Connect Group NV
Industriestraat 4
1910 Kampenhout, Belgium
Tel: +32 (0) 16 60 61 71
Fax: +32 (0) 16 60 78 82

PRESS RELEASE
Regulated information

17 August 2017 – Embargo till 6 pm

Financial Report for the 1st half 2017

Sales of EUR 59.4 million in H1 2017 vs. EUR 62.0 million in H1 2016.

Positive EBITDA of EUR 1,838K for H1 2017, vs. positive EBITDA of EUR 1,868 K for H1 2016.

Operating profit of EUR 525K in H1 2017, vs an operating profit of 549K in H1 2016.

Net profit of EUR 247K in H1 2017, vs a profit of EUR 135K in H1 2016.

The 1st half of 2016 was impacted by the loss of a specific customer, ASML, at the end of that period. Consequently, the 1st half of 2016 still included EUR 8.6 million of revenue from this customer (0 in 2017). On a like-for-like basis, there was an increase in revenue from EUR 53.4 million (2016) to EUR 59.4 million (2017). In addition, the loss of ASML led to restructuring costs of EUR 1,156K and the redundancies of 33 employees in our Dutch branch, both of which were also booked during the 1st half of 2016.

Orders at the end of H1 2017 stood at EUR 97.3 million, vs. EUR 89.4 million at the end of 2016.

Management discussion and analysis of the results

Jeroen Tuik (CEO):
"The figures for the 1st half of 2017 do not sufficiently reflect the efforts made in the past few months. The drop in revenue resulting from the loss of ASML in the Netherlands has been almost fully offset by orders and revenue from new or existing customers. This growth was mainly realised in our factories in Kladno and Oradea, which have been under heavy pressure in the past few months to increase their production capacity. However, realising this increase in capacity is currently proving to be a challenge, because there is high demand for employees in the regions where we recruit. We have also noticed a considerable rise in labour costs in Romania. For the 2nd year running, the Romanian government has decided to increase minimum wages by more than 15 percent. On the other hand, growing shortages on the components market are leading to an increase in component prices, which puts extra pressure on operational activities. These rising costs cannot be directly passed on to our customers in all cases, which means our margins are being squeezed. One positive aspect is the growth of our order book. At EUR 97 million, Connect Group's order book has never been bigger. Although the size of this order book is not fully reflected in our short-term revenue forecast (some orders have longer lead times), we do believe that further growth should be possible in the 2nd half of 2017. "

Connect Group NV
Industriestraat 4
1910 Kampenhout, Belgium
Tel: +32 (0) 16 60 61 71
Fax: +32 (0) 16 60 78 82

Results 1st half 2017:

Connect Group NV (Euronext Brussels: CONN) posted revenues of EUR 59.4 million in the 1st half of 2017. In the same period in 2016, the group's turnover was EUR 62.0 million. At the end of 2015, ASML, one of the group’s clients, informed Connect Group that it would no longer place any new orders after its existing orders had been completed. Turnover from ASML amounted to EUR 8,605K in the first 6 months of 2016, but dropped to EUR 0 in the first half of 2017. Without ASML, turnover for the 1st half of 2016 would have been EUR 53,411K, as opposed to EUR 59,428K in 2017. After July 2016, revenue from ASML became negligible.

The company's gross margin stood at 10.2 percent, as opposed to 11.8 percent in 2016. Both research and development expenses and general and administrative expenses remained more or less stable (1.1 percent and 4.4 percent of revenue respectively). Sales costs (3.9 percent of revenue) rose by 0.4 percentage points in relation to revenue, mainly as a result of rising transport costs.

The company posted a profit of EUR 525K in the 1st half of 2017, as opposed to EUR 549K in the 1st half of 2016.

Net financial costs amounted to EUR 276K (EUR 412K in 2016). This drop was mainly caused by a decrease in interest costs of EUR 127K. This decrease in interest costs is mainly a consequence of the capital increase that took place in the 2nd half of 2016.

The order book grew from EUR 89.4 million at the end of 2016 to EUR 97.3 million at the end of the 1st half of 2017. The order book contains formal commitments of customers, but could be subject to change in terms of quantities and delivery deadlines. For this reason, it cannot be used as a financial indicator of future results.

