Annual Report 2015

Sharing our DNA

NEWAYS®

Sharing our DNA

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 CEO

The Board of Directors
From left to right: Adrie van Bragt (COO), Paul de Koning (CFO), Huub van der Vrande (CEO)

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

Dear reader,

In 2015, we adopted the motto of 'One Neways' as the slogan for our efforts to further reinforce the foundations on which our organisation is based. This process, which we began back in 2014, includes a vital role for our employees.

We made good progress last year, reexamining our customer values and core values, and developing a Lean Leadership Model. Starting from there, the programme of improvements was rolled out among management and the workforce. Standardisation of internal business processes and the gradual integration of the BuS Group were other important developments at the organisation. Moving forward, these initiatives, coupled with our people's commitment and efforts, give us a solid basis on which we can build.

As an international one-stop provider, our aim is to arrange matters for our customers by offering integrated comprehensive solutions. More and more of our customers are bringing us on board in the early stages of their development processes. We are happy to provide input, and besides developing and manufacturing products such as electronic components and systems, in some cases we also manage the entire project. Our close relationships with and good understanding of our customers, combined with years of experience in the market, perfectly position us for assuming responsibility in the product's life cycle.

The sector in which we operate demands a high level of flexibility from us, to quickly and continually satisfy the high demands. Where necessary, we need to make adjustments or improvements to continue along our chosen path.

As such, the focus in recent years has been on updating the organisation to reflect this new reality. We have achieved this by setting up a flexible organisation, by improving the standard of cooperation – both between the separate operating companies and with our customers and suppliers – and by pursuing a better balance in our capacity utilisation across the organisation.

To meet our customers' demands it is vital that we work as a single team: in an organisation such as Neways it is the individuals who make a difference. Over the past year our people have not sat back and allowed us to lead them in the new direction: they have shown their motivation, commitment and trust in the initiatives that we have taken to ensure future growth. Enthusiasm and dedication are vital, as is that which connects every single one of us, despite the diversity within our organisation: the Neways DNA.

We use our shared standards and values to create value for our stakeholders. Our thoughts and actions are based on inspiration, focus and the desire to realise our goals. In 2016 the Neways organisation will continue this focus, moving forward under the leadership of the expanded and new Board of Directors of Paul de Koning (CFO), Adrie van Bragt (COO) and myself. Our combined strength will lift Neways to the next level, for our customers and with our customers.

Huub van der Vrande
CEO

About Neways

Company profile

Neways Electronics International N.V. (Euronext Amsterdam, NEWAY) is an international one-stop provider of advanced integrated electronic components, assemblies and systems. It provides solutions for developing, engineering, testing and producing technologically advanced and high-quality batches, from electronics, microelectronics, PCBs (printed circuit boards) and cables to entire electronic box-build systems.

Increasingly, Neways also delivers integrated comprehensive solutions to meet a rising demand from customers. Neways endeavours to facilitate more multinational manufacturers of end products, the Original Equipment Manufacturers (OEMs), by arranging every aspect of the project management, from development to batch production and further development of advanced components, assemblies and complete operating systems (and other systems), and arranging the entire process on the customer's behalf for the specific product. The organisation displays and takes responsibility for the product throughout its entire life cycle. The life cycle strategy impacts the sales process: the procedures are becoming more complicated, and it is essential to know and understand the customer's market. Customer intimacy is a vital factor. To maintain its strong relationships with its customers, Neways spreads its operations over various business segments, which work in close partnership with our customers to provide each other with the best possible solutions.

Neways operates in the Electronic Manufacturing Services (EMS) market, where important customers include the OEMs and their first-tier suppliers. The solutions that Neways provides have numerous applications, including in the industrial sector, the automotive sector, the semiconductor industry, the medical sector and the defence and telecommunications industries. Many of these solutions are control or operating systems, subsystems or specific electronic components for such systems. The separate business segments liaise closely with our customers to provide the best solution in each and every case.

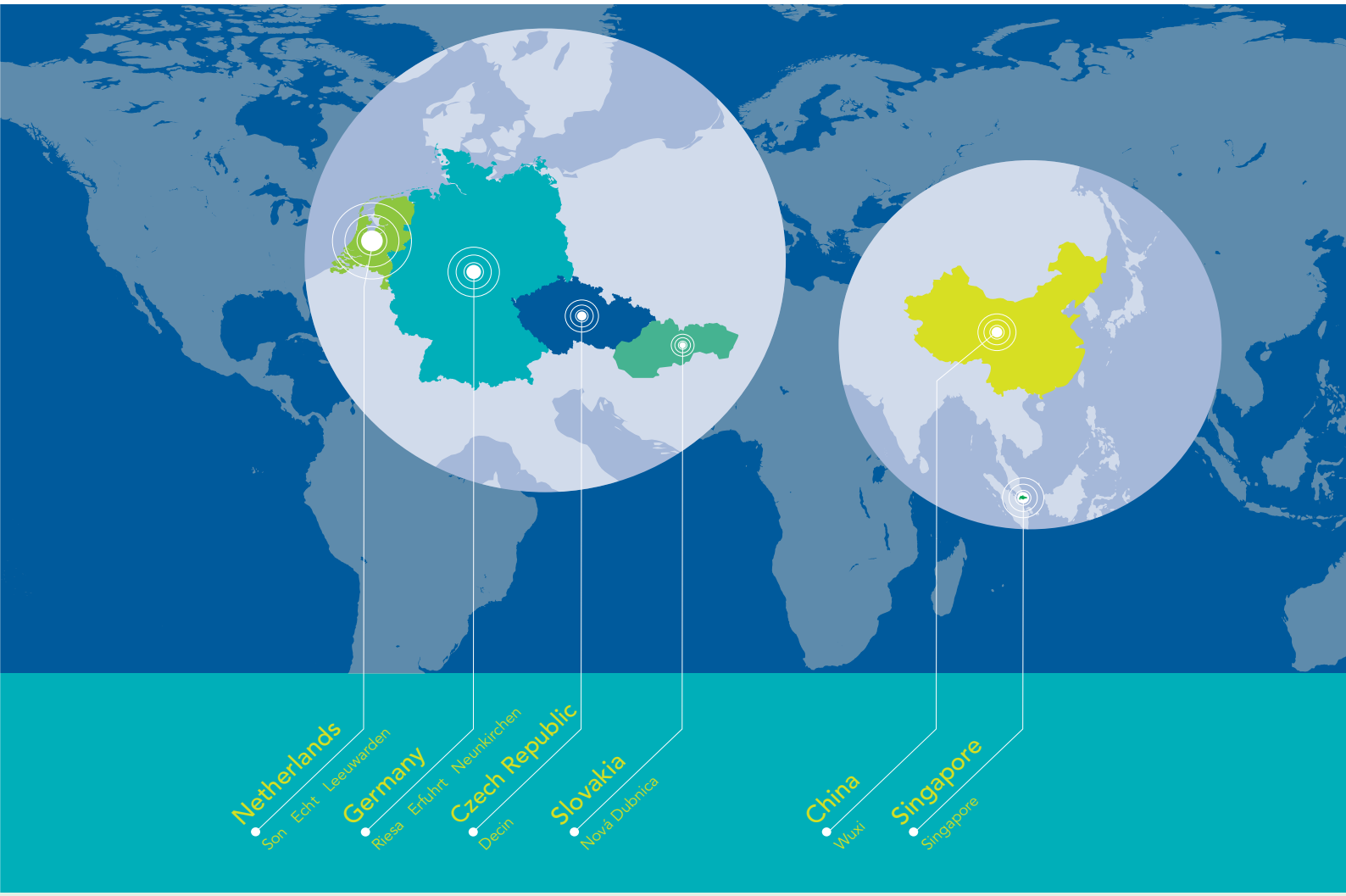
The acquisition of the BuS Group in 2014 gave Neways a prominent position in Europe's EMS market. At year-end 2015 it supplied customers from fourteen operating companies in the Netherlands, Germany, Slovakia, the Czech Republic and China and a sales and service office in Singapore. To maximise their added value, the operating companies in Western Europe work in physical proximity to – and in close partnership with – their customers.

Neways Advanced Applications (NAA) handles the entire supply chain of products for an enterprise that is leading the way, by a considerable distance, in the development of 3D Motion Trackers. Primarily, this involves processing digitised movements for the movie and gaming industry. However, 3D Motion Trackers are increasingly being used for motion analysis and industrial applications, for example cranes and robots whose moving parts need to be controlled and stabilised. NAA will remain closely involved in its partner's new and improved production processes.

Neways Technologies (NT) has been contracted to develop an interface box and digital sensors for applications in the chemical and petrochemical industries. The interface box is connected to digital sensors and helps with sensor calibration. In light of the risks of explosion in the surroundings where these designs are used, they are governed by very strict European rules. Last year NT received the CE Design Award.

Neways's head office is situated at the Science Park Eindhoven in Son. Neways is part of the Brainport region: a large cluster of innovative technology companies in the area around Eindhoven, where local authorities, the business sector, Eindhoven University of Technology and universities of applied sciences all work together.

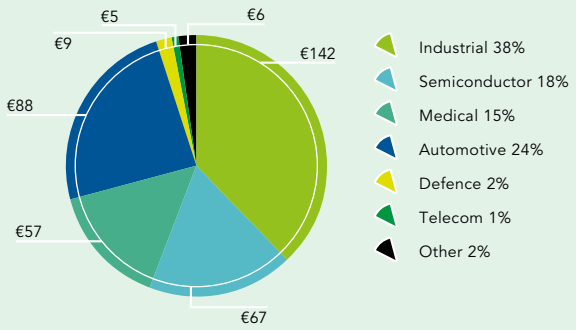
For a list of al Neways Electronics International's subsidiaries, see item 25 of the notes to the financial statements.



Local for local

More and more frequently, Neways operating companies in Eastern Europe and Asia are being contracted as direct and local suppliers to Eastern European and Asian branches of major OEMs. The sales and service organisation in Singapore provides active marketing, focusing on both existing and prospective Neways customers in the Asian region.

Revenue distributions by market sector in millions of euros



Business model

Neways has operations around the world, with operating companies in three regions: Western Europe, Eastern Europe and Asia.

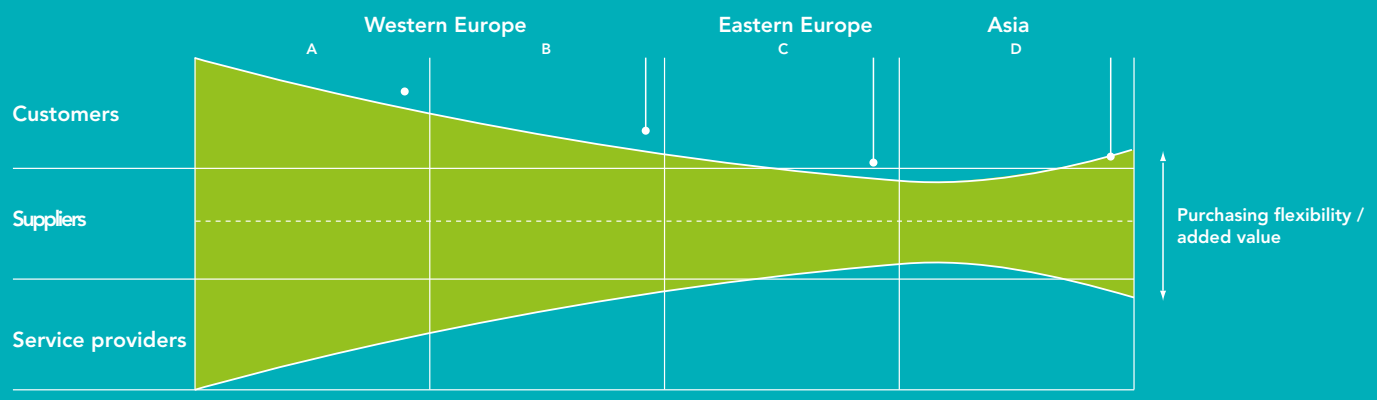
WESTERN EUROPE

In Western Europe, our operating companies play an important part in promoting the Neways strategy of being a one-stop provider. Neways combines technological expertise and knowhow in the field of development, engineering and prototyping with high-quality batch production of complex electronic components and ready-made systems. Most of the operating companies are consequently based in regions featuring industry and technology, close to what are often major multinational customers in the manufacturing industry. This physical proximity enhances the close partnership with customers, and makes it possible for Neways to properly serve its customers and anticipate evolutions in customers' demands in this dynamic industry.

Neways has activities in the principal industrial and technological regions of the Netherlands and Germany. The activities in those regions are characterised by a relatively large technological knowledge component. The acquisition of the BuS Group in 2014 has reinforced Neways's position in Germany's EMS market and has significantly improved the Group's market position in the automotive sector. Neways is now an important player in the European EMS market.

The separate Neways operating companies draw a great deal of value from working together. This cooperation continually leads to new initiatives to improve products and production processes, quality, efficiency and innovation. For the more distant future, optimising these partnerships produces significant efficiency benefits.

At year-end 2015 Neways served Western Europe from nine operating companies with a combined workforce of 1,875.



EASTERN EUROPE

In Eastern Europe Neways has three operating companies that focus on batch production of electronic components and systems. The components and systems that those companies produce have been subjected to further development and are more stable and more suitable for production in countries where Neways can realise significant savings. A large part of the work, which include assembling the electronics for PCBs and manufacturing cables and cable systems, is contracted by the Neways operating companies in Western Europe.

The production facilities in Eastern Europe are modern and are compliant with the standards of quality currently demanded by our customers. The investments made in recent years provide a solid foundation for future growth and for expanding our operations and knowledge areas in the region. These investments, in terms of both volume and quality, will allow for further partnership with the Neways operating companies in Western Europe.

At year-end 2015, Neways employed a workforce of 460 in Eastern Europe.

ASIA

In recent years, Neways has served Asia from two operating companies in China. These operating companies focus on assembling PCBs, building devices, manufacturing microelectronics and producing hybrids. A large part of the production is contracted by Neways operating companies in Western Europe that supply to local Western European branches of OEMs.

The production activity in China dealt with stable electronic components and systems that have already been developed to almost the fullest extent possible in recent years. Neways has now also launched development activities on a small scale. The production facilities in China are modern, boast the latest SMD production lines and besides being significantly less expensive also offer a solid foundation for further expanding our capacity in the region. The Chinese activities also play a central part in Neways's efforts to expand its component purchases in the local Chinese market.

In December 2015 Neways announced that the operations of Neways Micro Electronics China (NME China), having been automated, will largely be transferred to the Neways Micro Electronics (NME) operating company in Echt (the Netherlands). The remaining activities will be taken over by Neways Wuxi Electronics (NWX) in China.

NWX provides operational support to Neways operating companies for customers from both Europe and Asia. The first steps were taken in 2015 to organise that operating company in a manner that allows it to also offer reliable to support to automotive customers.

Besides our activities in China, Neways also has a sales and service office Singapore, which looks after the interests of the Neways customers based there and provides marketing services to prospective Neways customers throughout the entire Asian region.

At year-end 2015 the workforce in Asia totalled 195.

List of activities by operating company

Neways Advanced Applications Son
- PCB/ product assembly
- Engineering/ Prototyping
- Ready-made systems

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

Neways Industrial Systems Son
- PCB/ product assembly
- Ready-made systems
- Engineering/ Prototyping

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

BuS Elektronik Riesa
- PCB/ product assembly
- Ready-made systems
- Engineering/ Prototyping

Neways Slovakia Nova Dúbnica
- PCB/ product assembly
- Cable production/ assembly
- Ready-made systems

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

Neways Micro Electronics Sittard
- Engineering/ Prototyping
- Development/production of microelectronics

Neways Technologies Son
- Development
- Engineering/ Prototyping

BuS Decin Decin
- PCB/ product assembly

Neways Wuxi Wuxi
- PCB/ product assembly

Neways Micro Electronics Wuxi Wuxi
- Development/production of microelectronics

Strategy in summary

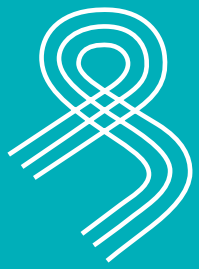
Reinforced position as a one-stop provider and life cycle manager

Customer intimacy

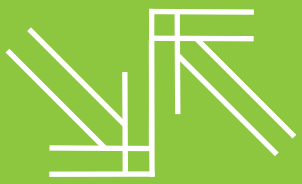
One Neways

Closer partnerships with preferred suppliers

Improved intercompany cooperation



Closer partnerships with customers



Realisation of opportunities in Asia and Eastern Europe

Growth

Strategy and objectives

Around the world, technological and innovative developments are moving at a rapid pace. The demand for end products containing electronic components and systems is continually increasing in the various market sectors. The EMS market is one in which OEMs are demanding ever-more-complex innovation, technology, quality, reliability of supply and standards of service. More and more, OEMs are focusing on their core activities, and so increasingly are outsourcing work to specialist companies such as Neways. By offering high-quality comprehensive technological solutions for electronic components and systems (specifically box-build systems), Neways satisfies the customers' needs and greatly simplifies matters for them.

Neways's strategy is to use technological knowhow to realise greater added value for its customers, which it achieves by futher expanding its technological knowledge component. This includes activity in areas such as development, engineering, prototyping and production processes, and innovative capabilities are becoming increasingly prominent for Neways.

Reinforced position as a one-stop provider and life cycle manager

Looking further ahead, Neways will increase the scale of its development branch, prototyping and ready-made systems (specifically 'box-build') activities and expand its service & repair activities. Neways also targets even closer partnerships with its customers, expanding its role as a knowledge partner for cost-effective solutions (specifically product life cycle solutions) for electronic components, systems and subsystems. More and more customers are bringing Neways on board, as a manufacturer, in the early stages of their development processes, enabling the Group to support its customers from start to finish and/or arrange the entire process for them. As a consequence, Neways is increasingly assuming ownership for the product throughout its entire life cycle. The implications of this life cycle strategy manifest themselves in various areas. For example, it impacts the sales process: procedures are more complex and it is now even more important to know and understand the customer's market. Customer intimacy is a vital factor. The distinction between new business and key account management has been made clearer, and the operating companies can now focus more closely on developing relationships with their customers.

Customer intimacy

Customer intimacy is what drives Neways and its people. Neways is connected to its customers. We know and understand the markets in which our customers operate better than anyone. Our desire is to assist our customers in all things and build mutual understanding and trust, to serve as the foundation for an open and enduring partnership that extends across the product's entire life cycle. To achieve this we act as One Neways, for which it is vital to communicate properly.

One Neways

Operating as One Neways in the market means that the separate operating companies all work according to one and the same method. Over the past year, Neways has put a great deal of effort into reinforcing and harmonising its internal processes and procedures. Although we have made significant progress, we are not finished yet. This will continue to be a matter of focus during the coming year, to eventually realise our 'one way of working'. Doing this, and reinforcing our internal processes, will lead to improved outsourcing possibilities (including for intercompany outsourcing) and enhance the organisation's effectiveness.

Closer partnerships with preferred suppliers

Neways hopes to form closer partnerships with its suppliers, based on the firm belief that suppliers should add knowledge, that standards of service can be improved and that savings can be achieved on procurement.
To realise this, Neways is reducing the number of suppliers and increasing its focus on 'preferred suppliership'. A strategy is defined for each procurement category, and suppliers will be selected based on Quality, Logistics, Technology, Costs & Communication (QLTC).

Improved intercompany cooperation

Knowledge and experience are vital competencies within Neways. Knowledge forms the basis for realising Neways's strategy as a one-stop provider. This places high demands on our workforce, who are the ones who need to carry and implement the strategy. Continual improvement to intra-Group cooperation and mutual respect at all levels within the organisation are vital factors in ensuring that the Group operates as a homogenous, integrated collection of businesses with coherent policies for quality, a recognisable culture and a common vision.

As the demand becomes increasingly more complex, in terms of technology, processes and service, transparency and understanding of the customer's needs are vital. This is essential for rolling out the one-stop providership. The better the Group's constituent members work together, the better the information exchanges are, the sooner and more frequently Neways will be involved in the customer's new initiatives. It is our ambition to become directly responsible for our customers' entire logistics supply chains, starting with component procurement. By ensuring openness and transparency in its operations toward customers and colleagues, Neways can roll out the specialist expertise and knowhow that the Group possesses and has built up and offer this to its customers.

Closer partnerships with customers

Understanding what is currently important to your customers, what is needed and what you can arrange for your customers are aspects through which Neways sets itself apart and adds value. Neways works in close partnership with its customers, providing advice and sharing information. The relation between Quality, Logistics, Technology, Costs & Communication (QLTC) on the one hand and savings (particularly on production) on the other is becoming a more important factor.

"Understanding what is currently important to your customers, what is needed and what you can arrange for your customers are aspects where Neways sets itself apart and adds value."

Realisation of opportunities in Asia and Eastern Europe

To continually improve the Group's position in respect of the competition, Neways always considers where best to situate its production and assembly activities. Possessing a stable financial basis, proven expertise and knowhow and the geographic footprint to follow the customers, many of them large OEMs, to the regions that they target, such as Eastern Europe and Asia, Neways is in a strong position to offer the desired added value as a partner. This will enable Neways to grow along with the OEMs as they expand their production capacity in Asia.

As part of our efforts to improve our competitiveness, matters such as strict cost control, working capital management, increased labour flexibility and improved procurement, logistics and production processes are given permanent focus to help us realise further efficiency improvements. Neways is also shifting more and more of its procurement to Asia to be more competitive. Selection criteria such as quality and reliability of supply are vital factors.

Growth

Neways principally pursues organic growth, and specifically expansion of the work for major customers (OEMs). The Group also actively considers the possibilities for acquiring new major customers, with the primary focus on combining high added value for our customers and market sectors that offer attractive opportunities for further growth. One part of our growth strategy is to become less sensitive to fluctuations in the EMS market. This means achieving a balanced spread across the market sectors with a higher added value, for example the medical sector and defence. Although the principal focus is on organic growth, we do not rule out the possibility of acquisitions.

Financial targets

In recent years Neways was faced with considerable fluctuations in market demand. Neways must therefore improve its ability to anticipate the situation, which is subject to change from one day to the next. This demands an organisation that is as flexible as possible, to continue to offer our customers optimum service. Proper control of QLTC, procurement processes, inventory management and production capacity utilisation have always been important. Now, however, they require even more attention if we are to realise satisfying returns.

Bearing in mind the never-ceasing competitive forces, Neways expects that prices will come under somewhat more pressure during the years to come. The improvement programme that is underway, combined with an increase in sales, will help us compensate for this pressure moving forward and structurally improve our margin.

In terms of financial position, Neways pursues a minimum solvency of 35%. For these purposes, solvency is defined as the guaranteed capital divided by total equity, adjusted for deferred taxes and intangible assets. One of the factors underlying this percentage is the capital-intensive and partly cyclical nature of the activities.

Key figures at a glance

Amounts in millions of euros	2015	Percentage relative to 2014
Revenue	374.1	+21.2%
Normalised operating results*	10.1	+12.2%
Normalised net profit*	6.2	+17.0 %
Net cash flow**	2.9	
Equity	70.6	+7.0%

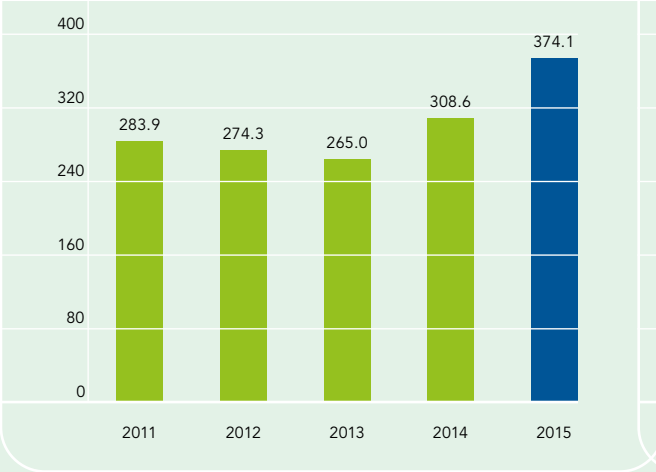
* Net of exceptional income and expenses.

