NEWAYS ELECTRONICS INTERNATIONAL N.V.

HALF YEAR REPORT 2013

Course of events in the first half year

In the first half of 2013, Neways Electronics International N.V. (Neways) recorded a net turnover of EUR 131.4 million, down 9% compared with the same period of last year. Net profit in the first half of 2013 was EUR 0.9 million, while the first quarter still ended with a slight loss. This profit is excluding the earlier announced provision of EUR 3.7 million (net EUR 2.8 million) taken in the first quarter for the closure and relocation of the activities of Neways Electronics Echt (NEE). The relocation of activities, which is expected to yield annual savings approximately equal to the provision taken, is on schedule. In addition, Neways made solid progress in the first half of the year with regards to improvements to the working capital and cash flow management. This resulted in a positive cash flow from operating activities of EUR 4.1 million in the first half of 2013, from a negative cash flow of EUR 4.9 million in the first half of 2012. The order book stood at EUR 69.8 million at the end of the first half of 2013, up 12% from year-end 2012.

The total number of employees (FTEs) at end-June 2012 (1,906) decreased slightly compared to year-end 2012 (1,945).

Operational developments

The persistent volatility in the EMS market meant the focus in the first half of 2013 was firmly on reducing the imbalance in the capacity utilisation across the Neways Group. A clear positive trend has been noted at a number of operating companies in the last months. While this did lead to a lessening of the imbalance in capacity utilisation that has existed for some time, this issue has certainly not yet been resolved. The closure and relocation of the activities of the operating company in Echt (NEE) and the ensuing transfer of clients to other operating companies within the group will have a positive impact on capacity utilisation. Neways expects to complete the physical transfer of NEE’s client-related activities in the third quarter of 2013. The relocation will also result in reduced investment levels and structural cost savings that will increase to several millions on an annual basis.

In the first half of the year, Neways implemented its investment programme as planned. In addition to the usual replacement investments, the company invested in the expansion of testing equipment and clean room facilities. As part of the ongoing Next Generation project, this autumn Neways will begin with the introduction of Infor’s new ERP LN system at its operating company Neways Advanced Applications. The implementation of the new system will subsequently be phased in per operating company. The new ERP system will encourage the desired closer cooperation between the Neways operating companies, and therefore a more efficient deployment of staff and resources across the group.

The expansion of the development, prototyping and testing activities continued in the first half of 2013. The number of developers and engineers within Neways increased slightly to 175 FTEs at the end of June 2013.

Financial data

The gross margin as a percentage of turnover dropped to 39.7% in the first half of 2013, from 40.5% in the same period of 2012. This decline was due to the product mix and continued pressure on margins.

The continuing high volatility in the EMS market led to a continued imbalance in capacity utilisation across the Neways Group in the first half of 2013. However, there has in recent months been a steady improvement in capacity utilisation at various operating companies.

The closure and relocation of the production activities of Neways Electronics Echt (NEE) announced in January in response to this imbalance is now underway. As announced previously, Neways took a one-off reorganisation charge of EUR 3.7 million (gross) for this in the first quarter. Of this total, EUR 0.8 million was used in the first half of 2013. The structural annual cost savings will approximate the one-off reorganisation charge and will become visible in Neways' results from the second half of 2013. In addition to cost savings, the relocation of both the machinery and production activities will result in improved capacity utilisation and reduced investment requirements across the Neways Group.

Personnel costs fell by 7% to EUR 38.0 million in the first half of 2013, from EUR 40.9 million in the first half of 2012, largely due to a drop in the number of FTEs. The average number of FTEs dropped to 1,907, down 8% compared with the same period of last year.

Neways is in a solid financial position. The shareholders' equity fell slightly to EUR 46.3 million, down 4% from EUR 48.1 million at year-end 2012, as a result of the net loss in 2013 and the cash dividend paid over 2012.

The solvency ratio (shareholders' equity / balance sheet total) stood at 41.6% at end-June 2013, compared with 47.4% at year-end 2012 and 41.5% at end-June 2012. Corrected for deferred tax and goodwill, the ratio stood at 39.6%, which is well within the minimum of 35% agreed with the banks.

The net cash flow was positive at EUR 2.1 million, compared with a negative EUR 7.4 million in the same period of 2012. Further improvements in the net cash flow in the second half of 2013 are expected.

