and bank overdrafts	1,111	429
Net foreign exchange differences	-35	29
Other	182	131
Total finance costs	**1,258**	**589**

23. 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, adjusted for the interest expense (after tax) on the convertible subordinated loans, 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 1,000	**2014**	2013
Net income accruing to shareholders of ordinary shares for purposes of calculating the diluted earnings per share	**6,959**	**1,920**
Interest expense on convertible subordinated loans	42	0
Net income accruing to shareholders of ordinary shares, adjusted for dilutory effect	**7,001**	**1,920**

Amounts x 1,000	**2014**	2013
Weighted average number of ordinary shares	10,236	9,943
Dilutory effect:		
Share options	194	79
Conversion value of subordinated loans	148	0
Adjusted weighted average number of ordinary shares for purposes of calculating the diluted earnings per share	**10,578**	**10,022**

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.

24. INFORMATION ABOUT AFFILIATED PARTIES

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

		Interest (%)	
	Domicile/country	**2014**	2013
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.	Echt, 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.	Echt, the Netherlands	100	100
Neways Micro Electronics B.V.	Echt, the Netherlands	100	100
Hymec Facilities B.V.	Echt, the Netherlands	100	100
Hymec Hybrid Circuits B.V.	Echt, the Netherlands	100	100
Neways Deutschland 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
BuS Holding GmbH.	Riesa, Germany	100	0
BuS Elektronik GmbH. & Co. KG	Riesa, Germany	100	0
BuS Decin s.r.o.	Decin, Czech Republic	100	0
Software & Systeme Erfurt GmbH.	Erfurt, Germany	100	0

Neways Electronics Echt B.V. and Evic Service & Repair Center B.V. were wound up in 2014, as they no longer conducted any operations. Neways Electronics Production GmbH. underwent a statutory merger, as the disappearing company with Neways Deutschland GmbH. in 2014. For the companies acquired in 2014, see item 5 of the Notes (Business combinations).

The Group holds minority interests in the following entities:

		Interest (%)	
	Domicile/country	**2014**	2013
Demuskopia Grundstücksverwaltungs-gesellschaft mbH & Co. Vermietungs KG.	Mainz, Germany	8.55	0
Qualifizierungszentrum Region Riesa GmbH.	Riesa, Germany	5.26	0

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 2014 and 2013, please refer to items 10 and 17 of the Notes):

Amounts x € 1,000		Sales to	Purchases/ services from	Payable by	Payable to
Entity with meaningful influence over the Group:					
VDL Group	2014	9,114	3,034	1,748	762
VDL Group	2013	9,147	4,542	2,401	910
ZBG Group	2014		2,085		0
ZBG Group	2013		427		1,000
Key executives of the Group:	2014		308	0	
	2013		301	1,050	

Entity with meaningful influence over the Group
VDL Group: As at 31 December 2014, VDL Beleggingen B.V. owned 26.5% of the issued shares in Neways Electronics International N.V. (31 December 2013: 29.2%).

ZBG Group: As at 31 December 2014, the shareholder of the ZBG Group owned 20.0 % of the issued shares in Neways Electronics International N.V. (31 December 2013: 22.1%). As at 31 December 2013, the Neways Group had a rental agreement for business premises with ZID Zeno Immobilien Deutschland GmbH, which is part of the ZBG Group. These premises were rendered unusable by the fire. In 2014, as a consequence of its decision not to resume the production activities in Kassel, the Group cancelled that rental agreement. A termination fee of € 2.1 million was paid, of which a payable of € 1.0 million was recognised as a liability as at 31 December 2013.

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 2014, the Group had made no allowances for bad debts in connection with the receivables from affiliated parties (2013: 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.

Liabilities in respect of affiliated parties
During the financial year, the Group issued convertible subordinated loans with a nominal value of € 5.0 million to shareholders holding interests of more than 3%. Repayments of the principal sums of these loans are subordinated in respect of all other existing and future debts to third parties (see also item 13 of the Notes).