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

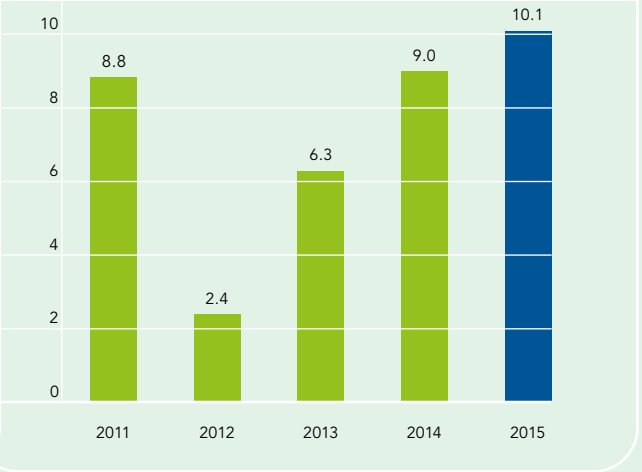
	2015	Percentage relative to 2014
Interest coverage ratio	4.9	–29.0%
Net debt/EBITDA ratio	1.9	+11.8%
Solvency Equity as a % of the balance sheet total	39.8	+5.6%
Workforce (in FTEs)	2,593	+13.3%
Normalised net earnings per share*	0.55	+12.2%

Key figures

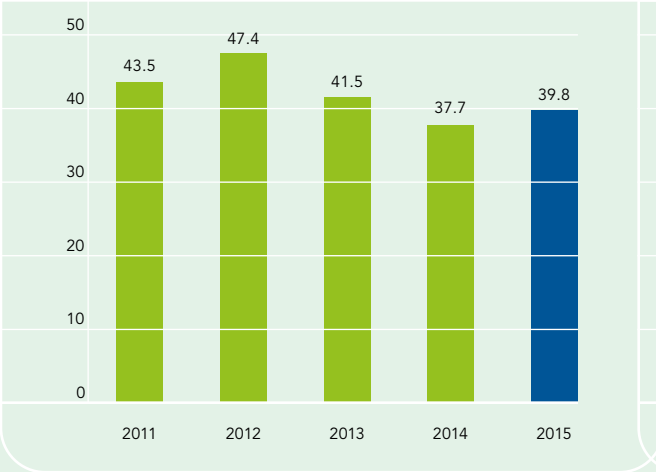
Revenue in millions of euros



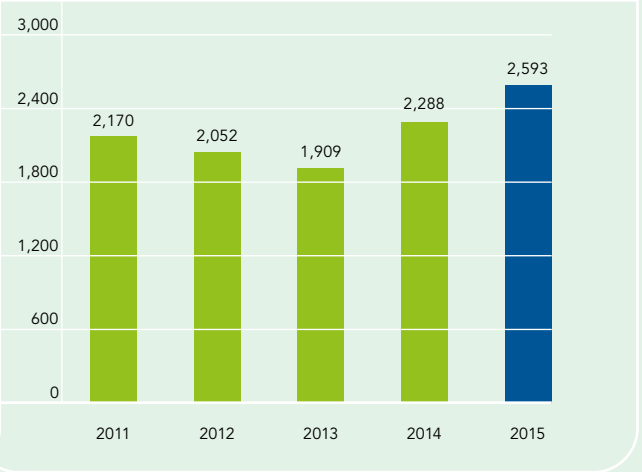
Operating results in millions of euros



Solvency as a % of the balance sheet total



Workforce



Amounts in millions of euros, except where stated otherwise	2015	2014	2013	2012	2011
Revenue	374.1	308.6	265.0	274.3	283.9
Gross margin	147.5	124.9	105.7	109.2	114.9
Operating results net of exceptional income and expenses	10.1	9.0	6.3	2.4	8.8
Operating results	5.9	6.6	2.6	2.4	7.4
Net profit net of exceptional income and expenses	6.2	5.3	4.7	0.4	5.2
Net profit	3.2	7.0	1.9	–0.4	3.8
Net cash flow*	2.9	–32.5	28.4	–2.7	1.9
Equity	70.6	66.0	50.1	48.7	49.6
Guaranteed capital**	75.5	70.9	50.1	48.7	49.6
Balance sheet total	177.1	175.2	120.6	102.5	114.0
Capitalised goodwill	2.8	2.8	2.8	2.8	2.8
Interest coverage ratio***	4.9	6.9	11.2	3.2	11.1
Net debt/EBITDA ratio***	1.9	1.7	0.1	1.1	0.3
Solvency					
Equity as a % of the balance sheet total	39.8	37.7	41.5	47.4	43.5
Guaranteed capital as a % of the balance sheet total	42.6	40.5	41.5	47.4	43.5
Profitability ratios***					
Return on equity	8.8	8.1	9.4	0.8	10.6
Operating results as a % of turnover	2.7	2.9	2.4	0.9	3.1
Net profit as a % of turnover	1.7	1.7	1.8	0.1	1.8
Operating results as a % of invested capital	11.7	9.7	11.5	4.4	16.5
Information per employee					
Workforce (in FTEs)	2,593	2,288	1,909	2,052	2,170
Revenue per employee (x 1,000)	144	135	139	134	131
Gross margin per employee (x 1,000)	57	55	55	53	53
Information per ordinary share, in euros (based on the number of shares at year-end)					
Net profit	0.28	0.63	0.19	–0.04	0.39
Net profit***	0.55	0.49	0.47	0.04	0.53
Equity	6.19	6.01	5.03	4.90	5.04
Net cash flow	0.25	–2.96	2.86	–0.27	0.19
Dividend	0.11	0.25	0.06	0.01	0.12
Dividend as a % of the net profit (2012: net of write-down of the deferred tax asset in Germany)	40.0	40.0	30.0	30.0	30.0
Number of shares at year-end x 1,000	11,401	10,986	9,946	9,943	9,834
Highest price	10.45	9.80	6.13	6.65	9.68
Lowest price	6.78	6.05	3.55	4.33	4.89
Closing price as at 31 December	7.50	7.30	6.13	4.67	5.40

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

** Including subordinated loans.

*** The calculations of the key figures do not include exceptional income and expense.

Key values

Proactive mentality

- ✓ Look and act beyond the limits of your immediate responsibilities
- ✓ Show initiative
- ✓ Think ahead
- ✓ Do not wait for things to happen
- ✓ Suggest improvements
- ✓ Consider the interests of other departments

Customer focus

- ✓ Apply this to both internal and external customers
- ✓ Make sure that you understand the customer's question properly
- ✓ Meet expectations
- ✓ Look ahead and show initiative
- ✓ Balance quality, quantity and costs

Teamwork

- ✓ Not 'me', but 'us'
- ✓ Work toward common goals
- ✓ Help and support each other
- ✓ Be respectful
- ✓ Be open and honest

Flexibility & creativeness

- ✓ Work according to structure
- ✓ Encourage efficiency
- ✓ Do not lose sight of flexibility
- ✓ 80% structure
- ✓ 20% flexibility/creativity

Importance of keeping promises

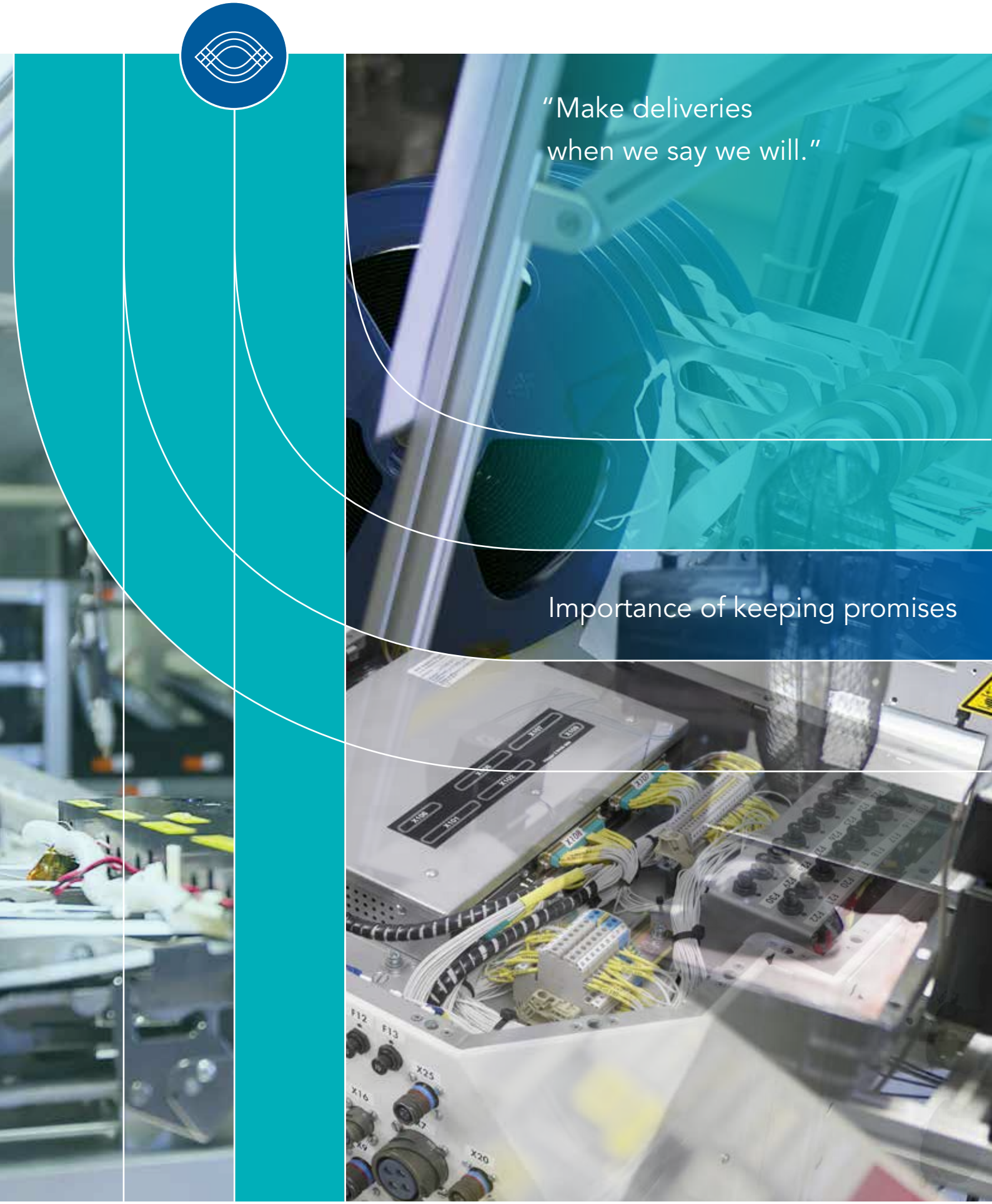
- ✓ Arrange matters clearly
- ✓ Do what you say you will do
- ✓ Communicate about progress and expectations
- ✓ Do not create problems for others
- ✓ Give each other constructive feedback

Partnership

- ✓ Invest in partnerships with others
- ✓ Focus on common goals
- ✓ Create continuity in partnerships

Drive

- ✓ Demonstrate drive
- ✓ Show that you are proud to work for Neways
- ✓ Demonstrate ownership
- ✓ Add value for the customer
- ✓ Goal: improve a little each day



"Make deliveries when we say we will."

Importance of keeping promises

Amparo Paredes Campo-Montes Rivadomar works as a team leader for Neways Advanced Applications. Besides DNA training with her whole team, she has completed several improvement training sessions with other team leaders.

"I enjoyed talking to other team leaders and discussing the dynamics of our teams. Our paths cross frequently and we're all working towards the same goal. Our job as team leaders is to motivate our teams, but every member is driven by something else. For example, I tend to act too quickly. This process is helping me become more aware of the fact that everyone looks at things from their own perspective. To me, this means taking a step back, considering the broad facts and then discussing the solution. This awareness process helps create more mutual understanding.

What helps our team in our day-to-day jobs is the '**Poenk**'* system: a tool for assessing and monitoring the results of a process. We do this daily. It's a significant factor in improving our service to customers. At Neways what we agree is a service. The goal is to eliminate any mistakes and to make our deliveries when we say we will. Of course this applies in respect of customers, but also among ourselves and in our partnerships with other operating companies."

* **P**raatplaatjes (visual aids)
Opvolgen (follow-up)
Evalueren (evaluation)
Nakomen van afspraken (keeping promises)
Klankbord (sounding board)

Report of the Board of Directors

The year 2015 in brief

For Neways, the main focus in 2015 was on implementing the group-wide improvement programme 'Up to the next level', which is aimed at better dealing with the increased dynamism in the market. Among other objects, it involves improving the organisation's efficiency and seeking a better balance for the capacity utilisation.

The potential for improvement across the Group will put Neways in the right position to face future challenges. Within the context of this programme, important spearheads have been identified to serve as the basis for launching a series of initiatives. The programme will help to reinforce Neways's positioning as a one-stop provider in the EMS market, and offers a foundation for further growth. For our organisation to continually leverage this one-stop providership and arrange as many processes and work for our customers as possible, it is vital for the separate Neways operating companies to work in close partnership with each other and with customers. This will also help Neways to identify opportunities and possibilities, create more synergy in revenues and share the benefits of the structural trend for OEMs and first-tier suppliers to outsource their non-core activities. In addition to one-stop providership, more and more often Neways is playing the part of product life cycle manager and arranging as many matters for the customer as possible. Neways hopes to further develop this role in the short term.

"The Group-wide potential for improvement that Neways possesses will put the organisation in the right position to face future challenges."

From a commercial perspective, Neways continued on from 2014 and last year again focused its efforts on realising a more balanced spread across market sectors. With the ongoing integration of the BuS Group, and the accompanying improved spread across the market sectors, Neways can now better accommodate fluctuations in demand. The acquisition of the BuS Group in July 2014 made Neways an important player in the European EMS market, and allowed the organisation to claim a strong position in the important German market. The spread of activity across the market sectors also improved significantly, principally through the increase in the automotive and industrial operations. This will gradually diminish the Group's dependency on the semiconductor sector.

In operational terms, a prominent feature in 2015 was the rollout of the improvement programme, while further progress was made with the integration of the BuS Group. The improvement programme, which underpins our efforts to encourage and protect our culture of customer focus and internal standards of conduct, hinges on the efforts of all our people. The Lean Leadership Model programme has been adopted for training managers to inspire and encourage our people using defined customer values and core values. These values are slowly but steadily becoming firmly embedded within the organisation and are the basis of the Neways DNA. However, no change in corporate culture can be realised at once: it is a gradual process. The feedback from customers is encouraging. We expect that the results of this process will become more evident and noticeable over 2016.

For the BuS Group, the ICT landscape has been mapped out, the ICT infrastructure has been connected to Neways and the procurement category management is now integrated with Neways. The DNA leadership programme and the production improvement methods have also been introduced and implemented.

Another important area of focus was the harmonisation of internal processes and procedures. At the separate operating companies, 'one way of working' will eventually lead to improved intercompany outsourcing possibilities and greater effectiveness within the organisation. Our focus is also on improving intercompany cooperation and knowledge sharing. These are elements that form the basis for realising Neways's strategy as a one-stop provider.

In December 2015 Neways announced its decision to reallocate the operations of Neways Micro Electronics (NME) in Echt and China and, as part of the improvement programme that was introduced mid-2015, reorganise the Neways Cable & Wire Solutions (NCWS) operating company.

The movements in revenue from NME's operations were falling short. Following a series of automation improvements, the majority of the activities will be shifted to the Neways Micro Electronics location in Echt, while the remaining operations will be taken over by Neways Wuxi Electronics in China. The reallocation of the Neways Micro Electronics activities in China affects 65 employees. Neways hopes to preserve some of these jobs by transferring the workers to Neways Wuxi Electronics. NCWS (the operating company that develops, manufactures and delivers high-quality cable systems for professional applications) will be reorganised to become more effective. In light of current movements in revenue and the more efficient setup, around fifteen jobs will be lost early in 2016. The works council's opinion was requested, leading to a favourable opinion in December 2015. A one-time provision of €2.7 million has been formed. The decision to change the setup of the operations at NME and NCWS will have a positive impact on the efficiency of the Neways organisation and on structural savings.

In financial terms, developments in 2015 were varied. Neways started the year well. The acquisition of the BuS Group visibly helped achieve a more even and broader spread across the separate market sectors. During the first six months of the year the organisation successfully responded to the recovery in the demand from customers relative to the second half of 2014, and H1 figures for 2015 were up from H2 of 2014. In the second half of 2015 revenue stabilised relative to the first half. The principal reason for this was the decreased predictability of customer orders, as customers in various market sectors started applying stricter inventory management as the year drew near its end.

Revenue has increased since the acquisition of the BuS Group, and is recovering in the automotive, semiconductor and industrial operations. The operating results, before exceptional income and expense, rose slightly relative to 2014. The drop in the average margin was largely compensated by the lower operating costs, both figures seen as a percentage of revenue. In addition, in December 2015 it was announced that the operating companies NME and NCWS were to be restructured, and a provision was formed and deducted from the results.

Financial developments

Summary consolidated income statement (net of exceptional items)

X € million	2015	2014
Net revenue	374.1	308.6
Gross margin	148.0	124.9
Operating results	10.1	9.0
Profit before taxation	8.0	7.9
Net profit	6.2	5.3

Revenue

Gross revenue v net revenue

X € million	2015	2014
Gross revenue	405.9	337.2
Intercompany revenue	31.8	28.6
Net revenue	374.1	308.6

Revenue

In 2015 gross revenue was €405.9 million, against €337.2 million in 2014. On an annual basis, net revenue increased 21.2% to €374.1 million, largely as a result of the acquisition of the former BuS activities.

Breakdown of revenue by market sector

X € million	2015	2014
Industrial	142	118
Semiconductor	67	62
Medical	57	59
Automotive	88	55
Defence	9	8
Telecommunications	5	4
Other	6	3
Total	**374**	**309**

Gross margin

In 2015, the gross margin (including an exceptional item of €0.5 million) increased 18.1% to €147.5 million (2014: €124.9 million), largely as a result of the acquisition of the former BuS Group. After elimination of exceptional items, the 2015 margin as a percentage of revenue was 39.6%, which was less than 2014 (40.5%).

Operating costs

A large portion of the operating costs are employee expenses. The employee expenses rose by 16.3% against 2014, to €102.4 million. These figures do not include the exceptional expenses of €1.6 million that were recognised for the reorganisation of the operating companies NME and NCWS.

As a percentage of net revenue, at 27.4% the employee expenses were lower than in 2014. This improved ratio was achieved through higher productivity at the various operating companies and an accompanying drop in the workforce. The average number of FTEs was higher than in 2014, at 2,593 (2014: 2,288 FTEs). The number of FTEs at year-end dropped from 2,611 to 2,530. This drop was realised primarily in our Western European and Chinese establishments.

The other costs included in this item include costs of premises, production costs, selling expenses and advisory expenses. An exceptional expense of €0.6 million was recognised for 2015 for premises that stood vacant in connection with the reorganisation. As a percentage of revenue, the operating costs fell marginally. The DNA leadership project and the work to prepare the Wuxi establishment for automotive led to higher costs there.

Exceptional expenses

Exceptional expenses totalling €4.1 million (net €3.0 million) were recognised in 2015 for the reorganisation at the operating companies and PPA. This item includes redundancy costs (€1.6 million), write-downs of inventories (€0.5 million), costs of premises (€0.5 million) and PPA (€1.4 million). For comparison purposes, in 2014 a sum of €2.4 million (net €1.7 million) were charged to the results in connection with costs of closing operating companies in Echt and Kassel.

Depreciation and amortisation

In 2015, depreciation and amortisation totalled €8.2 million, representing a €1.9 million increase relative to 2014 (€6.3 million). This increase was caused by the consolidation of the BuS Group and the positive impact in 2014 of €0.4 million from disposals at the Kassel establishment. Depreciation and amortisation on PPA came to €1.4 million in 2015, against €1.5 million in the previous year.

Operating results and operating margin

In 2015 the operating results were €5.9 million, against €6.6 million in 2014. Net of exceptional income and expenses, the operating results rose from €9.0 million in 2014 to €10.1 million in 2015, bringing the operating margin for 2015 to 2.7% (2014: 2.9%). This drop was caused by the smaller gross margin, though in part compensated by the lower operating costs.

Finance costs

Finance costs increased to €2.1 million (2014: €1.3 million). This stemmed largely from the acquisition of the former BuS Group: to acquire the BuS Group, in 2014 the current account facility was expanded from €30 million to €35 million and the Group took out a 3-year €12.5 million loan and placed a subordinated convertible bond loan of €5 million with existing shareholders. In 2015, €2.5 million was repaid on the loan, in accordance with the repayment schedule.

Net profit and earnings per share

The net profit (not including exceptional income and expenses) came to €6.2 million, against €5.3 million in 2014. The net earnings per share were €0.28 (2014: €0.63).

Dividend

The proposal to the General Meeting of Shareholders is to distribute a dividend based on 40% of the net profit of €3.2 million, which translates to a dividend of €0.11 per share.

Summary consolidated balance sheet

X € million	2015	2014
Equity	70.6	66.0
Balance sheet total	177.1	175.2

Equity and solvency

Equity improved from €66.0 million in 2014 to €70.6 million in 2015. Solvency (guaranteed capital/total equity) at year-end 2015 was 42.6% (2014: 40.5%). After adjustment for the deferred tax asset and intangible assets, solvency was 35.9%. This solvency satisfies the temporary adjustment to 32.5% that the banks have made to the solvency requirements in connection with the acquisition of the BuS Group.

Cash and net debt position

At year-end 2015 the net debt position was €31.5 million, against €34.8 million at year-end 2014. A sum of €8.3 million was repaid on borrowings during 2015, financed from additional funds drawn under the current account facility and from the operating cash flow. At year-end 2015, €12.4 million was drawn under the available current account facility of €35.0 million.

Working capital and net cash flow

During the past financial year, the working capital (inventories plus receivables less trade and other payables) rose from €53.3 million to €59.4 million. This increase resulted mainly from the higher inventories and receivables as customers postponed deliveries and the level of activity rose near the end of the year.

At year-end 2015, inventories measured in turnover days was 81 (2014: 76 days). The slow turnover at BuS will remain a matter of focus, and inventory management will be improved to increase the turnover rate.

The number of outstanding receivable days at year-end 2015 was 36 (2014: 36 days), which is good. The total allowance for bad debts at year-end 2015 was €0.8 million (2014: €1.1 million). The entire Neways organisation pursues a careful policy for receivables. A number of major customers make use of a supplier finance programme to encourage fast payment.

Summary consolidated statement of cash flows

X € million	2015	2014
Cash flow from operating activities	7.4	1.9
Cash flow from investing activities	–4.5	–34.4
Net cash flow	2.9	–32.5
Cash flow from financing activities	–3.1	12.3
Movements in cash	–0.2	–20.2

The cash flow from operating activities increased to €7.4 million (2014: €1.9 million). The net cash flow (net profit plus depreciation and amortisation, adjusted for capital invested, movements in provisions and working capital) was €2.9 million in 2015 (2014: –€32.5 million). The figure for the cash flow in 2014 resulted from the acquisition of the BuS Group.

Capital invested and return on investments

In 2015 further investments were made in ERP-LN, Neways's new ERP platform. Besides the ERP system, this platform also offers an integrated work system that includes engineering and component management. These processes are scheduled for actual implementation at the Neways Advanced Applications operating company in Q2 of 2016. A functional test platform was developed in 2015, which will be implemented at all the operating companies.

Acquisitions of property, plant and equipment and intangible assets totalled €4.5 million, which is significantly less than the €8.7 million spent in 2014. With its focus on the ever-increasing expectations of customers that projects will be optimally arranged for them, Neways is investing its capital primarily in technology to further improve its service to customers in terms not only of speed but also of quality and efficiency. The operational improvement programme that we have set in motion allowed us to make more efficient use of our production apparatus and put off investing capital in expansion. Besides expanding the test equipment, in 2014 the Group also invested in modifying premises in Echt and cleanroom facilities. Depreciation and amortisation was at a higher level in 2015 than in 2014, as a result of the acquisition of the BuS Group in 2014. The return on invested capital (operating results as a percentage of invested capital) rose to 11.7% in 2015 (2014: 9.7%).

Financing cash flow and net liquidity position

The cash flow from financing activities was €15.4 million less than the previous year. The high cash flow in 2014 resulted from the additional financing that was taken out for the acquisition of the BuS Group.

Outlook

Neways is in a healthy financial starting position. With its financial health, combined with the integration of the BuS Group, in 2015 the organisation took another step toward reinforcing the foundations for providing its customers with even better service, further improving the business model and achieving a better match with the increased volatility in the Electronic Manufacturing Services market. We are not done yet though, and one of main concerns in 2016 will be to strengthen these foundations.