Risk factors and uncertainties with potential effect in the second half year 2013

This reporting system and the key risks identified are explained in the risk section of the 2012 annual report, on pages 64-69. The risks described also apply to the second half of 2013.

Outlook

Neways starts the second half of 2013 in a better position following the developments in the second quarter. The order book, at EUR 69.8 million at end-June 2013, has increased when compared to year-end 2012 and the end of the first half of 2012. The second half year was also off to a good start, but visibility remains limited due to the persistent macro-economic uncertainties and resultant volatility in the EMS market. This makes it difficult to make specific predictions for the full year. Neways expects the current situation in which clients either quickly upscale their plans for the coming months or indeed downscale them and postpone contracts to continue.

Good progress has been made in terms of working capital management and the emphasis on cash management in the first half of the year. Neways will continue these efforts in the second half of the year and aims in particular for a further acceleration of the turnover of inventories towards the desired level of 60 days.

In the second half of 2013, focus will also be on the expansion of the development and system building activities, smarter purchasing, optimising capacity utilisation and increasing the flexibility of the organisation and additional commercial initiatives.

Directors' statement regarding financial reporting

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

- the half year figures 2013 give a true and fair view of the assets, liabilities, financial position as of 30 June 2013 and the results of Neways Electronics International N.V. and the consolidated group companies in the first half year 2013
- the half year report gives a true and fair review of the situation on 30 June 2013, the developments of Neways Electronics International N.V. during the first half year 2013, its related group companies which have been included in the consolidated half year figures and describes

the significant risks and uncertainties with which the Company is confronted in the second half of 2013 and the most important transactions with related parties.

Son (the Netherlands), 28 August 2013

Vincent de Bok	Huub van der Vrande
CEO/CFO	CEO/COO

HALF YEAR RESULTS 2013

Consolidated Statement of Realised and Unrealised Results

Amounts x € 1,000	First half 2013	First half 2012 Adjusted *)
Turnover	131,428	144,383
Change in work in progress and finished products	-112	-519
Costs of materials	-79,221	-85,361
Personnel costs	-37,998	-40,913
Depreciations	-1,947	-2,383
Other operating expenses	-14,533	-11,307
Operating result	**-2,383**	**3,900**
Financing costs	-317	-561
Result before taxes	**-2,700**	**3,339**
Taxes (5)	816	-1,125
Net result attributable to holders of ordinary shares	**-1,884**	**2,214**
Unrealised results		
To reclassify in the profit and loss account in following periods:		
Exchange rate differences foreign subsidiaries	152	112
Net value decrease on cash flow hedging (7)	0	-12
Tax effect	0	3
	0	-9
Total unrealised results to reclassify in the profit and loss account in following periods	**152**	**103**
Items not to reclassify in the profit and loss account in following periods:		
Actuarial gains and losses on defined benifit pension schemes	0	-213
Tax effect	0	0
	0	-213
Total unrealised results not to reclassify in the profit and loss account in following periods	**0**	**-213**
Unrealised results after taxes	**152**	**-110**
Total realised and unrealised results after taxes attributable to holders of ordinary shares	**-1,732**	**2,104**

Result per share (in €) attributable to holders of ordinary shares:		
- Net result	-0.19	0.22
- Diluted net result	-0.19	0.22

*) As a result of accounting policy changes some of the figures do not correspond with the half year figures 2012 (see explanatory note 3).

HALF YEAR RESULTS 2013

Consolidated Balance Sheet

Amounts x € 1,000	30/06/2013	31/12/2012 Adjusted *)
Assets		
Fixed assets		
Tangible fixed assets	14,908	15,856
Intangible fixed assets (7)	5,483	4,771
Deferred tax assets (5)	1,010	1,066
	21,401	**21,693**
Current assets		
Inventories	55,534	53,516
Accounts receivable and other receivables	32,880	26,802
Corporate income taxes (5)	1,165	124
Cash and cash equivalents	263	407
	89,842	**80,849**
Total assets	**111,243**	**102,542**
Equity and liabilities		
Issued and paid-up capital	4,971	4,971
Share premium reserve	29,942	29,942
Retained earnings	10,919	12,880
Other equity components	468	316
Equity attributable to holders of ordinary shares	**46,300**	**48,109**
Long-term liabilities		
Interest bearing loans (8)	593	742
Provisions (9)	622	0
Pension liabilities	4,398	4,407
Deferred tax liabilities	1,463	1,463
	7,076	**6,612**
Short-term liabilities		
Bank overdrafts (8)	4,020	6,191
Interest bearing loans (8)	245	291
Trade creditors and other payables	43,477	34,162
Taxes and social security premiums	7,868	7,120
Provisions (9)	2,257	57
	57,867	**47,821**
Total equity and liabilities	**111,243**	**102,542**

*) As a result of accounting policy changes some of the figures do not correspond with the annual accounts 2012 (see explanatory note 3).