Transactions with key officers
Late in 2013, the Group lent one of the members of its Supervisory Board € 1.1 million. The Supervisory Board member used the sum borrowed to repay a bank loan, where the block of 100,000 shares in Neways served as security. The Supervisory Board member repaid the borrowing from the Group during Q1 of 2014 using the proceeds from the sale of those 100,000 shares in Neways to the ZBG Group at a contractually agreed price per share of € 10.50. This price was established as a buyback guarantee when the shares were purchased in 2006, and represents the stock exchange price of the shares at the time, plus the interest paid on the bank loan up to the moment of repayment. The lending was recognised

under trade and other receivables as at 31 December 2013 (item 10 of the Notes) and is not covered by any security. The interest rate is the same as the interest rate payable on the Group's bank overdraft credit facility (Euribor + 1.35%).

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.

The statement of bonuses and share options is as follows:

Amounts x € 1,000	**2014**	**2014**	2013	2013
	Share options	Bonuses	Share options	Bonuses
V.B.M. de Bok	21	50	24	100
H.W.T. van der Vrande	21	50	24	100
Other key executives	27	265	35	320
Total bonuses and share options	**69**	**365**	**83**	**520**

The value of the share options is based on the fair value of the share options granted during the financial year. For more information about the number of share options granted and the calculation of the fair value, see item 16 of the Notes.

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 € 1,000	**2014**	**2014**	**2014**	2013	2013	2013
	Basic salary	Pension charges (employer's share)	Social security charges (employer's share)	Basic salary	Pension charges (employer's share)	Social security charges (employer's share)
V.B.M. de Bok	261	53	12	255	55	11
H.W.T. van der Vrande	261	53	12	255	55	11
Other key executives	1,889	187	178	1,725	174	149
Total remuneration of key executives	**2,411**	**293**	**202**	**2,235**	**284**	**171**

In 2014, the Group remitted a sum of € 12,000 for a one-time levy of crisis tax owed to the tax authorities for 2013. These expenses are recognised under employee expenses.

During the financial year, the expenses included € 130,000 (2013: € 120,000) 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 € 1,000	**2014**	2013
D. Boers (chairman)	40	30
W. van der Leegte (until 18 April 2013)	0	6
H. Scheepers	30	25
R. Penning de Vries (from 1 April 2013)	30	19
Total	**100**	**80**

25. 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 arrangements 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 € 1,000	**2014**	2013
Within 12 months	4,358	4,175
Beyond 12 months, but within 5 years	13,839	14,876
Beyond 5 years	4,205	6,307
Total	**22,402**	**25,358**

In 2014, the total expense arising from these rental agreements was € 4,139,000 (2013: € 4,473,000).

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 operational lease arrangements as at 31 December can be summarised as follows:

Amounts x € 1,000	**2014**	2013
Within 12 months	925	973
Beyond 12 months, but within 5 years	1,386	1,014
Total	**2,311**	**1,987**

In 2014, the total expense arising from these operational lease agreements was € 1,225,000 (2013: € 1,177,000).

Guarantees

The Group has issued bank guarantees to the sum of € 0.4 million to Peag Transfer GmbH. as part of the assumption of employee obligations under the restructuring of the former site in Kassel, Germany.

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.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments are bank loans and overdrafts, convertible subordinated loans 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 the proportion of derivatives denominated in foreign currencies remain constant.

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

- The sensitivity of equity relates to the effects of the assumed changes in US dollar exchange rate on the associates in China;
- 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 2014 and 2013.

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 and its variable-interest long-term liabilities. 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 and variable-interest borrowings) 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 basis points	Impact on the results before tax (x € 1,000)
2014	+15	-34
	-10	+23
2013	+15	-19
	-10	+13

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.

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 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 € 1,000)	Impact on equity (x € 1,000)
2014	+10%	490	-277
	-10%	-539	305
2013	+10%	225	-270
	-10%	-248	297

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.

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 2014, based on contractual, nominal payments.

As at 31 December 2014

Amounts x € 1,000	On demand	< 3 months	3 tot 12 months	1 tot 5 years	> 5 years	Total
Interest-bearing borrowings and bank overdrafts	6,088	1,921	7,595	24,383	0	39,987
Trade and other payables	2,632	45,987	8,085	45	0	56,749
Total	**8,720**	**47,908**	**15,680**	**24,428**	**0**	**96,736**

As at 31 December 2013

Amounts x € 1,000	On demand	< 3 months	3 tot 12 months	1 tot 5 years	> 5 years	Total
Interest-bearing borrowings and bank overdrafts	0	77	229	383	0	689
Trade and other payables	1,654	39,778	9,541	178	0	51,151
Total	**1,654**	**39,855**	**9,770**	**561**	**0**	**51,840**

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 a large portion of the debt portfolio. The debtors of the subsidiary acquired in 2014 are not yet covered by the Group's credit insurance. The maximum credit risk incurred is the carrying amount shown in item 10 of the Notes. More than 40% of the balance of outstanding trade receivables is concentrated among fourteen of the Group's clients. Since, however, guarantees have been provided for the majority of 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 2014 and 2013 financial years.