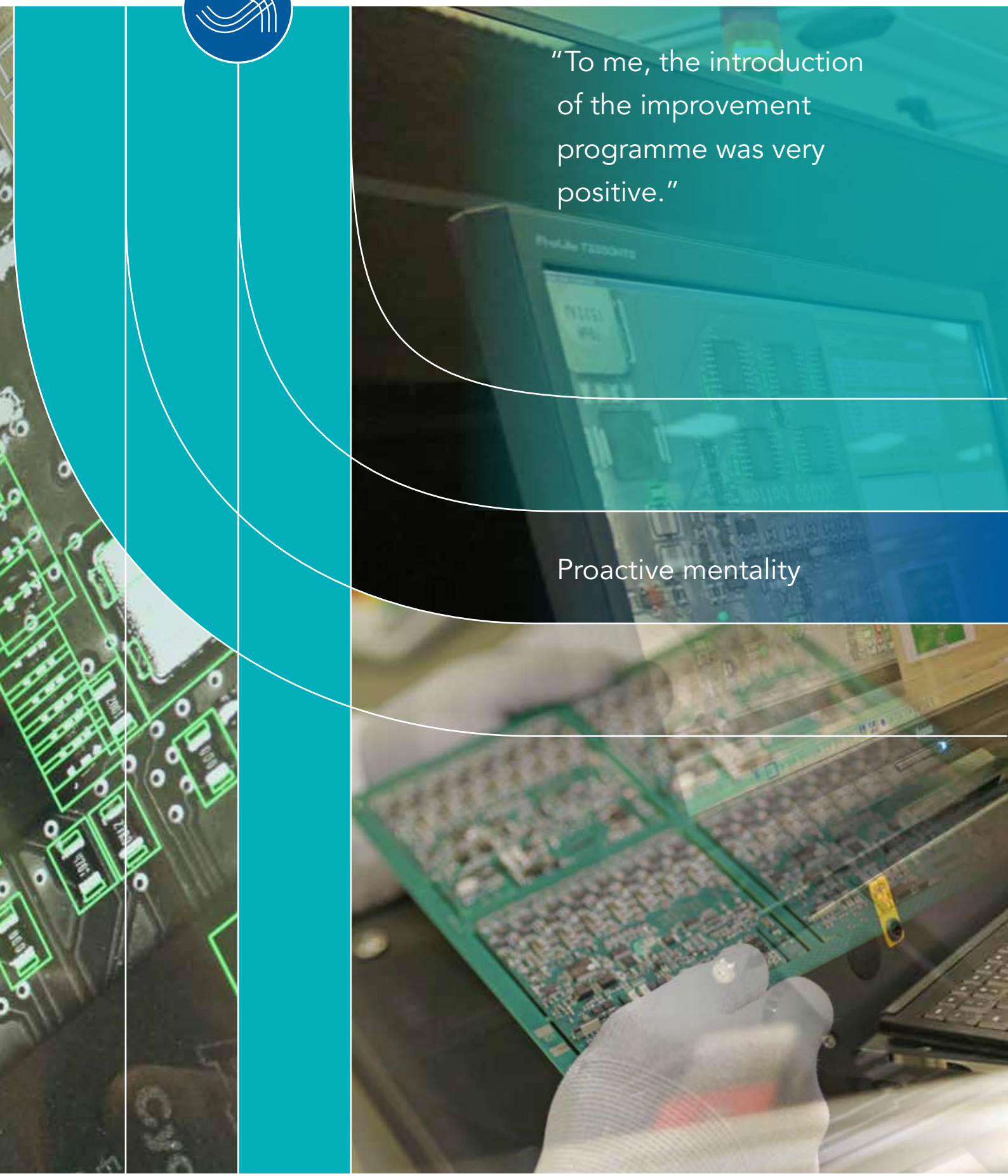
"Financially, Neways is in a strong starting position, allowing it to anticipate market developments and continually accommodate changes in the market sentiment. The financial position also offers scope for capital expenditure aimed at achieving growth."

The trend that more and more OEMs are outsourcing non-core activities to reliable partners is set to continue this year, as will the demand for more complex questions from customers. Possessing a stable financial basis, proven expertise and knowhow and the right geographic footprint, Neways is well positioned to follow customers to the regions that they target (such as Eastern Europe and Asia) and offer the desired added value as a partner. This will lead to an increase in direct supplies from our Chinese production locations to OEMs in the region and to a further expansion of centralised procurement activity in Asia.

Financially, Neways is in a strong starting position, allowing it to anticipate market developments and continually accommodate changes in the market sentiment. The financial position also offers scope for capital expenditure aimed at achieving growth.

The order book increased in 2015: at year-end 2015 it totalled €167.6 million, against €155.9 million at year-end 2014.

Movements in revenue and results are linked in part to the developments in the various EMS markets in which Neways operates. We have minimised this risk by achieving a balanced spread across the separate EMS market sectors. Revenue and results also depend on the degree to which Neways's deliveries are compliant with its QLTC standards. This risk is limited by our ongoing efforts to improve processes, share knowledge within the Group and maintain a control system.



"To me, the introduction of the improvement programme was very positive."

Proactive mentality

Denis Poller assumed the position of manager in charge of the optical inspection department of Neways's 2014 acquisition BuS Group in Riesa, Germany.

"To me, the introduction of the improvement programme was very positive. The workshop on the Lean Leadership Model included colleagues from various different operating companies. Getting to know each other in person in this setting also makes it easier to communicate later on if you need to talk about work involving teams at separate operating companies.

Our operating company was only recently added to the Neways organisation, and of course you immediately focus on what you can learn from each other. I'm looking forward to sharing more best practices, and the DNA process is definitely an important aspect.

For me personally it's also a process of increasing my awareness: every day I work on the different aspects of the programme, becoming aware of my role in the bigger picture. It's essential for the team to become a balanced unit and to have support at every level to become One Neways."

Operational developments

A new foundation

Having taken the first steps in the previous year toward raising the organisation to a higher level, in 2015 the Group introduced 'Up to the next level': an improvement programme that will help us to follow the continually changing circumstances. This calls for flexibility and adaptability, and is a vital necessity for Neways to retain its strong market position moving forward.

"In recent years the operating companies have been working together more closely in all the regions where Neways operates, with the principal focus on improving quality and enhancing innovative capabilities through closer cooperation and sharing the knowledge and experiences that we have gained."

This new way of looking at the organisation, operational controls and interactions with customers will help Neways to react optimally to short-term planning adjustments and more complex demand from customers, for example combined development and production orders and more 'box-build' systems. Our added value and knowledge component have become more important here. This is given shape based on the concept of one-stop providership, with multiple operating companies and disciplines acting in conjunction in dealings with customers with increasing frequency, and with increasing intensity. The goal is at all times to be able offer the highest-quality and most effective solution.

With the ongoing integration of the BuS Group, and the accompanying further spread across the market sectors, Neways can now better accommodate fluctuations in demand. That integration is one of many initiatives that are being taken by the Neways organisation, and is supported by the presence of Neways's existing low-cost production capacity in Asia, giving customers of the BuS Group greater access to more competitive custom solutions.

Improved operational performances of the operating companies

In recent years the operating companies have been working together more closely in all the regions where Neways operates, with the principal focus on improving quality and enhancing innovative capabilities through closer cooperation and sharing the knowledge and experiences that we have gained. Relying on carefully coordinated and standardised processes and an efficient supply chain, we can further improve the combined operational performance. To achieve this, Lean Leadership Model methods have been rolled out at the operating companies. In December 2015 Neways announced significant changes at the operating companies NME and NCWS, in order to rapidly improve operational performances and customer focus of these specific entities.

Improved capacity utilisation

Improving the capacity utilisation throughout the Group was again an important spearhead for Neways in 2015. The short-term peaks and troughs in customers' demand that have been a feature of the EMS market in recent years pose a new challenge for Neways. Last year Neways managed to deal with this more easily through a better spread across various sectors, through partnerships between the operating companies and by contracting temporary workers.

Optimised procurement and supply chain, reduced supplier base

Neways seeks to form closer partnerships with suppliers, through various means including by reducing the number of suppliers and by developing a relevant dependency, where the supplier is given the opportunity to improve the standard of service. A strategy is determined for each category, with the suppliers' knowledge contributing toward a more efficient supply chain that offers added value. The acquisition of the BuS Group led to a sharp increase in the number of suppliers with which Neways works. By gradually integrating the BuS Group and by launching the measures to improve procurement, the number of suppliers has been cut back. This reduction is resulting in closer partnerships with the existing suppliers, revolving around focus and business. For each procurement category,

a selection of preferred suppliers was made in 2015. For two categories, the first steps have been taken to implement and consolidate a number of suppliers. The efforts to reduce the number of suppliers will remain an important area of focus for Neways in 2016. In time, it should lead to a more efficient supply chain.

Some separate Neways operating companies work with the same suppliers. In its dealings with suppliers, Neways seeks to apply the principle of 'one point of contact' in respect of its suppliers. Since 2014 the Supplier Account Managers (SAM) team has been assisting with the cooperation between the Neways operating companies. The goal of this team is to improve control and focus on realising improved performances through joint procurement. The team concentrate much of their effort on further reducing delivery times and order volumes for components to minimise the risk of obsolescence and cut the operating costs of the operating companies. To further enhance this improvement programme, in 2016 the first steps will be taken toward harmonising the logistics processes.

Reinforced sales process

Neways supplies its customers based on the one-stop provider principle. By arranging the complete process, Neways often assumes responsibility for the entire product life cycle. Closer partnerships with customers demand a more integrated role from Neways, and key account management is becoming more important. Further focus will be placed on developing our understanding of the markets and our customers.

Improved ICT setup

Under the project name 'Next Generation', the Neways organisation is replacing the present BaaN IV system with a new ERP system. One of the benefits of this new system from Infor, BaaN IV's direct successor, is that it reduces the number of applications while also offering more new functionalities, which will help give shape to our desire for closer cooperation between people at the separate Neways operating companies and increase the efficiency of how we use our people and resources throughout the Group. This reflects a transition from a multi-logistics to a single-logistics concept. The introduction of standard processes will also help optimise the possibilities to exchange information to support jointly served customers. Next Generation is about more than just ERP processes, and forms the basis for 'One Neways'.

As much as possible of the ICT programme is being rolled out by our own people, who are highly experienced in this area. The process is being carried out carefully and in phases. The roll-out of the new ERP system requires careful preparation, where quality is given paramount importance. To properly realise the roll-out, the decision was made last year to extend the phase for preparation and implementation. In concrete terms, this means that the first physical implementation of the system is scheduled for Q2 of 2016, at Neways Advanced Applications. Once the roll-out at NAA has been realised, the system will be implemented at the other operating companies in phases.

Neways's existing automotive customers are currently served through the BuS Group in Riesa and Neways Neunkirchen, where component track & trace systems are used. To realise an automated track & trace system at Neways Wuxi in a short completion time and with a minimum level of risk, in 2015 a project team started work on implementing the Neunkirchen track & trace system in Wuxi.

In 2015 the roll-out of the Office 365 implementation in the office automation systems of the Dutch entities was continued. The non-Dutch locations will follow in 2016.

Activities in Asia

The emphasis of Neways's Asian operations is on batch production for Western European establishments of OEMs. Although the revenue is still minor in absolute terms, 2015 again showed a visible increase in 'Local for Local' contracts.

In December 2015, with movements in revenue from the operations of one of the two operating companies in China falling short of expectations, Neways decided to relocate NME's activities. The activities will be automated and subsequently largely transferred to the establishment of Neways Micro Electronics in Echt. The remaining activities will be taken over by Neways Wuxi Electronics in China. The reallocation of the Neways Micro Electronics operations in China affects 65 employees. Neways hopes to preserve some of these jobs by transferring the workers to Neways Wuxi Electronics.

Based on current trends, during the coming years the number of development, testing, prototyping and batch production projects for OEMs established locally in China are projected to increase significantly. In 2015 the organisation considered the possibilities for starting to serve customers of the BuS Group, and last year we talked to multiple of those customers about the possibilities for production in Asia. These discussions have resulted in contracts for trial production for a number of Western European customers in 2016 for which the Asian market offers interesting sales possibilities. This will lead to regular production in 2017. Looking ahead, Neways sees significant growth potential in China, particularly for the automotive sector and building management systems.

Market developments, trends and competitiveness

Neways operates in the Electronic Manufacturing Services (EMS) market. The EMS market is a global, dynamic and partly cyclical market that is characterised by continual change and increasing complexity of the demand from major and often global players in the manufacturing industry (OEMs). Neways is a leading player that sets itself apart from the competition through its close partnerships with customers (customer intimacy) and by applying technological expertise in its customers' product portfolios.

Consolidation in the EMS market

The EMS market everywhere in the world is largely fragmented and as a result includes numerous players. However, a trend of consolidation among industrial/professional EMS companies began some years ago, which continued in 2015. This consolidation is expected to continue for some years, as customers prefer to work with suppliers that possess a strong financial position and a global footprint and are capable of following the customers. Increasingly, however, European companies are demanding partners for 'Local for Local' deliveries in Asia, making it important to have a footprint in this region in order to follow and our customers and serve them locally.

Operators in the United States are also demanding 'Local for Local' services. Neways is looking at the possibilities for offering engineering support, and plans to give this further shape in 2016.

Increased outsourcing by OEMs

Globalisation is leading to greater competition among OEMs. The global EMS market continues to grow, buoyed by the trend of increased outsourcing at higher levels by the OEMs, which now outsource the entire product life cycles of their electronic components or systems to trusted partners.

Outsourcing at higher levels automatically implies more complex activity. This requires a more intimate partnership with customers. Not only the trend of outsourcing at higher assembly levels is expected to continue: the same will also happen for outsourcing subprocesses such as developing and engineering these electronic components and systems.

Increasing transparency and the use of modern communication methods are enhancing the possibilities for close partnerships in the supply chain: the demand for interfacing technical and logistical data in the supply chain is growing.

The increasing complexity of the problems means that our acceptance policy and the way in which our processes are set up must regularly be subjected to critical review. This is a continual process, and one in which important strides were again made last year to better gear the organisation to our customers' wishes.

Flexibility

Volatility is a fact of life in our market. Our customers' timetables and orders now change faster than they did in the past. This puts pressure on our balance of working capital and flexibility on the one hand and efficiency and savings on the other. These are important areas if we want to remain competitive. Maintaining our profit margins and preserving our market position are the paramount considerations.

The introduction of Lean Leadership Model Management has brought about a visible change in our customers' approach to the business. The implications of this development can be felt throughout the logistics chain: Neways in turn also expects a proactive mentality from its suppliers, with continual suggestions for improvement. This will allow suppliers to grow along with the OEMs' logistical and technical production requirements and preferences. No less is expected from Neways.

Innovative capability, quality, flexibility, reliability of supply, standards of service and cooperation are competencies that will continue to gain in prominence. They are also the success factors on which Neways, as a niche player, intends to focus its efforts during the coming years. As the OEMs' knowledge partner, and offering a strong standard of quality, Neways can offer these parties the added value that they desire.

Market development/opportunities

- Globalisation is leading to greater competition among OEMs. The more rapid increase in outsourcing by OEMs is generating growth in the EMS market.
- OEMs have more need for manufacturers that can manage the entire life cycle of a product ('life cycle management').
- In 2015, the global EMS market grew by around 3%, although the European EMS market remained stable.
- Electronics are on the rise in the Automotive and Medical core markets.
- OEMs are seeking out partners that will arrange the entire product life cycle for them, and want earlier involvement in the development process.
- Volatility is a fact of life in the EMS market.
- Product life cycles are becoming shorter as the pace of technological innovation accelerates.
- The required levels of capital expenditure are rising, which will lead to further consolidation to finance that expenditure.
- Increased transparency and the use of modern communication methods are creating new possibilities for closer partnerships in the supply chain.
- Available engineering, development capacity and possibilities of cost-cutting programmes at OEMs and first-tier suppliers can be used to arrange entire product life cycle.

Threats

- Customers are quicker to change their timetables, causing fluctuations in demand, in response to market developments. This puts pressure on our balance of quality and flexibility on the one hand and efficiency and savings on the other.
- Shorter product life cycles require shorter completion time developments and early involvement in the customer's plans.
- If sufficient raw materials and sub-components are not available soon enough, this may lead to inefficiencies in production capacity utilisation and put more pressure on margins.
- The competition is globalising.
- A trend toward 'commoditisation' and competition on prices is emerging.

Strengths

- Neways possesses extensive engineering and production capacity to support its customers in the development process and arrange the entire product life cycle for them.
- The Group possesses a strong development and engineering branch with the latest tools to offer customers support and total solutions in the early stages of their product planning processes.
- The balanced spread across different market segments offers added stability.
- We have a strong presence in the Automotive and Medical markets, where the use of electronics is increasing.
- Our centralised business development allows for rapid response to the customers wishes, with optimum use of different operating companies.
- We have production locations in Western Europe, Slovakia, the Czech Republic and China.

Weaknesses

- The transition to a new way of working, including the new ERP system, is an important factor in achieving an improved, more harmonised and more efficient workflow.
- We need to further harmonise the work processes and cooperation between operating companies.
- We need to improve our service-based mentality and customer focus, giving it shape at all levels of the organisation, for example through the DNA Leadership programme.
- Giving shape to the demand from customers based on life cycle management requires further attention in various areas, including sales, procurement and development for the related risks and coordination throughout the entire supply chain.
- Competition is increasing as a result of the consolidation at the bottom end of the market.

Neways DNA and the Lean Leadership Model

The improvement programme 'Up to the next level' was introduced last year, beginning with the basics: the standards, values and beliefs that are paramount to cooperation within Neways, its DNA. This is the foundation for all plans, ideas and strategies that we intend to carry out.

Core values and customer values have been defined as part of the Neways DNA. The core values are based on what we at Neways feel is important – both in dealings with each other and in dealings with the world around us, including in areas where our people can remind each other of how it should be done.

Customer values apply in respect of both external and internal customers, for example co-workers, other departments and other operating companies. The demand from customers is paramount. Neways endeavours to understand the customer's perspective and to respond to the customer's wishes.

Key values	Customer values
Proactive mentality	"We adopt a proactive attitude to both internal and external customers"
Customer focus	"Keeping our promises is part of our service"
Teamwork	"I know my customer"
Flexible and creative	"I do not make mistakes"
Importance of keeping promises	"I always do what I say I will"
Partnership	"I do not miss deliveries"
Drive	"I use smart ways of working"

In 2015, Neways began rolling out these core values and customer values at the Dutch operating companies. The roll-out outside the Netherlands will be given shape in phases. The entire workforce, including our managers, plays an important role in presenting and protecting our culture of customer focus. The Lean Leadership Model trains managers in inspiring ways to implement the values on the workfloor.

The DNA introduction programme includes sessions with employees, where they work with managers to establish and define the Neways DNA. Creating support among the employees at the separate operating companies will encourage them to act as One Neways, both internally and externally.

The training and the introduction of the core values at departmental level ensue from a collaborative effort by German and Dutch HR staff, who developed the programme based on brainstorming sessions and mutual input.

Get Connected! Get Committed! Get it Done!

Everyone is different – unique. What connects us within our organisation is the Neways DNA. Drawing on the Lean Leadership Model, management is endeavouring to achieve a closer relationship/connection with the employees and create a closer sense of engagement between individual employees, departments and operating companies, to enhance their efforts to realise a common goal. More effective cooperation boosts productivity. The results of this strategy will become more evident over time.

Embedding of the DNA model in the performance review system

In 2012 work began on a new performance review system for employees. That system is based on defined standards rather than the commonly used qualification system of 'poor-unsatisfactory-satisfactory-good-very good'. Performing at the correct level means that the individual satisfies the applicable standard. Individuals might also perform above or below that standard. The advantage of this system is that it can be updated annually to reflect the Group's developments in the market. The system was updated in 2013, and was optimised and fully rolled out at all the operating companies in 2015. This year, the DNA model has been embedded in the existing performance review system, with a clear link to the core values and customer values that we have defined.

Organisational structure and workforce allocation

Neways is an exponent of the Dutch high-tech manufacturing industry. Its home base is at the Science Park Eindhoven. In Neways's organisational structure, the holding company serves as the axis around which everything revolves. The holding company plays not only a strategic and financial role, but also a managerial role, with close involvement in knowledge exchanges between the operating companies and the joint operations in respect of suppliers and customers.

In 2015, the Neways organisation deployed operations from fourteen operating companies. The average workforce in 2015 totalled 2,593 (in FTE). Approximately 75% of the workforce are based in Western Europe, while 25% work in Eastern Europe or Asia. At year-end 2015 the workforce totalled 2,530 (in FTE). For purposes of allocating its employees, Neways seeks to optimise the balance between Western Europe on the one hand and Eastern Europe and Asia on the other.

In Western Europe, this means capacity for more complex components and systems that are developed and manufactured in close proximity to and partnership with our customers. The capacity in Eastern Europe and Asia is needed for less complex, fully developed and stable electronic components and systems for which the batch production is handled by the

operating companies in Eastern Europe and Asia. In Asia the demand is increasing for 'Local for Local' from OEMs with a local presence. We are seizing the opportunities that this represents by investing in advanced production lines, modern facilities and the presence of properly trained local workers.

Flexible use of the workforce

Neways operates in the EMS market, a sector that is characterised by high levels of volatility that causes the demand to fluctuate and customers to adjust their short-term plans during the course of the year. This requires flexibility from the organisation and in the use of its workforce. In addition to its regular workforce, in Western Europe Neways works with a relatively large flexible layer. The entire Group makes relatively frequent use of flexible workers, generally in production. Compared with year-end 2014 (93% versus 7%), the number of flexible workers employed remained unchanged at year-end 2015 (93% versus 7%).

Increased demand for highly trained workers

As our customers' demand for high-quality technological solutions becomes more complex, Neways has shifted its focus to partnership, knowledge and added value. This development has also impacted the structure of the Neways organisation and the workforce mix. The increasing complexity of the demand from customers has led to a further rise in the number of highly trained workers.

OEMs are outsourcing more and more activities, and Neways is increasingly becoming involved in closer partnerships. As a result, for various customers Neways has, in recent years, matured into a fully-fledged product life cycle manager: besides producing components and system, Neways now also arranges their development, prototyping, testing and reengineering. This development will continue to drive the need for more highly trained workers in the coming years.

Scarcity in the labour market and employer branding

With technical specialists remaining in short supply in the labour market in 2015, and having defined an active policy for recruiting and selecting specialist staff in recent years, Neways launched the activities for Recruitment Process Outsourcing (RPO) in 2015.

Arrangements are now in place with Recruitin, an external organisation that specialises in using social media to fill job openings. Recruitin will begin recruiting and selecting technical staff, including engineers, early in 2016. The organisation is focused on the Dutch operating companies. Recruitin is also advising Neways on its employer branding policy: how to optimise its brand familiarity in the labour market. By increasing its brand familiarity, Neways can position itself as an attractive employer. A website about working for Neways (*Werken bij Neways*) has been developed that targets the labour market and that explains what interesting jobs are available at Neways to aspiring/prospective employees.

Another element of the employer branding policy is a proactive policy toward the educational sector. To increase its visibility as a potentially attractive employer among technology students, Neways organises presentations and workshops, arranges a presence at the annual open days of academic universities and universities of applied sciences and offers work placements to higher and secondary education students.

Personal development

The Neways organisation focuses a great deal of attention on retaining talented employees and encouraging personal development. Markets in which customers have widely diverse preferences demand creative ideas and a proactive and solution-focused mentality.

This makes it vital to possess not only specialist technical professional knowledge, but increasingly also innovative mental capabilities, flexibility and the ability to work with others. Neways offers training programmes and professional courses that stimulate the individual's creativity, problem-solving capabilities and customer focus.

Neways also places a great deal of emphasis on attractive career and growth possibilities and an appropriate remuneration policy. Attractive principal terms of employment, fringe benefits and opportunities for personal development are vital factors in retaining talented employees, and the periodic interviews with them are more than simply performance reviews and retrospectives. The focus is on the individual's interests and ambitions to realise the required competencies. Neways achieves this using a long-term competency development plan that is used throughout the Group. Rather than identifying what skills an individual is missing in his or her present job, it emphasises the markets and customers with which the individual deals or will deal. This serves to map out what his or her development needs are, after which the competency development path is established with the employee's input.

"Our people are a valuable asset, and the board firmly believes that they give us an edge. Attractive career and promotion opportunities receive a great deal of care and attention."

Neways also attaches a great deal of importance to creating a favourable working environment where team spirit, engagement and empathy come naturally. Neways encourages this conduct continually. Managers also play an important role in achieving this.

Sick leave management

Neways's human resources policy calls for an integrated approach to sick leave management wherever possible. Besides the individual's work and working conditions, this also explicitly focuses on personal circumstances or living conditions that might trigger sick leave.

To implement this policy, Neways relies on all its employees to help. Preventing sick leave is an issue for which the employer and the employees share responsibility. In the event of protracted sick leave, the employee's manager or immediate supervisor, the Human Resources department and the health & safety service stay in regular contact with the individual. Frequent contact between these parties and the employee concerned often smoothes the way for the individual's return to the work process. In 2015, the average sick leave was around 3.6% (2014: 3.75%).

Employee participation

In the Netherlands and Germany, the employees of most of Neways's operating companies are organised into separate works councils. An employee participation structure exists at the group level in the Netherlands, given shape in the CON (Centraal Overleg Neways, or the Neways central consultation body). The CON is made up of representatives of the various Dutch works councils. The CON met with the Board of Directors on five occasions in 2015, including an annual meeting with the chairman of the Supervisory Board. Regular themes at the CON's meetings are market developments and the latest results. A number of specific subjects were addressed in 2015, including the relocation of the business operations of Neways Micro Electronics China to the operating company Neways Micro Electronics in Echt. Another topic of discussion was the new organisation of the operating company Neways Cable & Wire Solutions.

The management team consultations – meetings of the directors of all the operating companies – periodically address themes of human resources that are relevant and/or that exceed the level of the individual operating companies.