During the 1st half of 2017, investments to the value of EUR 0.6 million were made (EUR 0.3 million in 2016), mainly consisting of minor adjustment works and replacement investments.

Stocks rose from EUR 28.4 million to EUR 33.8 million as a consequence of the new projects that will be realised in the 2nd half of the year (order book growth).

Strong invoicing in May and June of 2017 resulted in an increase in trade receivables. As far as we are aware, there is no increased recovery risk in these trade receivables.

Total financial debt rose by EUR 2.2 million (from EUR 15 million at the end of 2016 to EUR 17.2 million in the 1st half of 2017). This rise is a result of greater demand for working capital in 2017 (increased stocks and trade receivables).

Equity rose from EUR 20.5 million to EUR 20.7 million as a result of the net profit booked during the period. However, the group’s solvency decreased from 34 percent to 30.8 percent due to its higher total assets.

Connect Group NV
Industriestraat 4
1910 Kampenhout, Belgium
Tel: +32 (0) 16 60 61 71
Fax: +32 (0) 16 60 78 82

The risk assessment can be found in the annual report and is available on the Internet (www.connectgroup.com).

The most significant risks for the company are:

- Production is completely dependent on the availability of all components at the moment that production starts up. If component availability slows down, sales too will be delayed.
- Currency risk:
  - ✓ The group buys a portion of its components in dollars/yen, the exchange rate risk on which is only partially covered in the selling price.
  - ✓ Production takes place partly in Romania and the Czech Republic: large fluctuations of these currencies against the Euro can impact costs.
  - ✓ Since foreign currency needs cannot be accurately timed, the group does not cover its foreign currency positions.
- The group has a credit agreement with its bankers that includes a minimum solvency ratio covenant, equity and cash flow. Customer insolvency can have a major impact on the results.
- Risk of order postponements, leading to a temporary under-coverage of costs incurred.
- The group is dependent on a number of customers each accounting for more than 10% of sales. Should any one of them terminate its business relationship, this will impact results.
- There is an ongoing dispute between the group and the Romanian VAT authorities, which may have a negative impact on results in the longer term.

Significant events in first half 2017

No major events occurred in the first 6 months of 2017.

Connect Group NV
Industriestraat 4
1910 Kampenhout, Belgium
Tel: +32 (0) 16 60 61 71
Fax: +32 (0) 16 60 78 82

Connect Group: Half year results 2017

These condensed interim consolidated financial statements together with the notes for the half year ending 30 June 2017 are not audited.

Condensed consolidated income statement on 30 June 2017 and 30 June 2016

(in 000 Eur)	H1 2017	%	H1 2016	%
Sales	**59,428**	**100.0**	**62,016**	**100.0**
Cost of sales	-53,368	-89.8	-54,672	-88.2
Gross profit	6,060	10.2	7,344	11.8
Research and development expenses	-667	-1.1	-707	-1.1
General and administrative expenses	-2,582	-4.3	-2,792	-4.5
Selling expenses	-2,330	-3.9	-2,183	-3.5
Other operating income	34	0.0	40	0.1
Other operating expenses	10	0.0	3	0.0
Operating result restructuring costs	**525**	**0.9**	**1,705**	**2.7**
Restructuring costs	-	-	-1,156	-1.9
Operating result	**525**	**0.9**	**549**	**0.9**
Financial income	215	0.4	154	0.2
Financial charges	-491	-0.8	-566	-0.9
Profit / (loss) before taxes	**249**	**0.4**	**137**	**0.2**
Income taxes	-2	0.0	-2	0.0
Net profit / (loss)	**247**	**0.4**	**135**	**0.2**
Attributable to				
Equity holders of the parent	247		135	
Minority interest				
Earnings per share*				
Basic earnings / (loss) per share	0.01		0.01	
Diluted earnings / (loss) per share	0.01		0.01	

Connect Group NV
Industriestraat 4
1910 Kampenhout, Belgium
Tel: +32 (0) 16 60 61 71
Fax: +32 (0) 16 60 78 82

Condensed consolidated statement of comprehensive income

(in ooo Eur)	H1 2017	H1 2016
Profit / (loss)	**247**	**135**
Total comprehensive income	**247**	**135**
Total comprehensive income attributable to:		
Equity holders of the parent	247	135
Minority interest	-	-