The Group monitors its capital using its solvency ratio, which represents the guaranteed capital adjusted for deferred tax assets and intangible assets, divided by the adjusted balance sheet total. The Group's policy is to maintain a solvency ratio of at least 35%, with the exception of a temporary dip below that level, as explained in the section on 'Bank covenants' below.

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 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.

During the financial year, the Group entered into a new credit agreement to finance its acquisition of the BuS Group. Under this agreement the available credit facility (overdraft and committed) of € 30 million has been increased to € 35 million (interest rate: 1-month Euribor +1.5% to 1.9%, depending on the debt/EBITDA ratio). New bank loans have also been contracted for a total sum of € 12.5 million, to be repaid in five semi-annual instalments of € 2.5 million (interest rate: 1-month Euribor +1.6%-2.0%, depending on the debt/EBITDA ratio). In addition, the definition of guaranteed capital has been expanded to state that all intangible assets are deducted.

The adjusted guaranteed capital as at 31 December 2014 was 33.2% (31 December 2013: 39.5%). The conditions imposed by the financial institutions for the minimum adjusted guaranteed capital are 30% as at 31 December 2014, 32.5% as at 31 March 2015 and as at 30 June 2015 and 35% from the period ending 30 September 2015. To improve its solvency, the Group manages its working capital according to a strict regime. Combined with realisation of a profit in 2015, the Group expects to be compliant throughout 2015 with the conditions imposed by the financial institutions for the minimum adjusted guaranteed capital. If and as long as that adjusted guaranteed capital falls short of the conditions for the minimum adjusted guaranteed capital, 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 2014, the debt/EDITDA ratio was 1.4.

Amounts x € 1,000	2014	2013
Equity attributable to the parent company	65,991	50,071
Convertible subordinated loans	4,875	0
Less: Software	-5,347	0
Goodwill	-2,754	-2,754
Customer relationships	-6,180	0
Deferred tax assets	-4,620	-1,242
Adjusted guaranteed capital	**51,965**	**46,075**
Balance sheet total	175,193	120,622
Less: Software	-5,347	0
Goodwill	-2,754	-2,754
Customer relationships	-6,180	0
Deferred tax assets	-4,620	-1,242
Adjusted balance sheet total	**156,292**	**116,626**
Solvency	33.2%	39.5%

COMPANY FINANCIAL STATEMENTS (BEFORE PROFIT APPROPRIATION)

Assets x € 1,000 as at 31 December	Notes	2014	2013
			Adjusted *)
Fixed assets			
Intangible assets	2	**734**	**734**
Financial assets			
Investments in group companies	3	50,148	42,830
Receivables from group companies	3	38,695	2,124
		88,843	**44,954**
Current assets			
Receivables			
Receivables from group companies		7,125	11,964
Other receivables		106	419
		7,231	**12,383**
Cash		**0**	**11,044**
Total assets		**96,808**	**69,115**

Liabilities x € 1,000 as at 31 December	Notes	2014	2013
Equity	4		
Issued and paid-in capital		5,493	4,972
Share premium		39,237	30,120
Retained earnings		13,712	12,792
Profit for the financial year		6,959	1,920
Statutory reserves		590	267
		65,991	**50,071**
Long-term liabilities			
Interest-bearing borrowings		14,691	0
Current liabilities			
Bank overdrafts		12,672	0
Interest-bearing borrowings		2,500	0
Payables to group companies		0	16,517
Other payables		954	2,527
Total equity and liabilities		**96,808**	**69,115**

Income statement

Amounts x € 1,000	**2014**	2013
Income from subsidiaries after tax	7,410	1,502
Other income after tax	-451	418
Net profit	**6,959**	**1,920**

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 group companies
The movements in investments in group companies can be summarised as follows:

Amounts x € 1,000	**2014**	2013
Balance as at 1 January	**42,830**	**41,647**
Changes in accounting principles (item 2.2 of the Notes to the consolidated financial statements)	0	-425
Balance as at 1 January (adjusted)	**42,830**	**41,222**
Movements		
Income from subsidiaries after tax	7,410	1,502
Other comprehensive income from subsidiaries after tax (item 2.2 of the Notes to the consolidated financial statements)	-401	120
Exchange gains and losses	309	-14
	7,318	1,608
Balance as at 31 December	**50,148**	**42,830**

Receivables from group companies

The movements in receivables from group companies can be summarised as follows:

Amounts x € 1,000	2014	2013
Balance as at 1 January	**2,124**	**2,074**
Movements		
Acquisitions	36,551	85
Exchange gains and losses	20	-35
	36,571	50
Balance as at 31 December	**38,695**	**2,124**

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 a reserve for currency translation differences.

5. INTEREST-BEARING BORROWINGS

This represents the bank loans and the convertible subordinated loans that were contracted during the financial year to finance the acquisition of the BuS Group. For more information, see item 13 of the Notes to the consolidated financial statements.

6. BANK OVERDRAFTS

For details about the available credit facilities, please refer to item 13 of the Notes to the consolidated financial statements.

7. REMUNERATION OF THE BOARD OF DIRECTORS

For information about the remuneration of the Board of Directors, please refer to item 24 of the Notes to the consolidated financial statements.

8. AUDITOR'S FEES

The costs that Ernst & Young Accountants LLP charged for the audit during the financial year are € 150,000 (2013: € 128,000).

9. 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 group companies.
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 € 3.5 million (2013: € 0.7 million) in connection with credit provided by non-Dutch banks.

Son, 27 February 2015

Supervisory Board
Dick Boers
René Penning de Vries
Henk Scheepers

Board of Directors
Vincent de Bok
Huub van der Vrande

OTHER INFORMATION

Independent auditor's report

To: the shareholders and the Supervisory Board of Neways Electronics International N.V.

Report on the 2014 financial statements

Our opinion
We have audited the financial statements 2014 of Neways Electronics International N.V. ('the company') based in Son, the Netherlands. The financial statements include the consolidated financial statements and company 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 31 December 2014, and of its result and its cash flows for 2014, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- The company financial statements give a true and fair view of the financial position of Neways Electronics International N.V. as at 31 December 2014, and of its result for 2014, in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
1. The consolidated balance sheet as at 31 December 2014;
2. The following statements for 2014: consolidated statements of total comprehensive income, changes in equity and cash flows for the year then ended;
3. The notes, comprising a summary of the significant accounting principles and other explanatory information.

The company financial statements comprise:
1. The company balance sheet as at 31 December 2014;
2. The company income statement for 2014;
3. The notes, comprising a summary of the significant accounting principles and other explanatory information.

Basis for opinion
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Neways Electronics International N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

Materiality
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the

basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 1,500,000. The materiality is based on 1.25% of the gross margin. We believe that the gross margin is a suitable basis, as the gross margin is an important and stable measure of the company's performances. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that uncorrected misstatements in excess of EUR 75,000, which are identified during our audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the Group audit

Neways Electronics International N.V. is head of a group of entities. The financial information of this group is presented in the consolidated financial statements of Neways Electronics International N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected the group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on the holding companies Neways B.V. and Neways Electronics International N.V., and the operating companies Neways Advanced Applications B.V., Neways Industrial Systems B.V., BuS Holding GmbH and subsidiaries. We conducted the audit procedures at the Dutch entities ourselves. For the audit of the German entities we engaged other auditors associated with EY. For some other entities we carried out review procedures or specific audit procedures.

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

Key audit matters

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

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

Acquisition of BuS Holding GmbH

On 11 July 2014, Neways Electronics International N.V. acquired BuS Holding GmbH. The purchase consideration was EUR 30.2 million in cash and EUR 9.3 million in shares, of which cash payment of EUR 3.0 million has been deferred. We specifically discussed the valuation of the purchase consideration for BuS Holding GmbH paid in shares with Management and the Supervisory Board, specifically addressing the applicable date of valuation and the unit of account basis. The disclosures provided by Neways Electronics International N.V. concerning the acquisition are presented in item 5 of the Notes.