Corporate responsibility

Corporate responsibility (CR) is an important issue for Neways, and we continually seek to achieve a balance between the three Ps: 'People, Planet and Profit'. CR-related initiatives are currently fragmented across the individual operating companies, and we can still do much to improve the quality and intensity of our policy. However, in recent years we have prioritised efforts to build the Neways foundations and define our DNA. We now face the challenge of further developing and rolling out a forward-looking and harmonised CR policy.

Investing in people and ethical conduct

Neways gives paramount importance to its employees. It is important to invest in our people and support them as they pursue their ambitions. Neways offers employees attractive training programmes and professional courses for them to broaden their knowledge and expertise. Neways feels that career and promotion opportunities, with an appropriate remuneration policy, are also important.

The standards of conduct that have been in place for years throughout the Neways organisation have been documented and now form part of our ethics policy, which has been incorporated into our employee handbook. As such, compliance is required from every employee. The ethics policy that we have defined is presented on Neways's website as a code of conduct, and is in compliance with Best Practice Provision II.1.3 of the Dutch Corporate Governance Code.

Comprehensive sustainability policy

Neways bases its comprehensive sustainability policy on the Electronic Industry Citizenship Coalition (EICC) code of conduct, an international code that has been developed for the market sectors within which Neways operates. The existing ethics policy has been incorporated into the sustainability policy, which besides ethics also explicitly addresses the issues of labour, health & safety and the environment. Both these documents are available in their entirety on the Neways website. Neways has put together a team of representatives from operating companies, who are responsible for periodically consulting with the Sustainability Coordinator and drawing up annual plans and defining spearheads. Sustainability is also an important issue beyond the organisation, for example as an element of the periodic supplier audits.

Social initiatives

World Solar Challenge

The World Solar Challenge is a race held in Australia every other year. The participating teams start in Darwin and have six days to reach Adelaide, 3,000 kilometres away. During this journey, their vehicles may only use solar panels with a maximum surface area of six square metres. Solar Team Eindhoven took part in the race, in the Cruiser class, and seized the world championship title. Neways provided system architecture, project management and 3D cable design to support Solar Team Eindhoven. Neways also produced the electronics and the cables.

Social Community Zuid-Oost Brabant

Neways has been associated with Stichting Social Community Zuid-Oost Brabant (formerly Stichting Atlant Partnership) for many years. This foundation, a network of SMEs and larger employers in the Eindhoven/Helmond region, is dedicated to creating opportunities for people with less access to the labour market, for example those with an occupational handicap, to find suitable long-term jobs. Within its own group, Neways offers possibilities to hire and retain individuals with an occupational handicap. Neways has a relationship going back a long way with the foundation to work together to make this possible, and in 2015 again earmarked jobs for individuals for whom the foundation mediates.

Safety first

As a high-tech business, it is vital for Neways to pursue a preventive mentality in its efforts to create and maintain a safe working environment. Strict safety regulations are in place at each of the operating companies, and each operating company has its own health & safety coordinator. These coordinators are entrusted with the important job of creating optimum working conditions and workplace setup, preventing unsafe situations and ensuring strict compliance with safety standards. This includes fire prevention, as well as protection against potential injuries, for example through clothing regulations. Clothing regulations serve two purposes: besides protection, they also ensure that the various cleanrooms do not become contaminated. The cleanrooms are where we conduct tests and production under strict ambient conditions to safeguard and optimise the quality of the products that we deliver.

Management of the Neways operating companies is responsible for creating a continuous awareness among the workforce of the importance of preventive improvement to workplaces. This is given shape by periodic training about safety and highlighting areas for potential improvement. However, not only management is responsible: the employees themselves also carry a great deal of responsibility for safety in the workplace. By setting up their own workplaces in a sensible manner and complying with the safety regulations, they can prevent accidents. The prevention officer and/or health & safety coordinator regularly conduct inspections of the workplaces. This is Neways's approach to limiting the number of industrial accidents, in terms of both how big and how serious they are. Last year again we managed to avoid any material industrial accidents.

Our employees are also provided with instruction and information in their place of work about which of the substances that are used present a possible health risk. The workplace sheets and MSDSs (Material Safety Data Sheets, which contain safety information) that are provided give clear descriptions of the properties of those substances and explain how to handle them. If an accident occurs at any of the companies established in the Netherlands, a Company Emergency Response Team (CERT) can quickly provide effective first aid. The CERT members receive regular training to make sure that their knowledge is up-to-date. Besides individual assistance, Neways also periodically practises for larger emergencies such as fire. This programme includes evacuation exercises, both announced and unannounced, under the supervision of external specialists such as the fire services.

Environmental efforts

Environmental aspects play an important role in the sector in which Neways operates. The company constantly seeks to improve the efficiency of its energy consumption and to minimise the environmental impact of its operations. We also look at possibilities for reducing or recycling our waste flow. For example, all waste from soldering tin is returned to the supplier for reuse, while other residual materials from manufacturing are separated and removed, as are paper, toner cartridges and batteries. Naturally, all prevailing environmental standards are taken into meticulous account whenever we purchase new production assets. In recent years Neways has also further reduced its paper flows. Moving forward Neways will continue to look at possibilities for making its activities more efficient and reduce their environmental impact.

Almost all Neways operating companies are ISO 14001-certified. This ISO standard reflects the fact that Neways is compliant with the highest standards of quality and safety.

The quality standards have also be tested against modern environmental requirements, including for example lead-free production of electronics. In some sectors of the EMS market within the European Union, a ban was introduced in 2006 on manufacturing any electronics that contain lead. Neways has modified all its production processes accordingly.

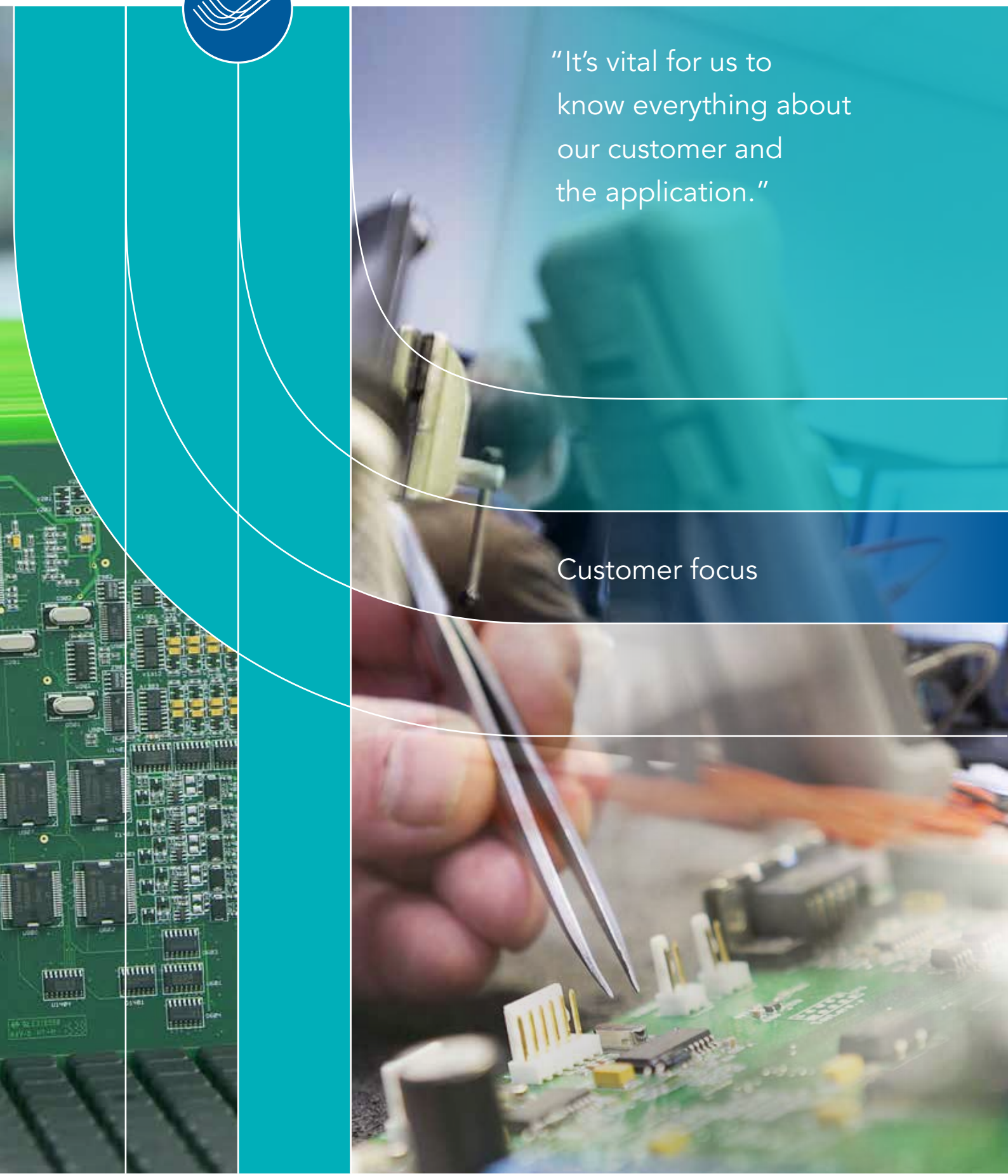
Some exemptions from the requirement of lead-free production exist for the medical sector and the semiconductor industry, as well as other sectors, and for these customers Neways will need to continue to use lead in its solder during the coming years.

Wellbeing and employee satisfaction

To actively contribute to the wellbeing and satisfaction of our people, Neways maintains a continuous focus on being an engaged employer. Neways offers interesting work, a pleasant working environment, training opportunities and attractive fringe benefits. The improvement programme is also creating an improved and more visible connection between management and employees. The standards of conduct that we have adopted and the efforts to encourage cooperation between individual employees and with external parties help create a greater sense of commitment and a pleasant working environment and add to the wellbeing of each individual.

The relevance of employee development is given extra emphasis at the operating companies in China. Neways is aware of its duty as an employer in countries where terms of employment and working conditions are so different from the situation in Western countries. Neways uses a variety of methods to improve the position of those employees in particular. For example, Neways provides housing for employees who do not live in the immediate vicinity of our site in Wuxi and is endeavouring to acquire a reputation as an 'employer of choice' in the region around Wuxi. The Neways operating companies in China boast a high level of employee satisfaction, in part because of the training programme and the relatively favourable terms of employment (both primary and fringe benefits).

To improve the wellbeing of its employees, Neways liaises closely with a number of expert medical officers/health & safety services. Employees can turn to them for advice, or for referral to specific care providers or to the human resources department. Each Neways company also has a confidential counsellor, often in the person of the medical officer, with whom individuals can discuss their complaints in the utmost confidence.



"It's vital for us to know everything about our customer and the application."

Customer focus

Hans Gerrist is a group leader and member of the MT of Neways Technologies, where he is responsible for the project managers.

"The activities of Neways Technologies lay the groundwork for new products and their life cycle management. An important value in those activities, and one that's vital for us, is customer intimacy – knowing everything about the customer and the application. We always work in multidisciplinary teams, and this involves different characters and everyone does things their own way.

During the sessions dealing with the DNA process, the leitmotif was discussed at length. Everyone who was involved had their own motivations, reasons and preferences. By coming together to focus on the desired output, meaning the eventual result that the team as a whole produces, these different qualities in fact help us to achieve the best results. Now they're driven by a proper balance between 'hard facts' combined with what their colleagues feel is important.

These are the perfect ingredients for achieving things: together we define a realistic goal and we get it done!"

Corporate information

Within Neways's organisational structure, the holding company is the axis around which everything revolves. The holding company plays a strategic, financial and leadership role and is closely involved in the efforts to exchange knowledge and bring together interfaces between the individual operating companies and to present a united front toward suppliers and customers in our operations and actions. As each individual Neways operating company possesses unique knowledge and expertise in a limited area of the EMS market, this creates a limited amount of competition and increasing cooperation between them.

Corporate information

Composition of Supervisory Board, Board of Directors and management team

Situation at 31 December 2015

SUPERVISORY BOARD

Henk Scheepers (1949) (m)	Chairman
René Penning de Vries (1954) (m)	Vice chairman
Peter van Bommel (1957) (m)	

Henk Scheepers (m)	Appointed chairman in 2015
	First appointed in 2012, vice chairman
	Present appointment until 2016
	Nationality: Dutch
	Positions:
	Former Senior Vice President, ASML/ Executive Committee member/ Director, ASML Netherlands BV
	Chairman of the Supervisory Board, Solliance
René Penning de Vries (m)	First appointed in 2013
	Present appointment until 2017
	Nationality: Dutch
	Positions:
	Former CTO and member of the Board of Directors, NXP Semiconductors
	Supervisory Director, Brabantse Ontwikkel Maatschappij (BOM)
	Chairman, Stichting Health Valley
	Supervisory Board member, QuTech
	Figurehead, ICT Top Team (EZ)
Peter van Bommel (m)	First appointed in 2015
	Present appointment until 2019
	Nationality: Dutch
	Positions:
	CFO and member of the Board of Directors, ASMI
	Member of the Supervisory Board, KPN
	Non-Executive Director, ASM-PT (Hong Kong)
	Former CFO and member of the Board of Directors, NXP

BOARD OF DIRECTORS

Huub van der Vrande (1955) (m)	CEO
	Positions outside the organisation:
	Chairman, Stichting Social Community Zuid-Oost Brabant
Adrie van Bragt (1965) (m)	COO
Paul de Koning (1963) (m)	CFO

GROUP CONTROLLER

Peter Wisse (1959) (m)	

MEMBERS OF THE NEWAYS MANAGEMENT TEAM

Jos Curvers (1964) (m)	Corporate Director Human Resources
Michael D'Erme (1967) (m)	Managing Director Neways Neunkirchen
Alois Fuchs (a.i.) (1950) (m)	Managing Director BuS Elektronik
Mark Hofman (1970) (m)	Director Corporate Procurement
Harrie van Houtum (1959) (m)	Director Corporate Operations
Gerard Jacobs (1967) (m)	Managing Director Neways Micro Electronics
Hans Ketelaars (1957) (m)	Managing Director Neways Technologies
Nick Klein (1958) (m)	Corporate Director Strategy & Business Development
Jeroen Knol (1968) (m)	Managing Director Neways Cable & Wire Solutions
Bob Konings (1971) (m)	Managing Director Neways Industrial Systems
Robert Loijen (1976) (m)	Managing Director Neways Advanced Applications
Jörg Neukirch (1958) (m)	Managing Director Neways Vertriebs GmbH
Michel Postma (1972) (m)	Managing Director Neways Leeuwarden

Corporate governance

The Supervisory Board and the Board of Directors subscribe to the most important principles of corporate governance.

The organisation's corporate governance policy and the relevant regulations and reports are available on the corporate website. Every element of the corporate governance policy is reviewed regularly. Neways's ethical policy was introduced on 1 January 2012, and from that date forward the organisation has a written code of conduct in compliance with the requirement of Best Practice II.1.3.

The aspects described below have not undergone any change since that date.

Corporate governance statement

The consideration of the interests of all the Group's stakeholders that is required by Dutch law and under the Dutch Corporate Governance Code has always been an important foundation for the Group's corporate policy. Neways Electronics International NV does not use any anti-takeover or control mechanisms.

This statement is included here in accordance with Section 2a of the Dutch Decree Adopting Further Rules on the Contents of Annual Reports (*Vaststellingsbesluit nadere voorschriften inhoud jaarverslag*) of 20 March 2009 ('the Decree') and is also publicly available in electronic format on www.newayselectronics.com, in the section on Corporate Governance. For announcements in this statement within the meaning of Sections 3, 3a and 3b of the Decree, please refer to the relevant passages in the 2015 annual report. The following announcements should be deemed to have been inserted and repeated here:

- Compliance with the Code's principles and best practice provisions (page 60,'Corporate governance');
- The principal features of the management and control system for the Group's financial reporting process (page 68, 'Risk factors and control');
- The performance of the shareholders' meeting and its principal powers, and shareholder rights and how they can be exercised (page 65, 'Principal duties of the Shareholders' Meeting');
- The composition and performance of the Board of Directors (page 62, 'Board of Directors');
- The composition and performance of the Supervisory Board (page 63, 'Supervisory Board' and page 80, 'Report of the Supervisory Board');
- The rules for appointing and replacing members of the Board of Directors and the Supervisory Board (page 65, 'Principal duties of the Shareholders' Meeting');
- The rules for amending the company's articles of association (page 65, 'Principal duties of the Shareholders' Meeting');
- The powers of the Board of Directors for possibilities to issue or repurchase shares (page 65. 'Principal duties of the Shareholders' Meeting');
- The transactions with affiliated parties (page 123, 'Information about affiliated parties').

"Transparency is an important part of our culture now."

Neways reports as follows on three specific Best Practice Provisions from the Code:

Best Practices II.3.2-II.3.4:

No transactions were conducted during the 2015 financial year that involved conflicts of interest of members of the Board of Directors.

Best Practices III.6.1-III.6.3:

No transactions were conducted during the 2015 financial year that involved conflicts of interest of members of the Supervisory Board.

Best Practice III.6.4:

All transactions between the company and natural persons or legal entities holding ten percent or more of the shares in Neways were subject to contractual terms that are commonly applied in the sector.

Deviations from the Dutch Corporate Governance Code

Neways applies all the Code's provisions with the exception of the following deviations from the Best Practice Provisions from the Code:

- The terms of office of the members of the Board of Directors are open-ended. Periodic appointments as prescribed in the Code jeopardise the implementation of the Group's long-term policy (Best Practice II.1.1). In addition, Neways upholds contractual arrangements with members of the Board of Directors that were formed before the Code came into effect.
- Given the Group's size and the corresponding size of the Supervisory Board, no specific committees have been formed among the Supervisory Board (Best Practice III.5.1). The role of the Audit Committee is filled by the Supervisory Board in its entirety.
- Neways has an open corporate culture, and any irregularities may be reported without any risk to the legal position of the person in question.
  At present no whistleblower policy is in place (Best Practice II.1.7). Neways is currently making preparations to introduce a whistleblower policy.
- Neways does not facilitate possibilities for watching presentations for analysts and investors by means of webcasting, in light of the costs (Best Practice IV.3.1).
- Neways does not have any written regulations governing the possession of and transactions in securities in other listed companies by members of the Board of Directors and the Supervisory Board, as this is currently seen as the personal responsibility of the relevant members of the Board of Directors and the Supervisory Board (Best Practice III.6.5).
- The term of office for members of the Supervisory Board is not subject to any maximum time limit. Neways believes that the Supervisory Board members' experience and their knowledge of the Group should dictate how long they stay in office. After each four-year term, and based on careful consideration, Supervisory Board members may be reappointed for a further four years (Best Practice III.3.5).
- At year-end 2015 no internal audit function was in place. It is the company's intention to introduce it in 2016.

Prospective members of the Board of Directors and the Supervisory Board are selected with a view to a mixed composition in terms of age, experience, expertise, personality, sex and social background. At present the Board of Directors and the Supervisory Board lack diversity in terms of both male and female representation. However, Neways's operating companies are experiencing an increase in the diversity among their management teams.

New members who are put forward for the Board of Directors and the Supervisory Board will be selected based on experience, expertise and personality.

Anti-takeover mechanisms

Neways is a two-tiered company, does not have a trust office and does not issue depositary receipts of shares.

Board of Directors

Duties

The Board of Directors is responsible for Neways's strategy and control, its activities and its final results. The members of the Board of Directors stay in regular contact with each other, and alternating members of the Board of Directors visit operating companies every two months. It receives detailed weekly and monthly progress reports. The Board of Directors is also responsible for compliance with all relevant laws and regulations and the proper functioning of the internal risk management and control system. The Supervisory Board monitors the Board of Directors in its performance of these duties.

See the section entitled 'Strategy and objectives' in this annual report for the report of the Board of Directors on the company's strategy and objectives. The Report of the Board of Directors contains further details of how that strategy is given shape and about the progress that was realised during the past year. See the section entitled 'Risk factors and risk management' in this annual report for more information about the principal risks and risk management and the management statement about the functioning of the intern control systems.

Appointment

Members of the Board of Directors are appointed by the Supervisory Board. The General Meeting of Shareholders is notified of all planned appointments. The terms of office of the members of the Board of Directors are open-ended. The Board of Directors provides all information sufficiently far in advance and provides whatever resources are necessary for the Supervisory Board to properly carry out its supervision duties. Effective 1 January 2015 the Board of Directors has three members. The position of COO is held by Mr Adrie van Bragt, who is responsible for operational matters. The CEO, Mr Huub van der Vrande, is responsible for general management and commercial matters. Mr Paul de Koning, who succeeds Mr Vincent de Bok, was appointed CFO in 2015. Members of the Board of Directors are not permitted to serve on more than two supervisory boards, nor may they be chairman of the supervisory board at any other company. See the section entitled 'Composition of the Supervisory Board, the Board of Directors and the management team' in this annual report for further details about the composition of the Board of Directors.

Suspension and dismissal

The Supervisory Board periodically reviews the performances of the members of the Board of Directors. The Supervisory Board has the authority to suspend or dismiss members of the Board of Directors. Members of the Board of Directors cannot be dismissed by the General Meeting of Shareholders directly.

Remuneration

On 6 March 2005, the General Meeting of Shareholders adopted the remuneration policy for the Board of Directors as drawn up by the Supervisory Board and as set forth in the remuneration report. The remuneration of the individual members of the Board of Directors is given shape by the Supervisory Board within the framework provided by that policy.

Following the amendments to the Dutch Corporate Governance Code on 10 December 2008, the remuneration report for the Board of Directors was also modified. The changes were presented to the General Meeting of Shareholders on 23 March 2010, on which occasion they were adopted. The remuneration report is available on the corporate website.

The current remuneration of the Board of Directors falls well within the Code's guidelines and consists of a basic salary and a variable remuneration component (bonus). At the Supervisory Board's proposal, the members of the Board of Directors are also awarded share options each year. Three years after they have been granted, these options may be exercised at any moment during a two-year period. The options lapse if the individual's employment contract ends before the three-year period has passed. The maximum contractual compensation in the case of termination is one year's salary.

Neways does not have any outstanding loans to members of the Board of Directors. No guarantees have been issued to members of the Board of Directors. See item 25 of the Notes to the financial statements for more information about the remuneration of the Board of Directors.

Supervisory Board

The Supervisory Board is independent from the Board of Directors. This independence is expressed in the requirement that members of the Supervisory Board may not be part of the company's management, nor may they be employees of the company. The members of the Supervisory Board are also independent within the meaning of the Dutch Corporate Governance Code.

Duties

The duties of the Supervisory Board include overseeing the policies pursued by the Board of Directors and the general course of business within the company and its affiliated companies. The Supervisory Board also acts as an advisory body to the Board of Directors. For purposes of fulfilling this duty, the Supervisory Board focuses on the interests of the company and its affiliated companies, and weighs the relevant interests in the company, taking elementary sound business principles as its guideline. The Supervisory Board and its individual members each have the responsibility to demand all information from the Board of Directors and the external auditor that the Supervisory Board considers to be necessary for it to operate as a supervisory body. If necessary, information may also be requested from the company's officers and external advisers and the Supervisory Board's own advisers.

The Group provides the necessary resources. The Supervisory Board's report on its activities over the past financial year is set out in the section entitled 'Report of the Supervisory Board' in this annual report.

Appointment

Members of the Board of Directors are appointed and reappointed by the General Meeting of Shareholders for terms of four years. For each new appointment, the Supervisory Board has a right of nomination based on the preferred profile that it has drawn up for the Supervisory Board. Following the amendments to the Dutch Corporate Governance Code on 10 December 2008, the preferred profile for the Supervisory Board was also modified. The changes were adopted by the General Meeting of Shareholders on 23 March 2010. The preferred profile is available on the corporate website. The central works council (Centraal Overleg Neways, CON) has an right of recommendation that carries extra weight for one third of the membership of the Supervisory Board. The Supervisory Board may adopt the CON's recommendation.

The Supervisory Board appoints a chair and a vice chair among its members. The chair may not have previously served on the Board of Directors. Given the Group's size, no formal introduction programme is in place for members of the Supervisory Board.

See the section entitled 'Composition of the Supervisory Board, the Board of Directors and the management team' in this annual report for further details about the composition of the Supervisory Board and relevant positions outside the Group.

Suspension and dismissal

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

Remuneration

At the suggestion of the Supervisory Board the General Meeting of Shareholders may award members of the Supervisory Board a remuneration. This remuneration is not linked to the company's results. See item 25 of the Notes to the financial statements for more information about the remuneration of the Supervisory Board.

General Meeting of Shareholders

On 1 July 2013, pursuant to the Dutch Corporate Governance Act (*Wet corporate governance*, sometimes referred to as the 'Frijns' Act), a series of changes were introduced that impact (among other things) the rules for the General Meeting of Shareholders. The threshold for the number of shareholders required to exercise the right to place items on the agenda (Section 114a(2), Book 2 of the Netherlands Civil Code) was raised from 1% to 3%. The alternative threshold of €50 million for the same right was for publicly traded companies was abolished. In accordance with Neways's Articles of Association, this change does not yet affect the General Meeting of Shareholders of Neways. The agenda item threshold of 1% and the alternative threshold of €50 million will remain in place for the present.