Connect Group NV
Industriestraat 4
1910 Kampenhout, Belgium
Tel: +32 (0) 16 60 61 71
Fax: +32 (0) 16 60 78 82

Condensed consolidated balance sheet at 30 June 2017 and 31 December 2016

(in 000 Eur)	30 June 2017	31 December 2016
Assets		
Current assets:		
Cash and cash equivalents	221	166
Trade receivables	21,666	19,055
Other receivables	2,128	2,274
Inventories	33,851	28,428
Other current assets	98	95
Other current assets	**57,964**	**50,018**
Non-current:		
Other receivables	71	132
Deferred tax assets	1,500	1,500
Property, plant and equipment	7,602	8,018
Intangible assets	183	216
Total non-current assets	**9,356**	**9,866**
TOTAL ASSETS	67,320	59,884
Liabilities and equity		
Current liabilities:		
Bank loans and overdrafts	14,115	11,679
Current portion of long-term debt	480	641
Trade payables	18,521	14,922
Accrued expenses, payroll and related taxes and deferred income	7,850	7,327
Provisions	1,294	1,492
Other current liabilities	1,620	1,241
Total current liabilities	**43,878**	**37,302**
Non-current liabilities:		
Long-term debt less current portion	2,667	2,054
Total non-current liabilities	**2,667**	**2,054**
Equity attributable to equity holders of the parent	**20,775**	**20,528**
TOTAL LIABILITIES AND EQUITY	67,320	59,884

Connect Group NV
Industriestraat 4
1910 Kampenhout, Belgium
Tel: +32 (0) 16 60 61 71
Fax: +32 (0) 16 60 78 82

Condensed consolidated statement of changes in equity

(in 000 Eur)	Number of shares out-standing	Capital	Legal reserve	Share premium	Profit /(loss) carried forward	Cumulative translation adjustment	Attributable to equity holders of the parent
31/12/2015	**10,290,024**	**638**	**43**	**42,091**	**-28,170**	**67**	**14,669**
Net result of the year					1.161		1.161
Capital increase	16,464,038	1.021		3.677			4,698
Other comprehensive income						-	-
31/12/2016	**26,754,062**	**1.659**	**43**	**45,769**	**-27,009**	**67**	**20,528**

(in 000 Eur)	Number of shares out-standing	Capital	Legal reserve	Share premium	Profit /(loss) carried forward	Cumulative translation adjustment	Attributable to equity holders of the parent
31/12/2016	**26,754,062**	**1.659**	**43**	**45,769**	**-27,009**	**67**	**20,528**
Net result of the year					247		247
Other comprehensive income							-
30/06/2017	**26,754,062**	**1.659**	**43**	**45,769**	**-26,762**	**67**	**20,775**

Connect Group NV
Industriestraat 4
1910 Kampenhout, Belgium
Tel: +32 (0) 16 60 61 71
Fax: +32 (0) 16 60 78 82

Condensed consolidated cash flow statement for the period from 1 January 2017 to 30 June 2017 and 1 January 2016 to 30 June 2016

(in 000 Eur)	H1 2017	H1 2016
Operating profit / (loss) before goodwill impairment and restructuring costs	**525**	**1,705**
Goodwill impairment	-	-
Restructuring costs	-	-1,156
Operating profit / (loss) after goodwill impairment and restructuring costs	**525**	**549**
Adjustments for:		
Allowance for doubtful receivables and obsolete stock	80	7
Depreciation and amortization	1,113	1,318
Provisions	-198	767
Cash flow before changes in working capital	**1,520**	**2,641**
Inventories	-5,473	-156
Trade receivables	-2,641	-4,107
Trade payables	3,600	722
Accrued expenses, payroll and related taxes and deferred income	522	2,520
Other current assets	203	-588
Other payables	379	555
Cash flow from operating activities	**-1,890**	**1,587**
Income taxes	-2	-2
Exchange differences	41	36
Interest / Financial charges	-340	-456
Net cash from/(used in) operating activities	**-2,191**	**1,165**
Cash flow from investing activities		
Investments in intangible assets	-30	-8
Purchases of property, plant and equipment	-634	-296
Interests received	23	8
Cash flows from (used in) investing activities	**-641**	**-296**
Cash flows from financing activities		
Proceeds/(repayments) from long-term debts	613	-3,808
Proceeds/(repayments) from current portion of long-term debt	-161	-158
Proceeds/(repayments) from bank loans and overdrafts	2,435	-2,036
Capital increase	-	4,647
Net cash provided by financing activities	**2,887**	**-1,355**
Increase/(decrease) in cash and cash equivalents	**55**	**-487**
Cash and cash equivalents at the beginning of the period	166	653
Cash and cash equivalents at the end of the period	221	166