Sensitivities related to the calculation of the fair value of the assets and liabilities of BuS Holding GmbH

In connection with the acquisition, management performed a valuation for the assets and liabilities of BuS Holding GmbH and the purchase price allocation, resulting in a profit from advantageous purchase of EUR 3.5 million. The valuation of the assets and liabilities identified in the purchase price allocation was significant to our audit, as the estimation process is complex and based on assumptions by management.

In our audit procedures, we, amongst other procedures, relied on the work of a valuation expert to assist us in evaluating the assumptions used by the company. We particularly focussed on the assumptions used in the valuation of intangible assets, property, plant and equipment and current assets.

We specifically addressed the disclosures in the financial statements of Neways Electronics International N.V. that relate to the acquisition of BuS Holding GmbH and the accompanying fair values of the assets and liabilities. We assessed whether those disclosures are compliant with the requirements set forth in IFRS 3, are comprehensive and provide sufficient information concerning the valuation as at the acquisition date. The disclosures provided by Neways Electronics International N.V. on the acquisition are included in item 5 of the notes to the financial statements.

Sensitivities concerning the valuation of the capitalised costs for the Infor-LN project
In 2014, Neways Electronics International N.V. capitalised costs to the sum of EUR 0.8 million in connection with the Infor-LN project, bringing the carrying amount of the capitalised costs at year-end to EUR 3.5 million. The costs concern the development of a new ERP LN system to replace the existing ERP system. The implementation has been delayed in recent years as a result of a number of external events, for example the fire at Neways Electronics Production in 2013, and as a result of internal modifications and scope extensions to satisfy customer demands. The valuation of the capitalised costs for the Infor-LN project was significant to our audit, as the project's scope had changed during the development leading to a reassessment by management of the feasibility and accuracy of the capitalised costs.

In our audit procedures, we, amongst other procedures, relied on the work of an IT expert to assist us in evaluating the assumptions used by the company. We particularly focussed on the assumptions for the projected future economic benefits and the comparability with similar ERP systems.

We also addressed the disclosures provided by Neways Electronics International N.V. that relate to the capitalised costs for the Infor-LN project, which are included in item 7 of the notes to the financial statements.

Sensitivities concerning the valuation of the German deferred tax asset
In 2014, Neways Electronics International N.V. capitalised available losses to the sum of EUR 14.8 million in connection with the German operating entities, whereby the carrying amount of the total deferred tax asset at year-end 2014 amounted to EUR 4.5 million. These available losses have been capitalised in connection with the projected future economic benefits from the German operating entities. The increase in the deferred tax asset results from the release of the provision for tax-loss carry-forward and primarily relates to more optimistic economic forecasts based on the effect of the acquisition of BuS Holding GmbH (included in the fiscal unity effective 1 January 2015). The valuation of the deferred tax assets was significant to our audit, as the estimation process is complex, highly subjective and based on assumptions, which are influenced by projected future market and economic conditions.

In our audit procedures, we, amongst other procedures, relied on the work of a valuation expert and a tax expert to assist us in evaluating the assumptions used by the company. We particularly focussed on the assumptions for future growth in revenue and profit margins in the Electronics Manufacturing Services (EMS) market segments.

We also addressed the disclosures in the financial statements of Neways Electronics International N.V. that relate to the capitalised and non-capitalised deferred taxes. The disclosures provided by Neways Electronics International N.V. on the capitalised and non-capitalised deferred taxes are included in item 8 of the notes to the financial statements.

Responsibilities of management and the Supervisory Board for the financial statements

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

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

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

Our responsibilities for the audit of the financial statements

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

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors or fraud.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements of, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the Supervisory Board, we determine those matters that were of most significance in our audit of the financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about a matter or when, in extremely rare circumstances, not communicating is in the public interest.

Report on other legal or regulatory requirements

Report on the financial statements and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- We have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed;
- We report that the management board report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the Supervisory Board as the auditor of Neways Eletronics International N.V. as of the audit for the financial year 2004, and have operated as statutory auditor ever since that date.

Eindhoven, 27 February 2015

Ernst & Young Accountants LLP

M. Moolenaar

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 profit for 2014 was € 6,959,000.

The Board of Directors proposes that the net profit be added to the retained earnings. This proposal is reflected in the financial statements. The Board of Directors also proposes that a dividend of € 0.25 per share be distributed for the 2014 financial year. The dividend will be paid in shares.

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Neways Electronics International N.V. is registered on the NYSE Euronext Amsterdam

COLOPHON

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