Decision-making process

A General Meeting of Shareholders is convened at least once annually. All resolutions are passed in accordance with the principle of 'one share, one vote'. Shareholders – individually or with a combined interest of at least 1% of the issued share capital – are entitled to ask the Board of Directors or the Supervisory Board to place a particular topic on the agenda. Such requests will be granted if they are made in writing and at least sixty days before the date of the General Meeting of Shareholders.

In accordance with the changes to the Dutch Corporate Governance Code that came into force on 10 December 2008, the Board of Directors reserves the right to invoke a response period if a shareholder plans to ask for discussion of a particular topic that might lead to a change in the company's strategy.

Important Board resolutions that entail a change in the Group's identity or character require the approval of the General Meeting of Shareholders; at the minimum, this includes resolutions to transfer the entire business, or virtually the entire business, to form or terminate lasting alliances or to acquire or dispose of investments representing a value of one third of the consolidated balance sheet total or more.

The policy for profit appropriation and dividends, and the proposed dividend, are presented to the shareholders separately, as are substantial changes to the corporate governance policy (including changes to the remuneration policy for the Board of Directors).

Principal duties of the Shareholders' Meeting

In summary, the powers of the General Meeting of Shareholders of Neways Electronics International N.V. include the following:

- Adopting the financial statements;
- Discharging the Board of Directors from liability for its policies during the past year;
- Discharging the Supervisory Board from liability for its supervision of the policies during the past year;
- Adopting the profit appropriation/dividend distribution;
- Approving resolutions by the Board of Directors for important changes to the Group's identity or character;
- Adopting important changes to the company's corporate governance policy;
- Appointing members of the Supervisory Board;
- Dismissing the entire Supervisory Board;
- Establishing the remuneration policy for the Board of Directors;
- Establishing the remuneration of the individual members of the Supervisory Board;
- Deciding on issuances of shares, granting rights to purchase shares (option rights) or to delegate the Board of Directors to make such decisions for a specific period of time, where applicable to the exclusion of shareholders' right of first refusal;
- Appointing the external auditor;
- Passing resolutions to amend the Articles of Association based on proposals by the Board of Directors;
- Authorising the Board of Directors to repurchase shares in the company's capital.
- The external auditor attends each year's General Meeting of Shareholders.

Announcement of the General Meeting of Shareholders

The agenda and notes to the agenda for the General Meeting of Shareholders to be held on 12 April 2016 are available on the corporate website van Neways.

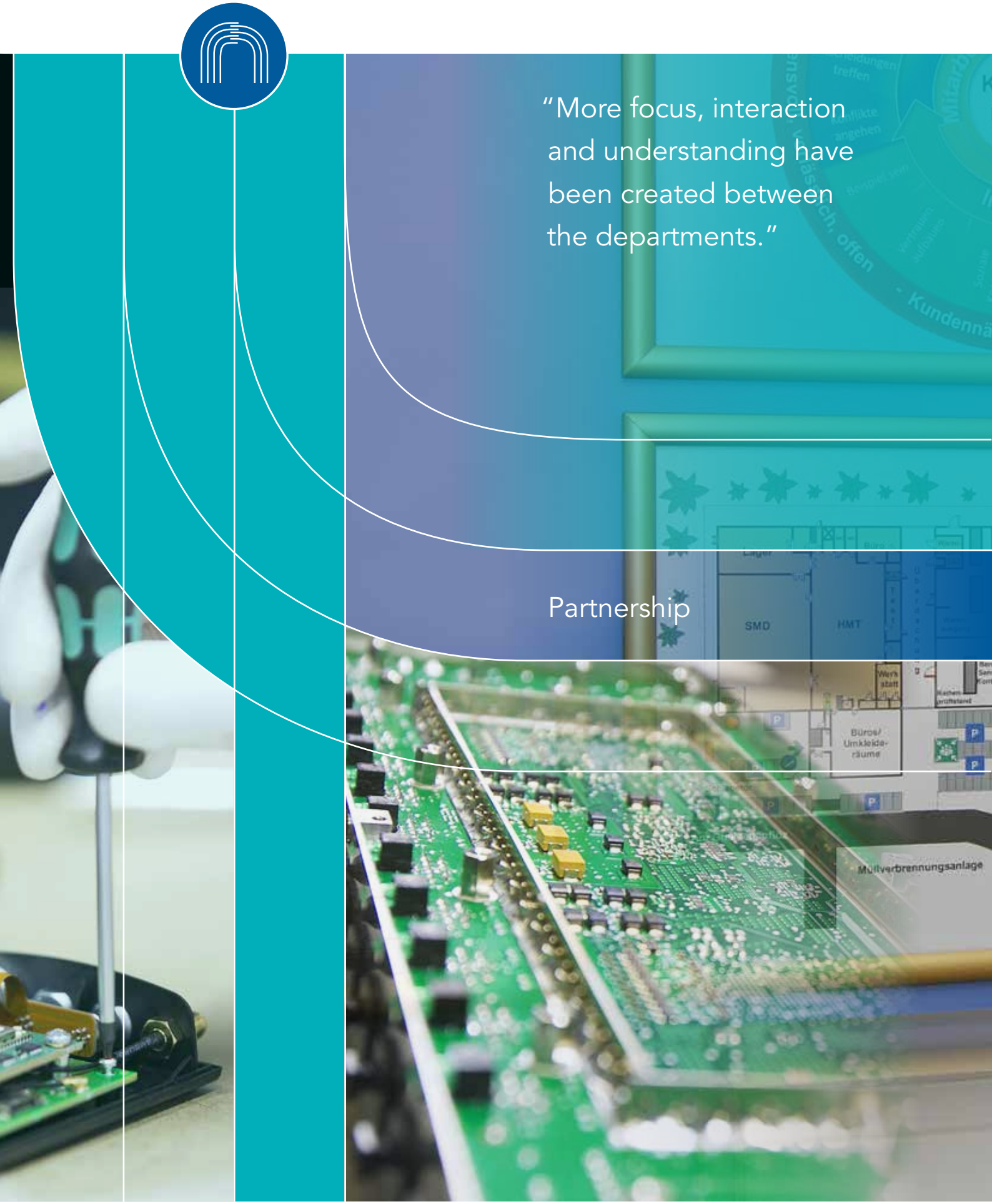
Disclosure of information

Neways feels that it is important to maintain open and transparent communications with its capital suppliers and the financial community in general. The company is in regular contact with analysts and investors, and with the financial and other media that are the principal source of information for private shareholders.

Neways's presentations to analysts and institutional investors and at press conferences can be accessed via the website after publication. Neways bases its communications with these audiences on information that has been made public in press releases.

Additional information is provided to shareholders throughout the year, including in the annual report, on the corporate website (newayselectronics.com), at the General Meeting of Shareholders and during the annual company visit.

"Neways feels that it is important to maintain open and transparent communications with its capital suppliers and the financial community in general."



"More focus, interaction and understanding have been created between the departments."

Partnership

Joachim Ochs, Operations Manager, joined Neways Neunkirchen early in 2015. He is responsible for a team of around a hundred engineers, logistics staff, technicians and purchasers. Together they arrange the entire value chain, from when the goods are received, through production, to the further distribution of the products.

"Neunkirchen is closely involved in the efforts to improve processes and procedures. Even though I have only been here a relatively short while, I can already see the difference in coordination within the organisation and in how the work is managed and its quality. More focus, interaction and understanding have been created between the departments.

The Lean Leadership Model workshop that was attended by various operating companies was an excellent opportunity for me to get to know other colleagues – particularly with the intensity with which we worked together on assignments. One of the assignments was to define priorities.
Our team chose 'build trust' and 'do what you promise'. Focusing so closely literally helps to create trust. An experience like that makes it easier to discuss work further down the road, whether internally – between teams or with operating companies – or in dealings with customers."

Risk appetite

Neways seeks to minimise the risk of the EMS markets in which it operates by spreading its revenue across the separate markets. It is contracted by customers to provide both development and production. We endeavour to balance our currency risks in respect of purchasing and sales, which is an ongoing process throughout the year.

The Group seeks to spread its revenue across the separate EMS markets to reduce market volatility and the accompanying risk. It also takes measures to increase internal flexibility of its production capacity between the operating companies to help each other accommodate fluctuations in demand. The separate operating companies communicate systematically with their customers in order to accommodate demand fluctuations at an early stage and where necessary adjust the production capacity. To this end, the operating companies have the option of outsourcing work to sister companies and adjusting the flexible layer in the workforce.

Internal controls and reports

No company can ever manage without an up-to-date assessment of the risks to it is exposed, and optimum control of those risks. The reporting system is an important tool in these efforts. The operating companies submit weekly reports of their revenue and order book. Consolidated balance sheets and income statements are prepared every month, showing the principal financial data including a cash flow statement and elements of the operational performance. Projections for the income statement and cash flow statement for the entire financial year are also included, as well as a projected year-end balance sheet. Copies of the consolidated monthly reports are submitted to the Supervisory Board. Alternating members of the Board of Directors pay regular two-monthly visits to the operating companies.

The principal risks that Neways identifies are discussed below, with an explanation of what is done to control them.

Market risks and commercial risks

Economic risks

As a supplier of industrial electronic components and systems, Neways operates in the EMS market. Market fluctuations may cause the demand for Neways's products and services to rise or fall. Recent years have seen an amplification in this demand volatility across all activities. It is clear that the EMS market as a whole has changed and now has a more volatile profile. These are variables that the Neways organisation also faces, a reality in which the market is highly volatile.

Discussions are ongoing at every level of the hierarchy between Neways and its customers to enable us to accommodate changing schedules as best possible. We also permanently seek to improve the flexibility of our organisation and our activities and to facilitate a broader use of resources, human and otherwise, throughout the organisation. These approaches increase Neways's ability to accommodate the cyclical developments (particularly in the short term) in the EMS market, and more specific cyclical developments in particular market sectors such as the semiconductor industry, and its ability to manage sudden shortfalls in the capacity utilisation at individual locations.

Investment risks

OEMs, major global players in the manufacturing industry, want to place more and more of their production close to their customer base, while at the same time looking for cheap alternative production locations. Every OEM has its own reasons for deciding how to achieve this, and their reasons sometimes change. Neways wishes to follow these OEMs. It is vital to carefully consider all economic and financial risks before making any investment decision. Regular and frequent communications between the OEMs and Neways at the management level are needed in order to guarantee that we make the right decision at the right moment.

Risks relating to scarcity in the labour market

Neways is increasingly transitioning toward a knowledge-intensive organisation that creates more added value. This means that more highly educated staff, particularly at the Western European operating companies, make up more and more of the total workforce. This shift by the Western European operating companies toward a knowledge-based organisation may and will lead to more and more of the production being outsourced to the Neways operating companies in Eastern Europe and Asia. A lack of sufficient technologically trained developers and engineers might hold back Neways's growth in the future.

It is Neways's desire to present itself as an attractive employer for careers in the centres of technology in the Netherlands, such as Eindhoven's Brainport region. To this end, the Group conducts a distinct and proactive recruitment and selection policy, which includes working with technical universities and universities of applied sciences in all aspects of this policy. Where necessary changes are made for attractive training programmes, career and promotion opportunities and a suitable remuneration policy in order to successfully recruit and retain these highly educated individuals.

Operational risks

Project risks

The terms and conditions for deliveries to customers are recorded in customer orders and/or contracts. They include not only prices and product specifications, but also other elements such as timetables and how flexible these are. The purpose is to offer as much guarantee as possible for the reliability of supply and the quality of the products delivered. Activity in the procurement and manufacturing process is not set in motion until the customer order and/or contract is in place. If the order or contract is cancelled, the costs that have been incurred, such as the inventory costs for purchased components, are spread across the logistics chain. This approach minimises the financial risks for Neways. However, in many cases the delivery times dictate that procurement activity needs to commence based on the customer's projections. If no confirmed order results from the projection, or if the confirmed order is put off, Neways is exposed to a financial risk, which is expressed chiefly in inventory costs and/or costs of obsolescence of particular components. Where possible, arrangements are made with both suppliers and customers.

Risks relating to environmental requirements

European Union regulations introduced on 1 July 2006 prohibit the use of lead for soldering in certain market sectors. In response, the logistics and production processes have been adapted, not only at Neways but in the entire supply chain. Neways was quick to map out and prepare for this change. The investments needed to modify the wave-soldering machines and reflow ovens have been realised.

Each Neways operating companies is now capable of eliminating any lead from its production processes. A few customers have applied for, and obtained, dispensation from the lead-free production requirement, and Neways still uses lead in its production processes for them on a small scale.

REACH is a European Regulation on chemical substances that entered into force in 2007. It stands for Registration, Evaluation, Authorisation and Restriction of Chemicals. In essence, REACH dictates that in principle companies must understand the risks of any and all substances that they produce, process or pass on to customers and must identify measures (and implement those measures at their own businesses) to control those risks. This European Regulation replaces earlier rules, including the Dutch Environmentally Hazardous Substances Act (Wet milieugevaarlijke stoffen). The purpose of REACH is to protect humans and the environment against the risks of chemical substances. The introduction of REACH rules shifts the responsibility for proper risk controls for chemical substances to the corporate sector. This is an area of focus for Neways, which coordinates with its suppliers to map out the degree of compliance of the materials supplied.

Risks relating to ICT systems

All Neways operating companies except the BuS Group are connected to the central ERP system. This serves to safeguard a standard setup for the logistics and financial processes. The possibility of failure of this system (BaaN IV) poses an operational risk. However, Neways uses a variety of methods, including internal and external backup systems, to cover and minimise this risk. Further, Neways gives high priority to internal controls, such as access security and functional separation. In this area, also improvements and additional functionalities are planned for the existing and new ERP environments.

The 'Next Generation' project was launched some years ago, to replace the BaaN IV systems with a new ERP LN system from Infor, BaaN IV's successor. Neways is rolling out the project carefully, using a phased approach, and involving a broad base of its own employees in project groups wherever possible. The broad outline of the risks of implementing and transitioning to a new system has been mapped out. The chief risk is that the implementation will cause disruptions in the business processes and lead to delivery problems.

To optimise its use of the new ERP system, in 2015 Neways made structural improvements to its ICT infrastructure, creating a stable and properly performing foundation for the new ERP system and all other applications.

"To optimise its use of the new ERP system, in 2015 Neways made structural improvements to its ICT infrastructure."

Each module that has been detailed has been tested in a test environment, and the business processes have been made uniform. Most of the simulation testing is now done and has been successfully completed. The next physical implementations have been delayed slightly and will be realised at some point in 2016. The first operating company that will start working with the new ERP system, after extensive testing, is Neways Advanced Applications.

The migration to the office automation platform was set in motion in 2014; the implementation continued throughout 2015 and has now been completed for all the operating companies in the Netherlands. The implementation at all the non-Dutch operating companies is expected to be completed in 2016.

Financial risks

Liquidity and solvency risks

Neways pursues a solid financing policy, in which managing the working capital is also a vital part. Liquidity and solvency risks are controlled using the internal control and reporting system.

In terms of financial position, Neways pursues a minimum solvency of 35%. For these purposes, solvency is defined as the guaranteed capital divided by total equity, adjusted for deferred taxes and intangible assets. One of the factors underlying this percentage is Neways's capital-intensive and partly cyclical nature.
The acquisition of the BuS Group in particular has caused the debt position to increase, and during 2014 the Group's solvency temporarily dipped below the target of 35%. At year-end 2015, solvency was 35.9%, bringing it back above the minimum target of 35%.

Inventory risks

The total inventory position can be broken down into free inventories, order- and/or contract-specific inventories and work in progress. The greatest risk is presented by the free inventories, which are not covered by orders or contracts. Free inventories are created if the minimum order volume for parts is greater than the volume required for a particular order. This free inventory can often be used for future orders for existing or new products/ customers. A problem that arises in this connection is that identical components are sometimes coded for individual customers, which limits their interchangeability. This risk is reduced by the adoption and use of the uniform article coding (UAC) system. The free inventories are also monitored closely to minimise the risk of component obsolescence.

Credit risk

In stagnating or contracting markets, many of Neways's customers find their revenues dropping and their results faltering. Their customers in turn often also experience financial difficulties. This adds pressure in the supply chain to make payments after the contractual payment deadline, which amplifies the risk of financial difficulties for the parties. Controlling this risk is a high priority for Neways, both in times of contracting markets and in periods of increasing demand.

Bad debts are watched closely at all times, and the debt portfolio is monitored carefully. Neways also has credit insurance for a large portion of the debt portfolio. Financing arrangements have been made with some major customers, under which invoices are paid within days after they have been sent. As a result, the balance of outstanding receivables and the credit risk are kept relatively low.

Reporting risks

Applying prevailing principles and systems incorrectly may cause inaccuracies in the internal and external reports. Neways generates its monthly reports from a centrally controlled and managed ERP system (BaaN IV). The BuS Group, which was acquired in 2014, uses reports from the FOSS ERP system. Associations measured in foreign currencies are translated into euros on a monthly basis. Receivables from and payables to group companies are reconciled every quarter in order to ensure accurate recognition in the consolidation process and to allow elimination.

Accounting principles and closing procedures are adopted at the Group level and communicated to the operating companies. Careful compliance is also managed and monitored at the Group level.

In control statement

The Board of Directors is responsible for the design and operation of the internal risk management and control systems. These systems serve two purposes. The first is to provide as much control as possible over the principal risks to which the Group is exposed. The second is to ensure realisation of operational and financial targets and compliance with laws and regulations. The Board of Directors uses a variety of methods to control the risks that it identifies, including by continually monitoring operational performance based on weekly and monthly reviews of key financial and non-financial figures. Visits are made to the operating companies every two months to discuss operational matters. The organisation is moreover set up to safeguard the minimum separation of functional controls within Neways. Such systems cannot guarantee that the company realises its objectives, nor prevent all material inaccuracies, loss, fraud or breaches of laws or rules. Risk management is an issue that the Board of Directors and the Supervisory Board discuss systematically.

The risk management and control system is an area of continual focus for the Board, and is a vital part of business management.

Given the above, the Board of Directors confirms that to the best of its knowledge:

- That our internal risk management and control system provides reasonable assurance that our financial reporting does not contain material misstatements;
- The risk management and control systems worked properly during the year under review.

Information for shareholders

Exchange listing

The ordinary shares in Neways are listed on NYSE Euronext in Amsterdam. In 2015 SNS Securities acted as the liquidity provider for Neways shares. This partnership has been continued for 2016. Neways is a two-tier company that is listed in the Trade Register of the East Brabant Chamber of Commerce in Eindhoven, under number 17036989.

Share price development

Closing price on 31 December 2014		€7.30
Lowest price during 2015	(15 December)	€6.78
Highest price during 2015	(2 March)	€10.45
Closing price on 31 December 2015		€7.50

Movements in the price of ordinary shares in Neways

Share capital

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

Exercises of employee options and stock dividends increased the number of ordinary shares issued from 10,985,907 at the end of 2014 to 11,401,301 at the end of 2015.

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

Number of ordinary shares issued

	2015	2014
Year-end	11,401,301	10,985,907
Weighted average	11,378,287	10,236,107

Neways does not have a collective share saving plan (optional or otherwise) for its employees.

Shareholders/share ownership

On 1 July 2013, pursuant to the Dutch Corporate Governance Act (*Wet corporate governance*, sometimes referred to as the 'Frijns' Act), a series of changes were introduced that impact disclosure of capital interests and/or control rights. The threshold for disclosing capital interests in publicly traded companies was lowered from 5% to 3%.

For purposes of complying with the Dutch Disclosure of Major Holdings in Listed Companies Act (*Wet Melding Zeggenschap*), the following shareholders are known to hold interests of greater than 3%:

VDL Beleggingen B.V.	26.2%
Stichting Administratiekantoor Tymen	19.8%
Todlin N.V.	9.0%
Maiwald family	7.6%
Menor Investments B.V.	7.0%
Otterbrabant Beheer B.V.	5.5%

Most of the ordinary shares that have been issued are held by Dutch institutional investors, family offices and private investors.
As at 31 December 2015 the Board of Directors did not hold any shares in Neways.
The percentages shown are for the total issued capital of 11,401,301 shares as at 31 December 2015.

Dividend policy

Based on its present dividend policy, Neways targets a dividend distribution of 40% of the net profit. Distribution of dividends is subject to various conditions, including that solvency (guaranteed capital adjusted for deferred tax assets and intangible assets//total equity) must be at least 35%.

Based on the profit realised in 2015 of €0.28 per share, the dividend proposal presented to the General Meeting of Shareholders for the 2015 financial year is €0.11 per share, to be taken in cash. This represents a payout ratio of 40%.

Share options

Option rights to shares are awarded annually to the members of the Board of Directors and where applicable to other officers as part of their remuneration packages and pursuant to a decision to that effect by the Supervisory Board. This decision is presented to the General Meeting of Shareholders for approval. Decisions to grant options include a consideration of the relevant operation company's targets, both already realised and yet to be realised, and the individual performances of the manager concerned.

The exercise price for the options is the listed price on the date on which the options were granted. Outstanding options have a term to maturity of at least three years. Each option entitles its holder to one ordinary share in Neways. Neways's options policy does not state that shares will be repurchased to counteract the dilution effects of exercising options.

In 2015, a total of 30,000 options were granted to the Board of Directors, and a total of 15,000 to other officers, at an exercise price of €9.79 and a term of five years. Members of the Board of Directors and other officers exercised 90,000 options during the year.
See item 17 of the Notes to the financial statements for further details of the options granted to the members of the Board of Directors.

Financial calendar

23 February 2016	Publication of annual results/annual report for 2015
12 April 2016	General Meeting of Shareholders
12 April 2016	Publication of interim trade report
31 August 2016	Publication of half-yearly results
13 September 2016	Open day for shareholders
1 November 2016	Publication of interim trade report

Prevention of insider trading

The existing regulations as laid down in the Model Code for handling price-sensitive information, both within the organisation and outside, are regularly reviewed. Where necessary, Neways introduces additional guidelines of its own. These regulations apply not only to the Supervisory Board and the Board of Directors, but also to the management layer below the level of the Board of Directors and all head office staff who come into contact with price-sensitive information. Neways has a Compliance Officer to monitor and enforce strict compliance with the regulations.

Investor relations

The Supervisory Board communicates with shareholders at various moments throughout the year. The most important of these moments every year is the General Meeting of Shareholders.

Neways also organises annual open days at one of the Neways operating companies where shareholders have the opportunity to talk to members of management in an informal setting and learn about the specific operating company. This year the company visit was in Son, at operating companies Neways Industrial Systems and Neways Technologies. The full Board of Directors, the chairman of the Supervisory Board and management of both operating companies attended the occasion. The programme included a presentation about the half-yearly results, an explanation of the improvement programme 'Up to the next level', an introduction about the work at the two operating companies, followed by a tour and closing with an informal reception.

Neways's policy revolves around the key concepts of corporate governance: openness in respect of shareholders (transparency and accountability) and control for shareholders. An important element in this is supplying shareholders with the appropriate information to judge the quality of the management and make adjustments where necessary. This includes carefully considering communications about the strategy pursued, how it is implemented and the decision-making processes within the Group.