Consolidated Cash Flow Statement

Amounts x € 1,000	First half 2013	First half 2012
Operational activities		
Result before taxes	-2,700	3,339
Adjustments for:		
Depreciations	1,947	2,383
Costs granted staff options	42	41
Finance costs	317	561
Change in provisions and pension liabilities	2,813	-595
Change in working capital *)	1,967	-8,724
	4,386	**-2,995**
Other changes:		
Interest paid	-215	-397
Paid corporate income taxes	-169	-1,465
Cash flow from operating activities	**4,002**	**-4,857**
Investment activities		
Investments in intangible fixed assets	-756	-477
Investments in tangible fixed assets	-1,227	-2,045
Cash flow from investing activities	**-1,983**	**-2,522**
Financing activities		
Received payments from interest bearing loans	0	408
Repayments of interest bearing loans	-195	-241
Use of bank overdrafts	-2,171	7,656
Dividends paid to holders of ordinary shares	-119	-641
Cash flow from financing activities	**-2,485**	**7,182**
Change in cash and cash equivalents	**-466**	**-197**
Net exchange rate differences foreign currencies	322	-196
Cash and cash equivalents as per 1 January	407	752
Cash and cash equivalents as per 30 June	**263**	**359**

*) Change in working capital		
Inventories	-2,018	-7,542
Receivables	-6,078	-2,048
Trade creditors and other payables	9,315	1,646
Taxes and social security premiums	748	-780
	1,967	**-8,724**

Consolidated Statement of Changes in Group Equity

Amounts x € 1,000	Issued and paid up capital	Share premium reserve	Retained earnings	Cash flow hedge reserve	Exchange rate differences reserve	Equity attributable to holders of ordinary shares
Balance as per 1 January 2012	**4,916**	**29,990**	**14,390**	**30**	**298**	**49,624**
Accounting changes (3)			-122			-122
Balance as per 1 January 2012 (adjusted)	**4,916**	**29,990**	**14,268**	**30**	**298**	**49,502**
Result fo the period			2,214			2,214
Unrealised results			-213	-9	112	-110
Total realised and unrealised results	0	0	2,001	-9	112	2,104
Issuance of share options			41			41
Dividends (11)	53	-53	-641			-641
Balance as per 30 June 2012	**4,969**	**29,937**	**15,669**	**21**	**410**	**51,006**
Balance as per 1 January 2013	**4,971**	**29,942**	**13,427**	**0**	**316**	**48,656**
Accounting changes (3)			-547			-547
Balance as per 1 January 2013 (adjusted)	**4,971**	**29,942**	**12,880**	**0**	**316**	**48,109**
Result for the period			-1,884			-1,884
Unrealised results			0		152	152
Total realised and unrealised results	0	0	-1,884	0	152	-1,732
Issuance of share options			42			42
Dividends (11)			-119			-119
Balance as per 30 June 2013	**4,971**	**29,942**	**10,919**	**0**	**468**	**46,300**

*) As a result of accounting policy changes some of the figures mentioned above do not correspond with the half year figures 2012 and 2012 annual accounts (see explanatory note 3).

NOTES TO THE CONSOLIDATED FIRST HALF YEAR RESULTS 2013

1. Information relating to the Group

The Supervisory Board approved the results for the first half year to 30 June 2013 on 26 August 2013.

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

2. Accounting policies used in drawing up the half year results

The consolidated half year figures have been drawn up on the basis of the International Financial Reporting Standards (IFRS) and in accordance with IAS 34 (interim reporting). The consolidated half year results should be viewed in conjunction with the Group annual accounts for 2012.

The contents of this half year report have not been audited.

3. Changes in accounting policies

The consolidated half year figures have been drawn up on the basis of historic cost price. The accounting policies used for valuations and determination of the results are the same as those used for the 2012 annual accounts, with the exception of the first application of new and changed IFRS standards and IFRIC interpretations that came into force on 1 January 2013.