Connect Group NV
Industriestraat 4
1910 Kampenhout, Belgium
Tel: +32 (0) 16 60 61 71
Fax: +32 (0) 16 60 78 82

Notes to the condensed interim financial statements

Conformity declaration

These condensed interim consolidated financial statements together with the notes for the half year ending 30 June 2017 have not been audited.

The condensed interim consolidated financial statements for the six months ended 30 June 2017 comprise the financial statements of the company and its subsidiaries (hereinafter referred to collectively as the "Group").

The condensed interim consolidated financial statements were prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the European Union. These statements do not contain all information necessary for a full financial statement and therefore should be read in conjunction with the consolidated annual financial statements for the period ended 31 December 2016, as published in the 2016 Annual Report to Shareholders.

These condensed interim consolidated financial statements were approved for publication by the Board of Directors on 11 August 2017.

Seasonality

Seasonality is limited (during the annual holiday period (July-August) there is reduced delivery).

Changes in accounting policies and presentation rules

Compared to the consolidated annual report as of December 31, 2016 the following new Standards and Interpretations now apply. Their adoption had no effect on the Group’s financial position and its results:

- Annual improvements to IFRS 2014-2016 cycle: Changes to IFRS 12 (applicable to accounting years from 1 January 2017, but not yet ratified within the European Union);
- Amendment to IAS 7 *Statement of cash flows – Disclosure initiative* (applicable to accounting years from 1 January 2017, but not yet ratified within the European Union);
- Amendment to IAS 12 *Income taxes – Recognition of deferred tax assets for unrealised losses* (applicable to accounting years from 1 January 2017, but not yet ratified within the European Union);

The impact of the applicability of IFRS 15 – *Revenue from contracts with customers* will be analysed further in the coming months.

Connect Group NV
Industriestraat 4
1910 Kampenhout, Belgium
Tel: +32 (0) 16 60 61 71
Fax: +32 (0) 16 60 78 82

In the unaudited interim consolidated financial statements, the same accounting principles have been followed as in the audited year-end consolidated financial statements at 31st December 2016.

The new standards and interpretations had no significant impact on the Group's unaudited interim consolidated financial statements. The Group did not opt to implement new standards or changes at an earlier date.

Related party transactions

There were no transactions with related parties.

Significant events after the balance sheet date

No significant events have occurred after the balance sheet date.

Information about the company

Connect Group

Connect Group is a leading certified supplier of technology, production systems, printed circuit boards and cable assembly services for the professional industry. Connect Group develops products to User Requirement Specifications from the concept stage onwards with optimal production, price and quality results.
Connect Group's references include Alstom, Punch Powertrain, Atlas Copco, Atos, Faiveley, Transics, Nedap, Fabricom and Atos. The company currently employs around 1,500 people in various facilities in Europe. The company's shares are traded on NYSE Euronext Brussels: CONN (www.euronext.com).

Update financial calendar

Announcement annual results 2017	22 February 2018

Investor Relations

Hugo Ciroux CFO
Tel: +32 (0)16 61 87 78
www.connectgroup.com
ir@connectgroup.com

Connect Group NV
Industriestraat 4
1910 Kampenhout, Belgium
Tel: +32 (0) 16 60 61 71
Fax: +32 (0) 16 60 78 82

Declaration of the responsible persons

The undersigned declare that:
- The condensed financial statements, drawn up in accordance with applicable accounting standards, give a true view of the assets, the financial situation and the results of the issuing company and of those companies included in the consolidation;
- the interim report gives a fair overview of important events and major transactions with related parties having occurred in the first six months of the financial year and their impact on the condensed financial statements, together with a description of the principal risks and uncertainties for the remaining months of the financial year.

Hugo Ciroux, CFO
Jeroen Tuik, CEO