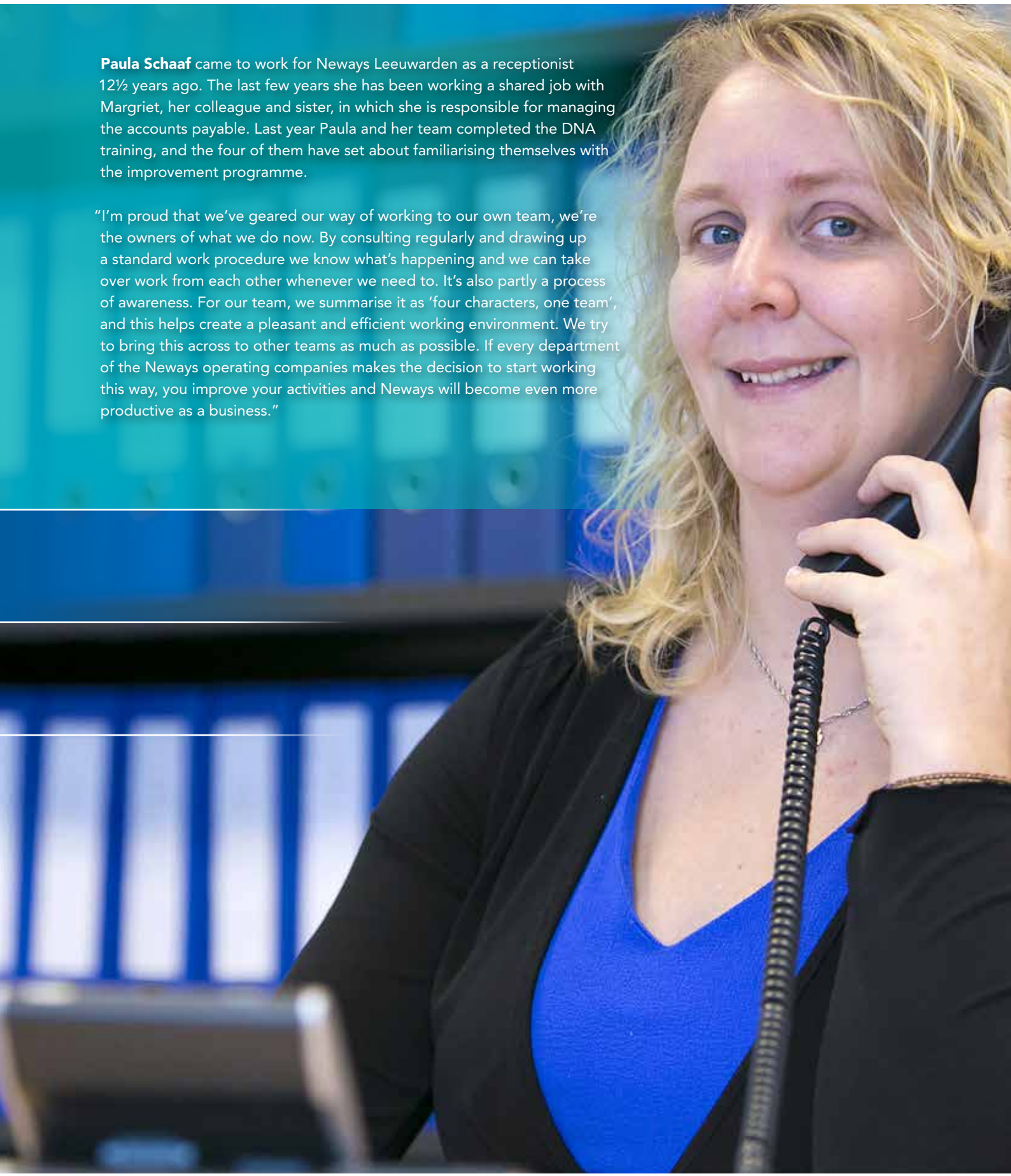
Neways's stock exchange listing works as a stimulus and the critical oversight from shareholders, analysts and the media (financial and otherwise) motivates management to be particularly careful in the conduct of its business. The listing also offers visible benefits in terms of the commercial and human resources policies: the listing and the transparency that it necessitates greatly enhance the relationships with customers, and the listing helps Neways to recruit and select new employees.

Neways is very grateful to its shareholders for their support over the years and for their confidence in management and the organisation. The ongoing efforts to provide a stable basis, combined with a clear and consistent strategy and the use of innovative capabilities, are indispensable for an organisation that desires to continue to offer added value as an employer, a business partner and an investment.

Visit newayselectronics.com to find out more about share in Neways. You can contact us at:
E: info@newayselectronics.com
T: +31 (0)40 267 92 05

"I'm proud that we've geared our way of working to our team."

Teamwork



Paula Schaaf came to work for Neways Leeuwarden as a receptionist 12½ years ago. The last few years she has been working a shared job with Margriet, her colleague and sister, in which she is responsible for managing the accounts payable. Last year Paula and her team completed the DNA training, and the four of them have set about familiarising themselves with the improvement programme.

"I'm proud that we've geared our way of working to our own team, we're the owners of what we do now. By consulting regularly and drawing up a standard work procedure we know what's happening and we can take over work from each other whenever we need to. It's also partly a process of awareness. For our team, we summarise it as 'four characters, one team', and this helps create a pleasant and efficient working environment. We try to bring this across to other teams as much as possible. If every department of the Neways operating companies makes the decision to start working this way, you improve your activities and Neways will become even more productive as a business."

Board of Directors' statement of responsibilities on the financial report

in accordance with Section 25c, Part 5 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*)

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

The 2015 financial statements give a true and fair view of the assets, liabilities and financial position as at 31 December 2015 and of the results for the year then ended of Neways Electronics International N.V. and the Group companies included in the consolidation;

The 2015 Report of the Board of Directors gives a true and fair view of the position as at 31 December 2015 of Neways Electronics International N.V. and its Group companies included in the consolidation and of the developments during the year then ended as presented in the consolidated financial statements, and the annual report describes the material risk facing the company.

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

Board of Directors' statement of responsibilities on the financial report

Report of the Supervisory Board

The Supervisory Board
From left to right: René Penning de Vries, Henk Scheepers, Peter van Bommel.

A very important theme for Neways in 2015 was to continue the efforts to bring the Neways operating companies together as 'One Neways'. The addition to the Board of Directors already visibly brought more focus last year to the ongoing efforts to improve the internal organisation. Significant strides were made both in procurement and with the new Neways DNA culture programme, to further optimise internal cooperation and the partnerships with Neways's business partners.

The Supervisory Board meets with the Board of Directors at least five times each year, and also meets at least once each year without the Board of Directors to discuss its own performance. The individual Supervisory Board members also talked to each other during the year.

A total of seven meetings were conducted with in 2015 at which the Board of Directors was present. The operational and financial performances of Neways as a whole were discussed at length during those meetings. On a small number of occasions the results and internal analyses of individual operating companies were addressed, and the issue of strategy was also given explicit and detailed attention. The Supervisory Board closely monitored the various developments and changes triggered by the improvement programmes.

The chairman of the Supervisory Board attended one meeting of the central works council (Centraal Overleg Neways, or CON). An important topic of discussion was the request for an opinion on the plans to reallocate the business activities of Neways Micro Electronics in Echt and China, and the decision to improve the efficiency of the setup of Neways Cable & Wire Solutions and the resulting loss of around fifteen jobs in 2016.

In the runup to the selection of a new auditor, the Supervisory Board joined the Board of Directors in conducting the selection procedure. Various accounting firms were considered as part of the selection, and eventually KPMG was chosen. KPMG will audit Neways's financial statements for the periods 2015 to 2018.

The auditor's report has been discussed at length with the newly appointed auditor KPMG. Various meetings were held with KPMG last year, both with and without the Board of Directors. Topics that were addressed during those meetings included the audit plan and the internal risk management systems. The progress that was being made implementing the ERP system in particular was discussed at length.

Financial statements and discharge from liability

The Board of Directors has presented the 2015 financial statements to the Supervisory Board. The financial statements have been discussed in detail with the external auditor, KPMG, on which KPMG issued an unqualified auditor's report. That report is included in the other information in this annual report.

The Supervisory Board finds that the report of the Board of Directors for 2015 gives a true and fair view of the Group's financial position and profitability. The General Meeting of Shareholders will be advised to adopt the 2015 financial statements and to grant the Board of Directors and the Supervisory Board discharge from liability for their policies and their supervision of those policies, respectively, over the past financial year.

Net profit and dividend

Last year the company realised a net profit of €6.2 million before one-time income and expense. This represents a 17% improvement relative to 2014. Taking into account the one-time income and expense, the net profit was €3.2 million, against €7.0 million in 2014.

In 2014, the General Meeting of Shareholders approved an amendment to the dividend policy to the effect that 40% of the profit after tax will be distributed. The Board of Directors has obtained approval from the Supervisory Board for its decision to pay a dividend of €0.11 per share for the 2015 financial year, to be taken in cash. The dividend payable for 2015 represents 40% of the net profit, which matches the dividend policy. The Supervisory Board advises the General Meeting of Shareholders to approve this profit appropriation.

Composition of the Board of Directors

The Board of Directors of Neways underwent a series of changes in 2015, following the appointment of Mr Adrie van Bragt (1965) as COO on 1 January 2015. This is a new position on the Board of Directors. During the Annual Meeting of Shareholders on 16 April 2015, Mr Paul de Koning (1963) was appointed CFO. He succeeds Mr Vincent de Bok, who announced in October 2014 that he would step down 2015. The CEO, Mr Huub van der Vrande, continues to be entrusted with general management and commercial matters.

The Supervisory Board is very grateful to Mr De Bok for his dedication and enthusiasm during his seventeen years on the Board of Directors, the last eleven of which he shared the management duties with Huub van der Vrande.

Composition of the Supervisory Board

At the 2015 General Meeting of Shareholders 2015, Mr Dick Boers stepped down as a member and chairman of the Neways Supervisory Board.

At the same General Meeting of Shareholders, Mr Peter van Bommel (1957) was appointed to the Supervisory Board. Mr Van Bommel is currently CFO and member of the Board of Directors of ASMI. He also holds a seat on KPN's Supervisory Board and the position of non-executive director at ASM-PT (Hong Kong), and was previously CFO and member of the Board of Directors of NXP. Mr Van Bommel brings valuable knowledge of the sector and financial, business and managerial experience to the Neways Supervisory Board.

Following these changes, the Supervisory Board now has three members, with Mr Henk Scheepers being appointed chairman and Mr René Penning de Vries holding the position of vice chairman. The Supervisory Board wishes to express its gratitude to Mr Boers for his valuable contributions and involvement during his thirteen years as a member of Neways's Supervisory Board.

Mr Scheepers is coming to the end of his first four-year term of office. By roster, he may be reappointed for a further term of four years at the General Meeting of Shareholders on 12 April 2016. Mr Scheepers has made himself available for reappointment.

The composition of the Supervisory Board satisfies the guidelines laid down in the Dutch Corporate Governance Code: it is balanced and the combination of experience, expertise and independence allows the Supervisory Board to carry out its various duties properly.

Communications with shareholders

The Supervisory Board shares the policy of the Board of Directors to pursue maximum transparency. Although most communications with shareholders are conducted through the Board of Directors, the Supervisory Board recognises the importance of being in direct communication with the shareholders.

The Supervisory Board communicates with shareholders at various moments throughout the year. The most important of these moments every year is the General Meeting of Shareholders.

Neways also organises annual open days for shareholders at one of the Neways operating companies. This year the company visit was in Son, at operating companies Neways Industrial Systems and Neways Technologies. The full Board of Directors, the chairman of the Supervisory Board and management of both operating companies attended the occasion. The programme included a presentation about the half-yearly results, an explanation of the improvement programme 'Up to the next level', an introduction about the work at the two operating companies, followed by a tour.

"The Supervisory Board shares the policy of the Board of Directors to pursue maximum transparency."

Remuneration of the Board of Directors

The Supervisory Board annually reviews the remuneration policy for the Board of Directors. The principles for the remuneration policy are explained in the section on corporate governance in this annual report, and on the Neways corporate website (newayselectronics.com).

In accordance with those principles, the members of the Board of Directors are awarded a remuneration that is determined each year and that comprises a basic salary and a variable component. The basic salary and a variable remuneration component are proportionate to each other, and the amount and precise composition have been compared with the values for similar positions in the market. The variable remuneration component has been made contingent on a combination of financial, operational and personal performance criteria. The remuneration package also includes a share option plan with a view to the longer term. The minimum term to maturity of the share options is three years.

In December 2015, the Supervisory Board once again established the remuneration of the members of the Board of Directors. The members of the Board of Directors together were granted a total of 30,000 options in 2015, with a maximum term of five years and an exercise price of €9.79. For further details of the remuneration of the Board of Directors, please refer to item 25 of the Notes to the financial statements.

Corporate Governance Code

Neways places great importance on proper corporate governance and on the Dutch Corporate Governance Code. In 2015, the Group applied all recommendations from that Code, with the exception of seven of the Best Practice Provision. See the chapter entitled 'Corporate governance' for more information.

Remuneration of the Supervisory Board

The Supervisory Board receives a non-variable annual salary that is not linked to the company's results. See item 25 of the Notes to the financial statements for further details.

Appreciation for management and staff of Neways

A great deal of effort went into further reinforcing the foundations underpinning the Neways organisation in 2015. The entire workforce was closely involved in the improvement programme and in standardising the internal business processes.

This ever-challenging market is very demanding, both for management and for the entire workforce. Among other things, this situation led to the decision to reorganise Neways Cable & Wire Solutions and make it more efficient. These types of measures are necessary to adjust the organisation's course and make it possible to realise improvements and keep going.

The continual focus and commitment from management and the trust, motivation and enthusiasm of every employee are what make Neways a flexible organisation in which all the operating companies are connected both to each other and to the customers.

Neways again asked a great deal from its people last year. Their commitment and the ability to accommodate movements and changes within an organisation evidence a proactive and flexible mindset – qualities that Neways's customers also value highly. The Supervisory Board would like to express its gratitude for the commitment, enthusiasm and hard work demonstrated once again by the employees, management and Board of Directors in 2015.

Son, 22 February 2016

Supervisory Board
Henk Scheepers (chairman)
René Penning de Vries (vice chairman)
Peter van Bommel

2015 Financial Statements

Consolidated statement of financial position (before profit appropriation)

Amounts x €1,000 as at 31 December	Notes	2015	2014
Fixed assets			
Property, plant and equipment			
Land and buildings	6	16,783	15,225
Plant and equipment	6	18,017	22,571
		34,800	**37,796**
Intangible assets			
Software	7	6,444	5,347
Goodwill	7	2,754	2,754
Customer relationships	7	4,876	6,180
		14,074	**14,281**
Financial fixed assets			
Equity-accounted investees	25	10	10
Deferred tax assets	8	4,501	4,620
		4,511	**4,630**
Total fixed assets		**53,385**	**56,707**
Current assets			
Inventories			
Raw materials and consumables	9	43,407	42,667
Work in progress	9	18,443	15,852
Finished products	9	19,782	20,888
		81,632	**79,407**
Receivables			
Trade and other receivables	10	39,873	36,889
Corporate income tax		640	412
		40,513	**37,301**
Cash and cash equivalents	11	**1,552**	**1,778**
Total current assets		**123,697**	**118,486**
Total assets		**177,082**	**175,193**

Amounts x €1,000 as at 31 December	Notes	2015	2014
Equity			
Share capital	12	5,701	5,493
Share premium		39,693	39,237
Retained earnings		24,243	20,671
Translation reserve	12	917	590
Equity attributable to owners of the Company		**70,554**	**65,991**
Long-term liabilities			
Interest-bearing borrowings	14	11,151	22,144
Provisions	15	850	0
Pension and jubilee provision	16	4,914	5,380
Deferred tax liabilities	8	3,322	4,002
		20,237	**31,526**
Current liabilities			
Bank overdrafts	14	10,779	6,088
Interest-bearing borrowings	14	11,158	8,352
Trade and other payables	18	55,440	56,723
Taxes and social security premiums		6,647	6,312
Corporate income tax		141	0
Provisions	15	2,126	201
		86,291	**77,676**
Total equity and liabilities		**177,082**	**175,193**

Consolidated statement of total comprehensive income

Amounts x €1,000	Notes	2015	2014
Revenue		374,118	308,628
Other operating income	19	0	3,504
Movements in work in progress and finished products		524	1,605
Raw materials and consumables		–227,189	–185,381
Employee expenses	20	–104,029	–88,045
Depreciation and amortisation	21	–8,266	–6,283
Other expenses	22	–29,233	–27,468
Operating profit		**5,925**	**6,560**
Finance costs	23	–2,061	–1,258
Profit before tax		**3,864**	**5,302**
Income tax expense	8	–644	1,657
Net profit		**3,220**	**6,959**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Foreign exchange differences arising from translation of non-Dutch associates		327	323
Total other comprehensive income to be reclassified to profit or loss in subsequent periods		**327**	**323**
Items that will never be reclassified to profit or loss:			
Remeasurement of defined benefit liability	16	503	–562
Related tax		–151	161
		352	–401
Items that will never be reclassified to profit or loss in subsequent periods:		**352**	**–401**
Other comprehensive income, net of tax		**679**	**–78**
Total comprehensive income, net of tax		**3,899**	**6,881**
Net profit		**3,220**	**6,959**
Total comprehensive income, net of tax		**3,899**	**6,881**
Earnings per share (in €):	24		
- Basic earnings per share		0.28	0.68
- Diluted earnings per share		0.28	0.68

Consolidated statement of cash flows

Amounts x €1,000	Notes	2015	2014
Operating activities			
Profit before tax		3,864	5,302
Adjustments for:			
Gain on a bargain purchase		0	–3,504
Depreciation on property, plant and equipment	6	6,315	4,454
Amortisation on intangible assets	7	1,951	1,829
Equity-settled share-based payment transactions	17	58	69
Finance costs	23	2,061	1,258
Movements in provisions and pension commitments		2,309	–6,640
Movements in working capital*		–5,619	4,171
		10,939	**6,939**
Other movements:			
Interest expense paid		–1,859	–1,017
Corporate income tax received/paid		–1,698	–4,029
Cash flow from operating activities		**7,382**	**1,893**
Investing activities			
Acquisition of intangible assets	7	–1,305	–1,175
Acquisition of property, plant and equipment	6	–3,197	–7,483
Proceeds from disposals of property, plant and equipment	6	0	0
Acquisition of subsidiary, net of cash acquired	5	0	–25,777
Cash flow from investing activities		**–4,502**	**–34,435**
Financing activities			
Proceeds from interest-bearing borrowings		89	17,897
Repayment of interest-bearing borrowings		–8,344	–11,236
Increase/decrease in withdrawals from bank overdrafts		4,691	6,088
Dividends paid to holders of ordinary shares		0	–599
Revenues from exercise of options		442	156
Cash flow from financing activities		**–3,122**	**12,306**
Movements in cash		**–242**	**–20,236**
Effects of movements in exchange rates on cash and cash equivalents held		16	–129
Cash and cash equivalents as at 1 January		1,778	22,143
Cash and cash equivalents as at 31 December		**1,552**	**1,778**
*** Movements in working capital**			
Inventories		–2,225	897
Trade and other receivables		–2,984	11,029
Trade and other payables		–745	–4,090
Taxes and social security premiums		335	–3,665
		–5,619	**4,171**

Consolidated statement of changes in equity

Amounts x €1,000	Notes	Share capital	Share premium	Retained earnings	Translation reserve	Total equity
Balance as at 1 January 2014		**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
Issue of shares	12	497	8,785			9,282
Exercise of options	17	24	132			156
Issue of share options exercised			69			69
Call option on convertible loans			131			131
Dividends	13			–599		–599
Total transactions with owners of the Company		521	9,117	–599	0	9,039
Balance as at 31 December 2014		**5,493**	**39,237**	**20,671**	**590**	**65,991**
Profit for the financial year				3,220		3,220
Other comprehensive income				352	327	679
Total comprehensive income		0	0	3,572	327	3,899
Issue of shares	12	163	–163			0
Exercise of options	17	45	561			606
Issue of share options exercised			58			58
Total transactions with owners of the Company		208	456	0	0	664
Balance as at 31 December 2015		**5,701**	**39,693**	**24,243**	**917**	**70,554**

As at 31 December 2015, the share premium includes a sum of €131,000 as a call option for the convertible loans.

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 2015 are presented to the General Meeting of Shareholders for their adoption on 12 April 2016. Neways Electronics International N.V. is a company incorporated and domiciled in the Netherlands, whose shares are traded publicly on Euronext Amsterdam (symbol: NEWAY). Its registered office is in Eindhoven, and its effective place of establishment is in Son.

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation 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.

On 22 February 2016, these consolidated financial statements were approved by the Supervisory Board for publication.

Statement of compliance
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, and with Section 362(9), Book 2 of the Netherlands Civil Code.

Basis of consolidation
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. If and when the Group no longer exercises meaningful control, fair value is used for measuring the remaining investment. The companies included in the consolidation are listed in item 25 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 accounting principles as adopted within the European Union and as applied in the consolidated financial statements.

2.2. New standards

The accounting principles applied are consistent with those applied to the previous financial year. The initial application of new and amended IFRS standards and IFRIC interpretations which entered into force on 1 January 2015 did not impact the Group's financial position or income. The changes concern the following standards and interpretations.

Date of entry into force	*New or amended standard*
1 July 2014	Defined benefit pension schemes: employee contributions (amendments to IAS 19)
	Annual improvements to IFRSs, 2010-2012 cycle – various standards
	Annual improvements to IFRSs, 2011-2013 cycle – various standards

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 customer-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 customers on that market are serviced as best possible, and that customers 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 customers 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 customers. 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 has only one segment as defined in IFRS 8.

Of the total revenue for 2015, revenue from one customer represents to €48.4 million (2014: €38.4 million) while revenue from another customer represents €25.2 million (2014: €31.2 million). See page 32 of the annual report for a breakdown of revenue across the separate market sectors.

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 expensed. Costs of financing for taking out loans to finance the acquisition are capitalized 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 accounted for in the income statement.

Goodwill arising from a business combination is stated at the purchase price upon first inclusion, i.e. the difference between the purchase price of the business combination and the Group's interest in the net fair value of the identifiable assets, obligations and contingent liabilities. If the purchase price of a business combination is less than the net fair value of the assets and liabilities acquired, the difference is accounted for in the income statement, as profit on the advantageous purchase as at the acquisition date.

The goodwill is subsequently valued at cost, less any accumulated impairment losses. The Group ascertains whether its goodwill has been subject to any impairment losses once every year, or more frequently 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 recoverable amount is stated as the higher of the value in use or the recoverable value less the selling expenses. If the recoverable value of that cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment is accounted for.

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

When first included in the financial statements, transactions in foreign currencies are presented at the foreign exchange rate for the functional currency as at the transaction date. 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 recognized in profit or loss, except differences on permanently invested loans to non-Dutch associates that serve to finance those non-Dutch entities and for which no repayments are scheduled and/or immediately foreseen, which are taken directly to other comprehensive income until the net investment concerned is disposed of, when they are included in profit or loss.

Non-monetary line items stated at historical 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 recognized in profit or loss at the foreign exchange rate as at the appropriate transaction date. The foreign exchange differences resulting from the translation of equity and borrowings of the Group's associates are taken directly to the translation reserve as 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 recognized in profit or loss.

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 are subject to 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 Group is no longer entitled to the cash flows generated by the asset in question, or if the Group has transferred its rights to the cash flows generated by the asset in question or has assumed an obligation to pay those cash flows to a third party, without any material delay, pursuant to a special agreement and either (a) has transferred all risks and benefits attached to the asset, or (b) has not transferred or retained virtually all risks and benefits attached to the asset but has transferred control.

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.

Possible indications that point toward an impairment include where a debtor or group of debtors experiences significant financial difficulties, defaults on repayments or interest payments or is likely to go bankrupt or are subject to a financial reorganisation, or tangible indications of a measurable drop in the projected future cash flows, such as changes in payment arrears or in economic circumstances that are closely related to the payment default.

Financial assets stated at amortised cost

For financial assets stated at amortised cost, the Group first determines whether any individually significant financial assets or, on a collective basis, any non-significant financial assets are subject to an impairment. If the Group determines that no objective indication exists that an individually considered financial asset has been impaired, regardless of whether or not it is a significant asset, it includes that asset in a group of financial assets with similar credit risks and determines whether that group has collectively are subject to an impairment. Assets that are considered individually for impairment and for which an impairment, or further impairment, is taken are not included in a collective consideration for impairment.
The amount for which an impairment is taken is calculated as the difference between the asset's carrying amount and the discounted value of the estimated future cash flows (with the exception of future credit losses that have not yet been incurred). The estimated future cash flows are discounted at the original effective interest rate for the financial asset.
The asset's carrying amount is reduced by the value of a provision, and the loss is recognised in the income statement.
The reduced carrying amount continues to accrue interest (recognised in the income statement as finance income) based on the interest rate at which the future cash flows are discounted for purposes of measuring the impairment.
The lendings, and the related provision, are written down if and when no realistic prospect exists of future revenue and the entire security has been enforced or transferred to the Group. If the amount of the estimated impairment increases or decreases during a subsequent period in connection with an event after the write-down, the previously recognised impairment loss is increased or decreased by adjusted the provision formed. If a write-down is as yet realised at a later date, the revenue is deducted from the finance costs in the income statement.

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 costs of replacing parts of plant and equipment are only presented on the face of the balance sheet if it is reasonable to assume that the future economic gains that result will accrue to the Group.

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

Buildings also include building modifications and improvements to buildings that have been leased. 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) recognized in profit or loss 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. All other leases are categorised as operational leases.

When the lease commences, financial leases are capitalised at the 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. 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 are recognized in profit or loss as operational expenses, on a straight-line basis over the term of the lease.

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. Intangible assets which has finite useful lives 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 intangible assets which has finite useful lives 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, and are recognized in profit or loss at the moment of removal.

Impairments of non-financial assets (not including goodwill)

The Group assesses whether there is any indication at each reporting date that any assets have been impaired. If any such indication is detected, or if an asset is required to subject to 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 recoverable amount is the higher of the value in use or the recoverable value net of selling expenses. 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 are recognized in profit or loss and are recognised in the expense category that corresponds to the function of the asset in question.

At each 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 profit or loss.

Inventories

Inventories are measured 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 and finished products	- 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 and cash equivalents

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 cash as defined above.

Provisions

General

Provisions are recognized 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 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 warranty costs

Provisions for warranty costs are recognized when the products in question have been sold and are based on historical data and future estimates of returned products that require repair and redelivery.