IAS 1 Presentation of items in other comprehensive income (unrealised results) – amendment to IAS 1

The amendment to IAS 1 introduces a grouping of items in other comprehensive income. Items that may in the future be reclassified to profit and loss are presented separately from those items that will never be reclassified to profit and loss. The application of this amendment has led to an adjusted presentation of the consolidated statement of realised and unrealised results and had no impact on the Group's shareholders' equity or its results.

IAS 19 Employee benefits (amended in 2011 – IAS19R)

This amendment applies to the Group from 1 January 2013. The Group has applied the revision retroactively in accordance with *IAS 8 Accounting policies, changes in accounting estimates and errors,* effectively adjusting the financial information for the previous year.

The changes to accounting policies apply to the defined benefit pension scheme at a German subsidiary and require the recognition of actuarial profits and losses under unrealised results in the period in which they occur.

As a result of the changes to accounting policies, the Group has made the following adjustments to its half year figures:

As per 1 January 2012:

An increase in the pension liability: € 122,000

A decrease in the starting balance of retained profit reserve: € 122,000

In the first half of 2012:

Charges recognised under unrealised results: € 213,000

As per 1 January 2013:

Increase in the pension liability: € 547,000

A decrease in the starting balance of the retained profit reserve: € 547,000

The effect of the adjustment for the first half of 2012 on earnings per share amounted to less than € 0.01.

The first application of other new and revised IFRS standards and IFRIC interpretations that came into force on 1 January 2013 had no impact on the Group's shareholders' equity or its results.

4. Business segments

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

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

Constant improvement of internal cooperation at every level of the organisation is essential to serve clients as one homogeneous, integrated group of companies. This includes integrated quality control policies, a recognisable business culture and a unified presentation of the Group's vision.

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

5. Taxes

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

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

The tax burden in 2012 consisted almost entirely of corporate tax due on the fiscal profit booked in the Netherlands at the corporate tax rate of 25%.

6. Derivatives

As per 30 June 2012, the Group had a currency futures contract outstanding, which is recognised as a hedge for expected future purchases by Neways Wuxi in China, pertaining to transactions deemed extremely likely. The currency future contracts serve as a hedge for currency risk related to these very likely, expected transactions.

The cash flow hedge of the expected future purchases in the period July 2012 until November 2012 was recognised as effective. In connection with this contract, net unrealised losses of € 12,000 under deduction of a deferred tax asset of € 3,000, were recognised under unrealised results as per 30 June 2012.
As per 30 June 2013, the Group had no outstanding derivatives.

7. Goodwill impairment test

Goodwill is tested for impairment annually (as per 31 December), or more frequently if any events or changes in circumstances indicate that the book value may have suffered an impairment. The realisable value of goodwill is determined on the basis of the enterprise value. The assumptions made in the calculation of the value of future cash flows from any cash flow generating unit are outlined in the financial statements for 2012.

When assessing the indicators of impairment, the Group takes into account the relationship of its market capitalisation and the book value. As per 30 June 2013, the Group's market capitalisation was less than the book value of its shareholders' equity, which points to a possible impairment of goodwill. The management therefore conducted an impairment test as per 30 June 2013.

The enterprise value calculated on the basis of future cash flows from the cash flow generating unit was substantially higher than the value of the goodwill. The future cash flows, based on financial estimates and prognoses, have been brought up to date. All other assumptions made are consistent with the method of recognition in the annual accounts 2012.

8. Financial liabilities
The fair value of all financial instruments approximates their book value.

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

10. Transactions with related parties
The table below shows the total amount in transactions with related parties for the first half of 2013 and 2012:

Amounts x € 1,000		**Sales to**	**Purchases /Services from**	**Due from**	**Due to**
Entity with significant influence on the Group:					
VDL Groep	2013	3,964	2,486	2,143	1,311
	2012	5,894	2,628	2,647	1,457
ZBG Groep	2013		284		
	2012		278		
Key Group personnel:					
	2013		150		
	2012		154		

11. Dividend paid

	30 June	
Amounts x € 1,000	**2013**	**2012**
Determined and paid out in the first half		
Dividend on ordinary shares:		
Final dividend 2012: € 0.012 (2011: € 0.12)	119	1,180