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 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, for example based on a public announcement of the plan, or the restructuring must already be underway.

Pensions and other post-employment benefits

The Group has two defined 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: Pensioenfonds 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 defined contribution schemes in the financial statements.

The Group has defined benefit schemes and early retirement schemes for employees of some German associates. The costs of the defined benefit pension schemes and early retirement schemes are calculated annually using actuarial methods by a qualified actuary, based on the projected unit credit method. Restatements that include actuarial gains and losses are recognised in other comprehensive income. Restatements are not taken to profit or loss in subsequent periods. The Group does not have any plan assets.

The interest balance is calculated by applying the discount rate to the net liability pursuant to the pension scheme as at the start of the financial year, allowing for movements in the net liability during the course of the financial year as a result of pension contributions and payments. Interest expense and other costs relating to the defined benefit schemes and early retirement schemes are presented in the income statement.

If a pension scheme or early retirement scheme changes or its scope is restricted, the resulting changes in pension costs for past years of service are recognised in the income statement as at the date of the change or restriction.

Jubilee provision

Employees of the Dutch and German associates are paid extra remuneration upon reaching certain numbers of years of employment. The costs of these jubilee provisions are based on actuarial calculations. For an overview of the assumptions used, please refer to item 16 of the Notes.

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 17 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 profit or loss 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 dilution 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 24 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 rewards 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 performances delivered, 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 2015 financial year (2014: approximately 4%).

Finance costs

The interest expense presented in this item is recognised according to the amortised cost based on the effective interest method.

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

Opinions

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

Lease commitments – the Group as the lessee

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

Pensions

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.

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 2015 was €2.8 million (2014: €2.8 million). For further information, please refer to item 7 of the Notes.

Deferred tax assets

Insofar as it is probable that the Group will have taxable profits against which the losses can be offset, deferred tax assets are presented for all tax losses that have not previously been offset. Determining the amount that may be presented as deferred tax assets calls for a considerable degree of management opinion, based on the probable time and volume of future taxable profits, combined with future tax planning measures. The carrying amount of the deferred tax asset for tax losses accounted for as at 31 December 2015 was €4.5 million (2014: €4.5 million), while the tax losses not presented on the face of the balance sheet as at 31 December 2015 totalled €8.3 million (2014: €12.5 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 historical and future revenues. The future revenues are based on estimates of the future inventory turnover rates. As at 31 December 2015, the allowance for write-downs of raw materials and consumables was €11.5 million (2014: €9.4 million).

Warranty provision

The calculation of this provision involves assumptions and estimates concerning the projected costs of repair of products returned by buyers and the numbers of products that will be returned. For further information, please refer to item 15 of the Notes.

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 customers 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. The restructuring was completed early in 2015.

In 2015 the Group decided to reallocate the operating activities of Neways Micro Electronics in Echt and China and reorganise Neways Cable & Wire Solutions in Echt. A €2.2 million restructuring provision was formed for this purpose in December 2015. The costs include €1.6 million for costs of employee redundancy (recognised in employee expenses) and €0.6 million for costs of vacant premises (recognised in other expenses). For further information, please refer to item 15 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 2015 was €4.9 million (2014: €5.4 million). For further information, please refer to item 16 of the Notes.

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:

Date of entry into force	*New or amended standards*
1 January 2016	• IFRS 14 Regulatory deferral accounts • Accounting for acquisitions of interests in joint operations (amendments to IFRS 11) • Clarification of acceptable methods of amortisation and depreciation (amendments to IAS 16 and IAS 38) • Agriculture: bearer plants (amendments to IAS 16 and IAS 41) • Equity method in separate financial statements (amendments to IAS 27) • Sales or contributions of assets between an investor and its associate/joint venture (amendments to IFRS 10 and IAS 28) • Annual improvements to IFRSs, 2010-2014 cycle – various standards • Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28) • Disclosure initiative (amendments to IAS 1)

1 January 2018	• IFRS 15 Revenue from contracts with customers
	• IFRS 9 Financial Instruments
	  • IFRS 9 (2014)
	  • IFRS 9 (2013)
	  • IFRS 9 (2010)
	  • IFRS 9 (2009)

The standards and interpretations listed above had been issued on the date of publication of the Group's financial statements, but were not yet in force. As some of these standards have yet to be adopted by the EU, their dates of entry into force are also currently uncertain. 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 for 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 EUR 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 and cash equivalents		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	19	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 gain on a bargain purchase.
This gain on a bargain purchase 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 the contractual sums had been collected in full as at 31 December 2015.
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. In 2014, €0.2 million was paid in connection with the earn-out arrangement. No payments are due for 2015. 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 the purchase price	3,000
Net cash acquired upon acquisition	1,408
Presented in the 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 transaction costs represent costs of external advisers.

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

Amounts x €1,000	Land and buildings	Plant and equipment	Total
Acquisition value:			
Balance as at 1 January 2014	**9,029**	**66,718**	**75,747**
Additions	3,166	4,317	7,483
Acquisition through business combination	10,231	11,440	21,671
Disposals	–142	–298	–440
Exchange rate differences	0	0	0
Balance as at 31 December 2014	**22,284**	**82,177**	**104,461**
Additions	537	2,660	3,197
Disposals	–366	–4,347	–4,713
Reclassification	1,718	–1,718	0
Exchange rate differences	0	131	131
Balance as at 31 December 2015	**24,173**	**78,903**	**103,076**

Amounts x €1,000	Land and buildings	Plant and equipment	Total
Depreciation and impairments:			
Balance as at 1 January 2014	**6,538**	**56,052**	**62,590**
Depreciation charge for the financial year	663	3,791	4,454
Disposals	–142	–237	–379
Exchange rate differences	0	0	0
Balance as at 31 December 2014	**7,059**	**59,606**	**66,665**
Depreciation charge for the financial year	697	5,618	6,315
Disposals	–366	–4,338	–4,704
Exchange rate differences	0	0	0
Balance as at 31 December 2015	**7,390**	**60,886**	**68,276**
Carrying amount:			
As at 31 December 2015	16,783	18,017	34,800
As at 31 December 2014	15,225	22,571	37,796
As at 1 January 2014	2,491	10,666	13,157

The carrying amount for property, plant and equipment includes €0.3 million for assets under construction.

Property, plant and equipment include leased plant and equipment representing a carrying amount as at 31 December 2015 of €0.8 million (31 December 2014: €0.6 million). 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	Software	Goodwill	Customer relationships	Total
Acquisition value:				
Balance as at 1 January 2014	**6,442**	**2,798**	**759**	**9,999**
Additions	1,175	0	0	1,175
Acquisition through business combination	1,061	0	7,627	8,688
Balance as at 31 December 2014	**8,678**	**2,798**	**8,386**	**19,862**
Additions	1,744	0	0	1,744
Balance as at 31 December 2015	**10,422**	**2,798**	**8,386**	**21,606**

Amounts x €1,000	Software	Goodwill	Customer relationships	Total
Amortisation and impairments:				
Balance as at 1 January 2014	**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**
Amortisation	647	0	1,304	1,951
Balance as at 31 December 2015	**3,978**	**44**	**3,510**	**7,532**
Carrying amount:				
As at 31 December 2015	6,444	2,754	4,876	14,074
As at 31 December 2014	5,347	2,754	6,180	14,281
As at 1 January 2014	3,493	2,754	0	6,247

The customer relationships comprise customer orders and customer bases acquired through business combinations in 2014, 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:
- 2016: €0.8 million
- 2017: €0.8 million
- 2018: €0.8 million
- 2019: €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 2015 includes a sum of €4.3 million (31 December 2014: €3.5 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 this goodwill resulting from business combinations is allocated consists of the Western European production companies within the Group. All legal entities within the Group are intrinsically connected and therefore represent a single cash-generating unit.

The Group conducted its annual impairment tests on 31 December 2015 and 2014. As at 31 December 2015, 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 (before tax) used for this purpose is 12.4% (2014: 12.4%). The cash flows beyond the 5-year period have been extrapolated using a growth rate of 2% (2014: 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 average realised values as they developed during the past three years, plus projected efficiency improvements during the budgeted period.

Discount rates

Discount rates represent management's current market assessment 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. The discount rate after tax that is used is 11.3% (2014: 11.3%), which is derived from the average rate of the weighted average cost of capital (WACC).

Sensitivity to changes in assumptions

For the assessment of the value in use of the cash-generating unit, management believes that reasonable 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 carrying amount of the cash-generating units.

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
  A discount rate (after tax) of 17% will not lead to any impairment.

Growth rate

Using a 0% growth rate for the operating results will not cause grounds for an impairment.

8. INCOME TAXES

Amounts x €1,000	Consolidated balance sheet		Consolidated income statement	
	2015	2014	**2015**	2014
Deferred tax assets				
Available from tax losses	4,460	4,500	–40	3,258
Pensions	41	120	–79	–16
Total deferred tax assets	**4,501**	**4,620**	**–119**	**3,242**
Deferred tax liabilities				
Intangible assets	–1,687	–2,030	343	346
Property, plant and equipment	–1,413	–1,727	314	275
Other valuation differences	–222	–245	23	–533
Total deferred tax liabilities	**–3,322**	**–4,002**	**680**	**88**
Net deferred tax asset	**1,179**	**618**	**561**	**3,330**
Presented as follows on the face of the balance sheet:				
Deferred tax assets	4,501	4,620		
Deferred tax liabilities	–3,322	–4,002		
Net deferred tax asset	**1,179**	**618**		

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

Amounts x €1,000	2015	2014
Tax on income for the financial year		
Current tax charge	–1,205	–1,422
Adjustment of tax charge for previous years	0	–251
Deferred taxes:		
In connection with the recognition and reversal of timing differences	601	72
Recognised in connection with available losses	–40	3,258
Tax on income presented in the consolidated income statement	**–644**	**1,657**
Deferred taxes on items presented in other comprehensive income during the financial year:		
Tax gains/losses on defined benefit schemes	–151	161
Tax on income presented in other comprehensive income	**–151**	**161**

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	2015	2014
Profit before taxation	**3,864**	**5,302**
Taxes at the applicable Dutch rate of 25.0%	–966	–1,326
Adjustment of tax charge for previous years	0	–251
Non-deductible expenses	–51	–53
Innovation box benefit	103	100
Gain on bargain purchase, untaxed	0	1,051
Effect of other tax rates at non-Dutch subsidiaries	69	–311
Effect of unrecognised tax assets on profits/losses at non-Dutch subsidiaries	–69	25
Valuation of a previously unrecognised tax asset for available losses at non-Dutch subsidiaries	270	2,422
Tax on income presented in the consolidated income statement	**–644**	**1,657**

The Group recognises deferred tax assets totalling €4.5 million (31 December 2014: €4.5 million), which pertain in their entirety to tax-loss carry-forwards representing total available losses of €15.0 million (31 December 2014: €15.0 million). The entire €15.0 million asset pertains to losses offsettable in Germany.

The measurement of the available losses is based on an estimate of the projected profits to be realised over the coming four years. No tax asset is recognised on the face of the balance sheet for the remaining available loss of €8.3 million (31 December 2014: €12.5 million), as its realisation is not yet probable. These available losses in Germany, generated by Neways Deutschland GmbH, can be carried forward indefinitely.

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 statement of a tax asset of €0.3 million for available losses at German associates, the effective tax rate – i.e. the ratio between taxes and the profit before tax – is 23.7% (2014: 14.4%). The reason why this effective tax rate differs from the corporate income tax rate of 25% as applicable in the Netherlands in 2015 lies in the applicability of other tax rates to non-Dutch associates and in the application of the Innovation Box facility. 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 The Group's areas of activity are the Netherlands, Germany, Slovakia, the Czech Republic and China, where the tax rates for 2015 are as follows: 25% (Netherlands), 30% (Germany), 22% (Slovakia), 19% (Czech Republic) and 25% (China).

9. INVENTORIES

The allowance recognised for write-downs of raw materials and consumables is €11.5 million (2014: €9.4 million). The net movement in the allowance was €2.1 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. The Group does not possess any inventories that are stated at the lower net recoverable value.
Credit suppliers have established pledges on the inventories.

10. TRADE AND OTHER RECEIVABLES

Amounts x €1,000	2015	2014
Trade receivables	37,762	35,141
Related parties	2,111	1,748
Total	**39,873**	**36,889**

For the conditions that apply to receivables from related parties, please refer to item 25 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 2015, trade receivables with a nominal value of €0.8 million (2014: €1.1 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 27 of the Notes):

Amounts x €1,000	2015	2014
Balance as at 1 January	**1,067**	**382**
Charges for the financial year	58	930
Write-downs	–238	0
Reversals for unused amounts	–78	–245
Balance as at 31 December	**809**	**1,067**

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
2015	39,873	35,273	2,621	629	463	219	668
2014	36,889	29,446	5,395	804	412	396	436

11. CASH AND CASH EQUIVALENTS

Cash consists of bank balances and cash. As at 31 December 2015, the bank balances include a sum of €818,000 (31 December 2014: €449,000) of which the Group may not freely dispose owing to government restrictions in China.

12. EQUITY

For a summary of the various equity components and the movements in those components between 31 December 2014 and 31 December 2015, please refer to the consolidated statement of changes in equity.

Capital

The authorised capital as at 31 December 2015 was €15,000,000, divided into 30,000,000 ordinary shares with a nominal value of €0.50 each. Of that number, 11,401,301 ordinary shares had been issued and paid in as at 31 December 2015, bringing the paid-in capital to €5,701,000. The movements in the increase in the number of issued and paid-in ordinary shares during the 2014 and 2015 financial years can be broken down as follows:

Numbers x 1,000	Notes	Ordinary shares issued and paid in
1 January 2014		**9,946**
Issued in exchange for cash payment upon exercise of share options	17	47
Issued on 11 July 2014 for acquisition of BuS Group		993
31 December 2014		**10,986**
Issued in exchange for cash payment upon exercise of share options	17	90
Issued as a result of stock dividends		325
31 December 2015		**11,401**

Translation reserve

The translation 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 permanently invested loans to non-Dutch subsidiaries that serve to finance those non-Dutch subsidiaries and for which no repayments are foreseen.

13. DIVIDENDS PAID AND PROPOSED

Amounts x €1,000	2015	2014
Declared and paid during the year		
Dividend on ordinary shares:		
Final dividend for 2014: €0.25 (2013: €0.06)	2,746	599
Proposed for the approval of the General Meeting of Shareholders		
Dividend on ordinary shares:		
Final dividend for 2015: €0.11 (2014: €0.25)	1,254	2,746

14. OTHER FINANCIAL LIABILITIES

Amounts x €1,000	Effective interest rate	Maturity date	Outstanding amount 2015	Outstanding amount 2014
Current				
Money loans	5.0%	2016	134	227
Financial lease	3.4% - 3.6%	2016	160	155
Bank overdrafts	Euribor + (1.5% - 1.9%)	On demand	10,779	6,088
Other current borrowings				
Bank loans	Euribor + (1.6% - 2.0%)	2016	5,000	2,500
Bank loans	4.0% - 4.2%	30 Apr. 2016	1,800	2,244
Employee loans	6.0% - 8.0%	2015	1,064	3,226
Purchase price yet payable	2.5%	29 Nov. 2016	3,000	0
Total current interest-bearing borrowings			**21,937**	**14,440**
Long-term				
Money loans	5.0%	2016	8	142
Financial lease	3.4% - 3.6%	2019	384	442
Other long-term borrowings				
Bank loans	Euribor + (1.6% - 2.0%)	1 Oct. 2017	4,860	9,816
Bank loans	4.2%	31 Mar. 2018	1,000	2,800
Employee loans	6.0% - 8.0%	30 Apr. 2016	0	1,069
Purchase price yet payable	2.5%	29 Nov. 2016	0	3,000
Convertible subordinated loans	4.6%	30 Sep. 2019	4,899	4,875
Total long-term interest-bearing borrowings			**11,151**	**22,144**

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%-3.6%)
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 2015 (overdraft and committed facilities) total €35 million (interest rate: Euribor + 1. 5%-1.9%, depending on the net debt/EBITDA ratio).

As at the balance sheet date, €12.4 million of the credit facility was in use for overdrafts and bank guarantees (31 December 2014: €9.3 million). Redemption of the debts to the financial institutions is secured by means of a pledge established on business equipment, inventories, receivables and entitlements under the credit insurance policy. The total value of the pledge as at 31 December 2015 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 and intangible assets) to equal at least 32.5% of the adjusted balance sheet total as at 31 December 2015. Further details about the bank covenants with financial institutions are provided in item 27 of the Notes.

Bank loans (Euribor + 1.6%-2.0%)
During the 2014 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 was made on 1 October 2015. Redemption of the debts to the financial institutions is secured by means of a pledge established on business equipment, inventories, 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 (4.0%-4.2%)
This item represents four bank loans with maturity dates varying between 30 September 2015 and 31 March 2018. wo 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, were repaid 30 September 2015. The other two loans, carrying interest rates of 4.0% and 4.2%, 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 taken out in 2014, 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. As at 31 December 2015, a sum of €0.1 million is recognised as a call option in equity, under share premium.

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 2014 and 2015 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.

15. PROVISIONS

The movements in provisions during 2015 can be summarised as follows:

Amounts x €1,000	Warranty provision	Restructuring provision	Total
Balance as at 1 January 2015	**0**	**201**	**201**
Addition for the period	827	2,150	2,977
Utilised	0	–202	–202
Balance as at 31 December 2015	**827**	**2,149**	**2,976**
Current	255	1,871	2,126
Long-term	572	278	850

Warranty provision

The provision for warranties covers repairs for products that are returned by buyers. The estimated amount and duration of the provision are based on the warranty dates for the years 2011 to 2015.

Restructuring provisions

The balance of €0.2 million as at 1 January 2015 concerned the restructuring facility for the closure of the production facility in Kassel. The restructuring was completed early in 2015.

In Q4 of 2015 the Group decided to reallocate the operating activities of Neways Micro Electronics in China and reorganise Neways Micro Electronics and Neways Cable & Wire Solutions in Echt. A €2.2 million restructuring provision was formed for this purpose in December 2015. The costs include €1.6 million for costs of employee redundancy (recognised in employee expenses, see item 20 of the Notes) and €0.6 million for costs of vacant premises (recognised in other expenses, see item 22 of the Notes).

16. PENSIONS, EARLY RETIREMENT AND JUBILEES

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 2015, the coverage ratio of *Bedrijfstakpensioenfonds Metalektro* was 96.4% (2014: 102.0%) while that of *Pensioenfonds Metaal en Techniek* was 97.4% (2014: 102.8%). The coverage ratios of both funds fall short of the coverage ratios required according to the recovery plans. The pension funds have approved recovery plans in place, under which the coverage ratios will be restored to the required levels 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. As security for fulfilment of the existing pension commitments, the employer remits the statutory contributions to the emergency fund (*Pensionsversicherungsverein*). If the company goes into bankruptcy, the pension commitments will be assumed by that emergency fund.

The pension commitments are calculated and accounted for 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 in Germany. The payments and contributions for early retirement have been presented in accordance with IAS 19.

Jubilee provision

The employees in the Netherlands 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 jubilee charges during the financial year were as follows:

Amounts x €1,000	Pension provisions		Early retirement provisions		Jubilee provision		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Balance as at 1 January	**4,614**	**3,425**	**192**	**0**	**574**	**600**	**5,380**	**4,025**
New associations	0	684	0	192	0	0	0	876
Expenses allocated to the financial year	28	2	–26	0	263	82	265	84
Interest expense	88	110	0	0	0	0	88	110
Benefits paid	–166	–169	0	0	–65	–108	–231	–277
Employer contributions	–85	0	0	0	0	0	–85	0
	–135	**627**	**–26**	**192**	**198**	**–26**	**37**	**793**
Revaluation gains/losses presented in other comprehensive income:								
Adjustments resulting from changes to financial assumptions	–416	550	0	0	0	0	–416	550
Experience adjustments	–87	12	0	0	0	0	–87	12
Demographic assumptions	0	0	0	0	0	0	0	0
	–503	**562**	**0**	**0**	**0**	**0**	**–503**	**562**
Balance as at 31 December	**3,976**	**4,614**	**166**	**192**	**772**	**574**	**4,914**	**5,380**

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

Amounts x €1,000	Pension provisions		Early retirement provisions		Jubilee provision		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Expenses recognized in profit and loss:								
Expenses allocated to the financial year	28	2	–26	0	263	82	265	84
Interest expense	88	110	0	0	0	0	88	110
Subtotal in the income statement	116	112	–26	0	263	82	353	194
Revaluation gains/losses presented in other comprehensive income:								
Adjustments resulting from changes to financial assumptions	–416	550	0	0	0	0	–416	550
Experience adjustments	–87	12	0	0	0	0	–87	12
Total of pension and anniversary charges	**–387**	**674**	**–26**	**0**	**263**	**82**	**–150**	**756**

The Group expects to contribute €85,000 to the defined benefit pension schemes in 2016 (2015: €85,000). The average duration of the commitment under the defined benefit schemes as at 31 December 2015 was 12.0 years (2014: 12.6 years). The adjustments stemming from changes to financial assumptions, totalling €416,000 in 2015, are primarily the result of the increase in the discount rate from 2.0% in 2014 to 2.4% in 2015.

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

	2015	2014
Discount rate	2.4%	2.0%
Future wage increases	0.0%	2.25%
Future pension increases	1.75%	1.75%
Life expectancy of retired participants (years)	11.7	12.6

Quantitative sensitivity analysis of the important assumptions used in the actuarial calculations for the schemes for the German employees as at 31 December 2015:

	Discount rate		Future wage increases		Future pension increases		Life expectancy of retired participants	
Sensitivity	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	1 year increase	1 year decrease
Amounts x €1,000								
Impact on the liability	–238	261	0	0	208	–193	205	–204

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

	2015	2014
Discount rate	2.4%	2.0%
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 2015:

	Discount rate		Departure rate	
Sensitivity	0.5% increase	0.5% decrease	5% increase	5% decrease
Amounts x €1,000				
Impact on the liability	–34	36	–56	46

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 2015 cost for the pension schemes presented as defined contribution plans for the employees in the Netherlands was €3,738,000 (2014: €3,761,000). The payments for 2016 are projected to be approximately the same.

17. SHARE-BASED PAYMENTS

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, 45,000 options were granted, with an exercise price of €9.79 per share, exercisable between 16 April 2018 and 16 April 2020. A total of 90,000 options were exercised during the financial year. The fair value of the options granted before 31 December 2014 was €121,142. The weighted average fair value per option was €1.15. Of this sum, €45,009 is recognised as an expense in profit or loss (2014: €52,637). The fair value of the options granted during the financial year was €54,206. The fair value per option was €1.20. Of this sum, €12,821 (2014: €16,593) is recognised as an expense in profit or loss. The average stock exchange price of Neways shares during 2015 was €8.39 (2014: €7.89).

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

Option holders	Balance as at 31/12/2014	Granted 2015	Lapsed 2015	Exercised 2015[2]	Balance as at 31/12/15	Exercise price (in €)	Maturity
V.B.M. de Bok	15,000			–15,000	0		
	15,000			–15,000	0		
	15,000			–15,000	0		
	15,000		–15,000		0		
	15,000		–15,000		0		
A.A.H. van Bragt	5,000				5,000	8.60	03/2016
	5,000				5,000	5.60	03/2017
	5,000				5,000	4.09	04/2018
	5,000				5,000	7.05	04/2019
		15,000			15,000	9.79	04/2020
H.W.T. van der Vrande	125,000[1]				125,000	6.00	12/2019
	15,000			–15,000	0		
	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
		15,000			15,000	9.79	04/2020
Other officers in the Group's employ	10,000			–10,000	0		
	20,000		–2,500	–5,000	12,500	8.60	03/2016
	22,500		–2,500	– 15,000	5,000	5.60	03/2017
	17,500		–2,500		15,000	4.09	04/2018
	15,000				15,000	7.05	04/2019
		15,000			15,000	9.79	04/2020
Total	**380,000**	**45,000**	**–37,500**	**–90,000**	**297,500**		

1) Options on shares held by major shareholders.
2) The weighted average price on the exercise dates of these options was €9.51.

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.

	2015	2014
Dividend yield (%)	3.58	1.05
Expected price-sensitivity of the share (%)	32.64	37.01
Risk-free interest rate (%)	0.13	0.30
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.

18. TRADE AND OTHER PAYABLES

Amounts x €1,000	2015	2014
Trade payables	39,712	41,650
Other payables	14,931	14,146
Interest payable	109	165
Related parties	688	762
Total	**55,440**	**56,723**

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 25 of the Notes.
- For an explanation of the credit risk policy adopted by the Group, please refer to item 27 of the Notes.

19. OTHER OPERATING INCOME

Income in 2014 (€3,504,000)

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.

20. EMPLOYEE EXPENSES

Amounts x €1,000	Notes	2015	2014
Wages and salaries		85,737	73,584
Pension charges		4,867	4,542
Other social expenses		11,768	9,850
Costs of share option schemes	17	58	69
Provision for restructuring costs at NCWS (Echt)	15	1,082	0
Provision for restructuring costs at NME (Echt/China)	15	517	0
Total employee expenses		**104,029**	**88,045**

The Group had an average of 2,593 employees during 2015 (2014: 2,288). This number also includes temporary workers. Of the total workforce, an average of 1,689 employees worked for non-Dutch subsidiaries (2014: 1,298). The breakdown by groups was as follows:

Average numbers in FTEs	2015	2014
General administration	357	296
Engineering and development	413	336
Logistics	223	201
Production	1,417	1,288
Warehouse	183	167
Total	**2,593**	**2,288**

21. DEPRECIATION AND AMORTISATION

Amounts x €1,000	2015	2014
Depreciation on property, plant and equipment	6,315	4,454
Amortisation on intangible assets	1,951	1,829
Total depreciation and amortisation	**8,266**	**6,283**

22. OTHER EXPENSES

In 2015 this item includes €0.6 million for costs relating to the reallocation of production activities at the sites in Echt and Wuxi (China).

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 the shares in BuS Holding GmbH, a sum of €2.1 million was presented in other expenses for transaction costs for 2014.

23. FINANCE COSTS

Amounts x €1,000	2015	2014
Interest on loans and bank overdrafts	1,559	1,111
Net foreign exchange differences	20	–35
Other	482	182
Total finance costs	**2,061**	**1,258**

24. EARNINGS PER SHARE

Ordinary earnings per share

The ordinary earnings per share are calculated by dividing the net profit or loss statement 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 income attributable to the holders of ordinary shares, 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:

Numbers x 1,000	2015	2014
Net income accruing to shareholders of ordinary shares for purposes of calculating the diluted earnings per share	**3,220**	**6,959**
Interest expense on convertible subordinated loans	0	42
Net income accruing to shareholders of ordinary shares for purposes, adjusted for dilution effect	**3,220**	**7,001**

Numbers x 1,000	2015	2014
Weighted average number of ordinary shares	11,378	10,236
Dilution effect:		
Share options	89	194
Conversion value of subordinated loans	0	148
Adjusted weighted average number of ordinary shares for purposes of calculating the diluted earnings per share	**11,467**	**10,578**

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.

25. INFORMATION ABOUT RELATED PARTIES

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

		Interest (%)	
	Domicile/country	2015	2014
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	100
BuS Elektronik GmbH. & Co. KG	Riesa, Germany	100	100
BuS Decin s.r.o.	Decin, Czech Republic	100	100
Software & Systeme Erfurt GmbH.	Erfurt, Germany	100	100

Neways Electronics Echt B.V. and Evic Service & Repair Center B.V. were wound up in 2014, as they no longer conducted any operations. In 2014 Neways Electronics Production GmbH. underwent a statutory merger, as the disappearing company, with Neways Deutschland GmbH. 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	2015	2014
Demuskopia Grundstücksverwaltungs-gesellschaft mbH & Co. Vermietungs KG.	Mainz, Germany	8.55	8.55
Qualifizierungszentrum Region Riesa GmbH.	Riesa, Germany	5.26	5.26

The following table shows the total amounts involved in transactions with related parties during the respective financial years (for information about the outstanding balances as at 31 December 2015 and 2014, please refer to items 10 and 18 of the Notes):

Amounts x €1,000		Sales to	Purchases/ services from	Payable by	Payable to
Entity with significant influence over the Group:					
VDL Group	2015	10,405	3,005	2,111	688
VDL Group	2014	9,114	3,034	1,748	762
ZBG Group	2015		0		
ZBG Group	2014		2,085		
Key executives of the Group:	2015		315		
	2014		308		

Entity with significant influence over the Group

VDL Group: As at 31 December 2015, VDL Beleggingen B.V. owned 26.2% of the issued shares in Neways Electronics International N.V. (31 December 2014: 26.5%).

ZBG Group: As at 31 December 2015, the shareholder of the ZBG Group owned 19.8% of the issued shares in Neways Electronics International N.V. (31 December 2014: 20.0%). 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 in 2014, of which a payable of €1.0 million was recognised as a liability as at 31 December 2013.

Conditions governing transactions with related parties

Transactions with related 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 related parties. At year-end 2015, the Group had made no allowances for bad debts in connection with the receivables from related parties (2014: zero). This situation is assessed every financial year, based on an examination of the financial position of each related party and of the market on which it operates.

Liabilities in respect of related parties

In 2014 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 14 of the Notes).

Transactions with key officers

Late in 2013, the Group lent one of the members of its Board of Directors €1.1 million. The Board member used the sum borrowed to repay a bank loan, where the block of 100,000 shares in Neways served as security.
The 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, based on the realisation of the performance targets during the financial year, and are paid after the financial statements have been adopted.

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 17 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 remuneration of the Board of Directors and other key executives is as follows (amounts x €1,000):

2015	Basic salary	Pension charges	Social security charges	Bonuses	Share options	Other	Total
V.B.M. de Bok (until 30 June 2015)	140	37	4	0	0	11	192
H.W.T. van der Vrande	261	55	9	109	19	34	487
A.A.H. van Bragt	257	22	9	109	19	15	431
P.H.J. de Koning (from 1 April 2015)	186	12	7	82	0	13	300
Total remuneration of the Board of Directors	**844**	**126**	**29**	**300**	**38**	**73**	**1,410**
Other key executives	**1,862**	**277**	**158**	**350**	**19**	**186**	**2,852**

2014	Basic salary	Pension charges	Social security charges	Bonuses	Share options	Other	Total
V.B.M. de Bok	261	53	12	50	21	23	420
H.W.T. van der Vrande	261	53	12	50	21	35	432
Total remuneration of the Board of Directors	**522**	**106**	**24**	**100**	**42**	**58**	**852**
Other key executives	**1,889**	**187**	**178**	**265**	**27**	**205**	**2,751**

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 were recognised under employee expenses in 2014.

During the financial year, the employee expenses included €245,000 (2014: €130,000) 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 17 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	2015	2014
H. Scheepers (chairman from 16 April 2015)	37	30
R. Penning de Vries	30	30
P. van Bommel (from 1 April 2015)	23	0
D. Boers (until 16 April 2015)	12	40
Total	**102**	**100**

26. CONTINGENT ASSETS AND LIABILITIES

Rental agreements

The Group has concluded rental agreements for the majority of buildings that 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	2015	2014
Within 12 months	3,511	4,358
Beyond 12 months, but within 5 years	11,991	13,839
Beyond 5 years	13,954	4,205
Total	**29,456**	**22,402**

In 2015 the total expense arising from these rental agreements was €3,813,000 (2014: €4,139,000).

Other operational lease agreements

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	2015	2014
Within 12 months	831	925
Beyond 12 months, but within 5 years	965	1,386
Total	**1,796**	**2,311**

In 2015, the total expense arising from these operational lease agreements was €1,240,000 (2014: €1,225,000.

Claims

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

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments are bank loans and overdrafts and trade payables, 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, the most important financial instruments being 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 overview 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 impact of the assumed changes in the 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 2015 and 2014.

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 fixed-rate and variable-rate borrowings. For a summary of the interest rates, please refer to item 14 of the Notes.

Interest risk table

The table below shows the sensitivity of the Group's profit after 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 profit before tax (x €1,000)
2015	+15	–63
	–10	42
2014	+15	–34
	–10	23

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 the volume of revenue in that currency. This is an ongoing process throughout the year, and serves to minimise the risk of a mismatch between incoming and outgoing cash flows in foreign currencies.

Exchange rate sensitivity

The table below shows the sensitivity of the Group's results after 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)
2015	+10%	653	–268
	–10%	–718	294
2014	+10%	490	–277
	–10%	–539	305

The movement in the impact after 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 2015, based on contractual, nominal payments.

As at 31 December 2015

Amounts x €1,000	On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing borrowings and bank overdrafts	10,779	1,843	9,891	12,122	0	34,635
Trade and other payables	0	50,283	5,089	68	0	55,440
Total	**10,779**	**52,126**	**14,980**	**12,190**	**0**	**90,075**

As at 31 December 2014

Amounts x €1,000	On demand	< 3 months	3 to 12 months	1 to 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**

For a list of interest-bearing borrowings, please refer to item 14 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 customers. 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 customers 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 2015 and 2014 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 providers 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 providers for such factors as the maximum net debt/EBITDA ratio and the minimum guaranteed capital. The providers define the guaranteed capital as the issued and paid-in capital, plus reserves and borrowings subordinated in relation to banks (and other parties), minus goodwill, other intangible assets, deferred tax assets, associates, receivables from shareholders and/or management and treasury shares.

In 2014 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) was increased from €30 million to €35 million (interest rate: 1-month Euribor +1.5% to 1.9%, depending on the net debt/EBITDA ratio). New bank loans have 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 net debt/EBITDA ratio).

The adjusted guaranteed capital as at 31 December 2015 was 35.9% (31 December 2014: 33.2%). 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 December 2015 and 35% as from the period ending on 30 June 2016. To improve its solvency, the Group manages its working capital according to a strict regime. Combined with realisation of a profit in 2016, the Group expects to be compliant throughout 2016 with the conditions imposed by the financial institutions for the adjusted guaranteed capital. Failure to satisfy the minimum adjusted guaranteed capital required will cause the loans provided to become due immediately. In addition, if and as long as the 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 net debt/EBITDA ratio (interest-bearing borrowings, including subordinated borrowings, divided by the earnings before interest, tax and depreciation and amortisation) cannot exceed 3.0. As at 31 December 2015, the net debt/EBITDA ratio was 1.9. The restructuring costs of EUR 2.7 million are excluded from the calculation of the EBITDA.

Amounts x €1,000	2015	2014
Equity attributable to the parent company	70,554	65,991
Convertible subordinated loans	4,899	4,875
Less: Software	–6,444	–5,347
Goodwill	–2,754	–2,754
Customer relationships	–4,876	–6,180
Deferred tax assets	–4,501	–4,620
Adjusted guaranteed capital	**56,878**	**51,965**
Balance sheet total	177,082	175,193
Less: Software	–6,444	–5,347
Goodwill	–2,754	–2,754
Customer relationships	–4,876	–6,180
Deferred tax assets	–4,501	–4,620
Adjusted balance sheet total	**158,507**	**156,292**
Solvency	35.9%	33.2%

Company balance sheet (before profit appropriation)

Assets x €1,000 as at 31 December	Notes	2015	2014
Fixed assets			
Intangible assets	2	**734**	**734**
Financial fixed assets			
Investments in group companies	3	53,702	50,148
Receivables from group companies	3	38,906	38,695
		92,608	**88,843**
Current assets			
Receivables			
Receivables from group companies		8,602	7,643
Corporate income tax		628	439
Other receivables		0	30
		9,230	**8,112**
Cash and cash equivalents		**0**	**0**
Total assets		**102,572**	**97,689**

Liabilities x €1,000 as at 31 December	Notes	2015	2014
Equity	4		
Issued and paid-in capital		5,701	5,493
Share premium		39,693	39,237
Retained earnings		21,023	13,712
Unappropriated result		3,220	6,959
Statutory reserves		917	590
		70,554	**65,991**
Long-term liabilities			
Interest-bearing borrowings	5	9,759	14,691
Deferred tax liabilities		694	881
		10,453	**15,572**
Current liabilities			
Bank overdrafts	6	16,319	12,672
Interest-bearing borrowings	5	5,000	2,500
Other payables		246	954
Total equity and liabilities		**102,572**	**97,689**

Company income statement

Amounts x €1,000	2015	2014
Income from subsidiaries after tax	3,001	7,410
Other income after tax	219	–451
Net profit	**3,220**	**6,959**

Notes to the company financial statements

1. GENERAL

The company financial statements of Neways Electronics International N.V. have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code.

The Company makes use of the option offered in Section 362(8), Book 2 of the Netherlands Civil Code for establishing the accounting principles for its separate financial statements. This means that the accounting principles for the separate financial statements are identical to the principles applied in the consolidated EU-IFRS financial statements. The consolidated EU-IFRS financial statements have been prepared in accordance with the standards established by the International Accounting Standards Board and as adopted by the European Union ('EU-IFRS'). See item 2 of the Notes to the consolidated financial statements for a description of these principles.

After the 2014 financial statements had been adopted, an error was identified in connection with the corporate income tax presented. This resulted in the following adjustments: corporate income tax receivable (€439,000), receivables from group companies (€518,000), other receivables (–€76,000) and deferred tax liabilities (–€881,000).

Subsidiaries on whose business and financial policies the Company can exercise meaningful influence are measured according to the equity method, based on net asset value. That net asset value is calculated according to the Company's accounting principles. Income from transactions involving a transfer of assets and liabilities between the Company and its subsidiaries or between separate subsidiaries is eliminated insofar as it can be regarded as not having been realised.

Subsidiaries whose net asset value is negative are stated at zero. However, where the Company is the guarantor for some or all of a subsidiary's debts, or else is effectively obliged (relative to the Company's participation) to enable the subsidiary to pay its debts, a provision is formed to the amount of the Company's projected payments for the subsidiary. That provision is formed primarily from the long-term receivables from the subsidiary and is treated as an addition to the net investment. The remainder is presented in the provisions.

Subsidiaries on which the Company has no meaningful influence are stated at the lower of acquisition price or recoverable amount. Where the Company has positive disposal plans, the subsidiary is stated at the projected sale value if lower.

Other assets and liabilities are measured and results are 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 FIXED ASSETS

Investments in group companies

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

Amounts x €1,000	2015	2014
Balance as at 1 January	**50,148**	**42,830**
Movements		
Income from subsidiaries after tax	3,001	7,410
Other comprehensive income from subsidiaries after tax	352	–401
Exchange gains and losses	201	309
	3,554	7,318
Balance as at 31 December	**53,702**	**50,148**

See item 25 of the Notes to the consolidated financial statements for the list of the Company's capital interests.

Receivables from group companies

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

Amounts x €1,000	2015	2014
Balance as at 1 January	**38,695**	**2,124**
Movements		
Acquisitions	85	36,551
Exchange gains and losses	126	20
	211	36,571
Balance as at 31 December	**38,906**	**38,695**

Amounts x €1,000	Interest rate	Outstanding amount 2015	Outstanding amount 2014
Loan to Neways Deutschland GmbH.	2%	36,467	36,467
Loan to Neways Wuxi Electronics Co. Ltd.	5%	2,439	2,228
Total		**38,906**	**38,695**

These are both long-term loans with no repayment required.

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

Amounts x €1,000	Effective interest rate	Maturity date	Outstanding amount 2015	Outstanding amount 2014
Current				
Bank loans	Euribor + (1.6% - 2.0%)	2016	5,000	2,500
Long-term				
Bank loans	Euribor + (1.6% - 2.0%)	1 Oct. 2017	4,860	9,816
Convertible subordinated loans	4.6%	30 Sept. 2019	4,899	4,875
Total long-term interest-bearing borrowings			**9,759**	**14,691**

For more information about these bank loans and the convertible subordinated loans that which were contracted during the 2014 financial year to finance the acquisition of the BuS Group, see item 14 of the Notes to the consolidated financial statements.

6. BANK OVERDRAFTS

The credit facilities available as at 31 December 2015 (overdraft and committed facilities) total €35 million (interest rate: Euribor + 1. 5%-1.9%, depending on the net debt/EBITDA ratio). As at the balance sheet date, €16.3 million of the credit facility was in use by the Company for overdrafts (31 December 2014: €12.7 million). Redemption of the debts to the financial institutions is secured by means of a pledge established on business equipment, inventories, receivables and entitlements under the credit insurance policy. The total value of the pledge as at 31 December 2015 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 and intangible assets) to equal at least 32.5% of the adjusted consolidated balance sheet total as at 31 December 2015. Further details about the bank covenants with financial institutions are provided in item 27 of the Notes.

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

For information about the remuneration of the Board of Directors and the Supervisory Board, please refer to item 25 of the Notes to the consolidated financial statements.

8. AUDITOR'S FEES

The costs that Ernst & Young Accountants LLP and KPMG Accountants N.V. charged for the audit during the financial year are €269,000 (2014: €150,000).

9. FINANCIAL INSTRUMENTS

Interest rate risk

The risk that the Company incurs as a result of fluctuations in market interest rates primarily pertains to the Company's bank overdrafts and its variable-interest long-term liabilities. The Company's policy is to manage its interest expense through a combination of variable-rate and fixed-rate borrowings. For a summary of the interest rates, please refer to items 5 and 6 of the Notes.

For all other risks, please refer to item 27 of the Notes.

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

The Company is included with the Dutch group companies in a fiscal unity for corporate income tax purposes and a VAT group. The Company shares in the is joint and several liability for all debts arising from those taxes.

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 the Dutch group companies.

The Company has also agreed to provide financial support to its German subsidiary Neways Deutschland GmbH., if that subsidiary's debts threaten to become excessive. This support will take the shape of interest-bearing loans, structured in such a manner that the subsidiary can meet its payment obligations at all times. If such a loan is issued, it will be subordinated in respect of all receivables of the subsidiary's current and future creditors. This support was not invoked during the financial year.

The Group has issued bank guarantees to the amount of €2.3 million (2014: €3.5 million) in connection with credit provided by non-Dutch banks.

Son, 22 February 2016

Supervisory Board
Henk Scheepers
Peter van Bommel
René Penning de Vries

Board of Directors
Huub van der Vrande
Adrie van Bragt
Paul de Koning

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements 2015

Our opinion

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 2015, and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands 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 2015, and of its result for 2015 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

What we have audited

We have audited the financial statements 2015 of Neways Electronics International N.V. (the Company), based in Son. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2015;
2. the following consolidated statements for 2015: the statements of comprehensive income, changes in equity and cash flows; and
3. the notes, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company balance sheet as at 31 December 2015;
2. the company income statement for 2015; and
3. the notes, comprising a summary of the significant accounting policies and other explanatory information.

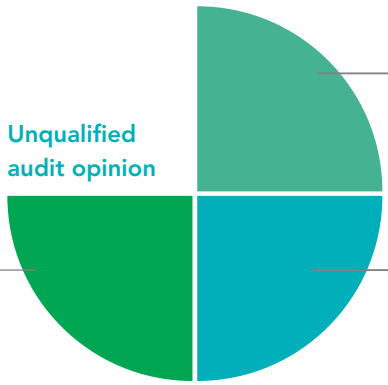
Basis for our opinion

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

We are independent of Neways Electronics International N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) 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 opinion.

Audit approach
Summary



Materiality
- Overall materiality of EUR 400,000
- 5% of profit before tax, excluding exceptional income and expenses

Key audit matters
- Deferred tax assets
- General IT controls
- Revenue recognition

Audit scope coverage
- 90% of revenue
- 86% of total assets
- 94% of total equity and liabilities

Materiality
Misstatements can arise from fraud or errors 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 400.000. The materiality is determined with reference to profit before tax, excluding exceptional income and expenses (5%). We consider profit before tax, excluding exceptional income and expenses as the most appropriate benchmark. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Supervisory Board that misstatements in excess of EUR 20.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit
Neways Electronics International N.V. is head of a group of entities. The financial information of this group is included in the 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 group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

The Group audit team sent detailed instructions to all group entity auditors, covering the significant areas that should be covered (which included the relevant risks of material misstatement) and set out the information required to be reported back to the Group audit team. KPMG The Netherlands performed the audit procedures at Neways Advanced Applications B.V., Neways Leeuwarden B.V. and Neways Industrial Systems B.V. For the audit of Neways Deutschland GmbH, to which BuS Elektronik GmbH. & Co. KG belongs, we involved KPMG Germany. Given the significance of Neways Deutschland GmbH in Germany, we have visited this group entity and performed a review of the audit files of KPMG Germany and attended the meeting with local management in which the audit findings were discussed. At other entities, we performed specified audit procedures.

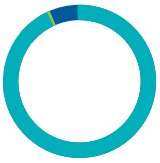
Based on the procedures mentioned above at group entities, together with additional procedures at group level, we covered 90% of consolidated revenue, 86% of total consolidated assets and 94% of total consolidated liabilities in our audit. For the remaining sales, assets and liabilities we performed analytical review procedures to confirm our initial assessment of the size and/or the risk profile of these group entities.

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 financial statements.

Total assets

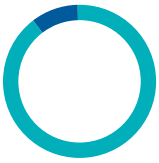
- Full scope audits
- Audit procedures at group level
- Out of scope

Total equity and liabilities



- Full scope audits
- Audit procedures at group level
- Out of scope

Revenue



- Full scope audits
- Audit procedures at group level
- Out of scope

Our key audit matters

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

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

Estimates with respect to the valuation of deferred tax assets

Description

At 31 December 2015, an amount of EUR 4.5 million deferred tax assets is recognized (2014: EUR 4.5 million). This is 2.5% of the total of the consolidated statement of financial position and 6.4% of total shareholders' equity. These deferred tax assets relate to the net operating losses of Neways Deutschland GmbH. The availability of future taxable income is relevant for the recognition of deferred tax assets from net operating losses. The assessement of future taxable income and the recognition of deferred tas assets requires judgement and estimates and is therefore significant to our audit.

Our response

When auditing the deferred tax assets we used amongst others the knowledge and experience of KPMG Germany to assess the amount of available net operating losses to be carried forward and the correct application of local tax legislation.

Our audit procedures included evaluating the company's assumptions and estimates in relation to the likelihood of generating sufficient future taxable profits. The company uses a valuation model to determine the amount of deferred tax assets to be recognized. We tested the consistency of the assumptions of this model with the valuation model the company used for the annual goodwill impairment test where we involved a KPMG valuation specialist.
We reconciled the input used in the valuation model with the budget and assessed the salesgrowth and profitmargins included in the budget and evaluted historical accuracy of management's estimates.

We also assessed whether the group's disclosures related to the deferred tax assets meet the requirements.

Estimates with respect to the valuation of deferred tax assets

Our observation

Overall we assess, that the assumptions applied resulted in a balanced outcome. The group's disclosures related to the deferred tax assets as set forth in Note 8 to the 2015 financial statements are in compliance with the requirements of IFRS.

The operation of General IT Controls

Description

The use of information technology (IT) impacts the internal control environment. From the perspective, of the external auditor internal controls for automated systems operate effectively, if they warrant the integrity of the information and the security of the data processed in such systems and if they contain effective general IT controls and internal controls at application level (application controls).

When general IT controls operate effectively we rely in our audit, to the extent possible, on application controls (for example 3-way match).

Our response

When testing the operating effectiveness of the internal controls for the automated systems of the BaaN IV system, we used, among others, the knowledge and experience of KPMG IT specialists. This included testing of internal controls for access to programs and data, program changes and system developments and the security of IT infrastructure to establish whether they meet the relevant requirements.

Our observation

We found that the internal controls for the BaaN IV system were not operating effectively throughout the entire year. As a result, we are unable to rely on the application controls for purposes of our audit. As such, our audit involved more substantive audit procedures (including detailed sample-based audit procedures for purchases and revenue). As a result, we also had to perform additional procedures on the information produced by the company (such as verifying individual items against invoices in the list of the trade receivables aging analysis).

Revenue recognition
Description The audit of the accuracy and occurence of recognized revenue in accordance with the terms and conditions of the sales contacts throughout the year and particularly cut-off at year-end was significant to our audit.
Our response Revenue is made up of high volumes with relatively small individual orders. Considering the ineffectiveness of the general IT controls as set out above, we performed detailed sample-based audit procedures to establish whether the recognition of revenue is accurate. We verified whether revenue recognised corresponds to the sales contract, whether payment has been received and where payment has not been received whether the delivery has taken place, based on shipping documents. We also reviewed the most important contracts, in terms of volume, to determine whether any extraordinary terms apply that might affect the timing of revenue recognition. For the audit of correct cut-off of revenue at year-end, we carried out audit procedures relating to deliveries shortly before and after 31 December 2015 and credit notes sent after year-end.
Our observation Our procedures did not result in any comments about accuracy and occurrence of recognized revenue throughout the year in accordance with the relevant terms and conditions of the sales contracts and the recognition of revenue in the appropriate period at year-end.

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

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

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

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

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit 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 and fraud.

For a further description of our responsibilities in respect of an audit of financial statements, we refer to the website of the professional body for accountants in the Netherlands (NBA). www.nba.nl/standardtexts-auditorsreport.

Report on other legal and regulatory requirements

Report on the report of the board of directors and the other information

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

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

Engagement

We were engaged by the General Meeting as auditor of Neways Electronics International N.V. for the first time on 16 April 2015, as of the audit for year 2015.

Eindhoven, 22 February 2016

KPMG Accountants N.V.

M.J.A. Verhoeven RA

Subsequent events

No events occurred after the balance sheet date that need to be reported.

Trade Register

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

Provisions in the Articles of Association governing the appropriation of profit

Article 31 of the Company's Articles of Association states that 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 2015 was € 3,220,000.

The Board of Directors proposes that the net profit be added to the retained earnings. The Board of Directors also proposes that a dividend of €0.11 per share be distributed for the 2015 financial year. The dividend will be paid in cash.

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COLOPHON

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Amsterdam

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