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

16 August 2018 - Embargo until 18:00

Financial report for the first half of 2018

H1 2018 sales of EUR 75.8 million, vs. EUR 59.4 million in H1 2017.

Net EBITDA of EUR 4,097K in H1 2018, vs. EBITDA of EUR 1,838K in H1 2017.

Operating profit of EUR 3,007K in H1 2018, vs. a profit of EUR 525 K in H1 2017.

Net profit of EUR 2,410K in H1 2018, vs. a profit of EUR 247K in H1 2017

Orders at the end of H1 2018 stand at EUR 113.4 million, vs. EUR 116.5 million at the end of 2017.

Management discussion and analysis of the results

Jeroen Tuik (CEO):
The economic indicators remain cautiously optimistic. Operating as a subcontractor, Connect Group is currently experiencing increasing sales growth among its customers, though the strengthening US dollar has negatively impacted the results of several projects.
Compared to H1 2017, H1 2018 sales have risen 28%, and nearly 40% compared to H2 2016.

Our mission remains unchanged; Connect Group intends to continue contributing to the success of its customers.
More than ever before, we are investing in people, resources and machines. Last year a major investment programme for the coming years was approved by the banks, confirming their confidence in the Connect Group strategy.

Looking back over the last 6 months, we were able to grow despite the difficult situation on the components market (shortages). Quite the contrary, this situation spurred us to further optimise our processes, thereby stimulating growth. In addition, several new customers were acquired, allowing both our cable and electronics divisions to present good growth figures.
The above-mentioned shortages on the component market, newly acquired customers and the growth figures in both divisions have led us to increase our inventories.

During Q3 2018, we expect to commission nearly 8,000 m² of new production premises in our Romanian subsidiary. The low unemployment figures in the countries where we are represented present us with major challenges for future growth. Up to now however, we are managing to find the right balance between resources, people and automation.

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

H1 results

Connect Group NV (Euronext Brussel: CONN) reports sales of EUR 75.8 million for H1 2018, compared with sales of EUR 59.4 million in H1 2017. This 28% increase was realised with existing and a number of new customers. More than ever, our focus is on customers in niche markets where Connect can provide the greatest added value.
The success of Connect as a subcontractor is very much dependent on the growth achieved by its customers.

H1 2016	H2 2016	H1 2017	H2 2017	H1 2018
62.0 million	54.8 million	59.4 million	65.5 million	75.8 million

The gross margin was 12.3 percent, against 10.2 percent in 2017. Research and development expenses and general and administrative expenses remained stable at respectively 1.0% and 4.0% of sales. Sales expenses (3.5% of turnover) were down 0.4 percentage points.

Operating profit amounted to EUR 3,007 K in H1 2018, vs EUR 525 K in H1 2017.

Net financial expenses amounted to EUR 576 K (vs. EUR 276 K in 2017). Debt financing costs were in line with the costs booked in H1 2017. The increase in net financial expenses is mainly attributable to the strong rise in the value of the US dollar in the first half of 2018. To a limited extent, Connect Group is able to pass on these exchange rate fluctuations to its customers.

Orders dropped from EUR 116.5 million at the end of 2017 to EUR 113.4 million at the end of H1 2018. The order book contains formal commitments from customers, but may be subject to adjustments in quantities and delivery deadlines. For this reason, it cannot be used as a financial indicator of future results.

In the course of H1 2018, investment projects amounting to a total of EUR 2.4 million were carried out (vs. EUR 0.6 million in 2017). They related mainly to replacement machines, production automation and expansion in the various factories.

Inventories increased from EUR 32.8 million to EUR 38.5 million. This increase is mainly due to the introduction of various new projects set to be realised in the second half of the year. Also, component availability and delivery times are deteriorating in the supply chain, leading to a situation where most of the material needed to produce an order is kept in stock. The unavailability of just a few components can however mean that production cannot be started. No significant write-downs on inventories were recorded in H1 2018.

The increase in trade receivables is due to a high level of invoicing in May and June 2018. They contain no known increased collection risk.

Total financial debts increased by EUR 0.5 million from EUR 20 million at the end of 2017 to EUR 20.5 million at the end of H1 2018. This increase is the result of the higher working capital requirement in 2018 (increased inventories and trade receivables). As of 30 June 2018, the Group met all required bank covenants.

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

Shareholders’ equity increased from EUR 23.1 million to EUR 25.6 million as a result of the net profit for the period. The group's solvency ratio dropped however from 31.6% to 30.0% as a result of the increased balance sheet total.

The risk analysis is to be found in the Annual Report and is available on our website (www.connectgroup.com).

The most significant risks for the company are:

- Production is completely dependent on the availability of all components at the start of production. The unavailability of components may lead to sales being delayed.
- Currency risk:
    - ✓ The group buys a portion of its components in dollars/yen, of which the exchange rate risk is only partially covered in the selling price.
    - ✓ Production takes place mainly in Romania and the Czech Republic: major fluctuations of these currencies against the Euro can have an impact on costs.
    - ✓ As currency needs cannot be exactly timed, the group can only hedge foreign currencies to a limited extent.
- The group has a credit agreement with its bankers coupled to a number of bank ratios including solvency, equity and cash flow. Customer insolvency can have a significant impact on results.
- There is a risk of orders being postponed, 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;
- The Group is involved in an ongoing dispute with the VAT authorities in Romania which could have a negative impact on the result in the long term. Compared to the status on 31 December 2017 (discussed in the 2017 Annual Report), there has been no significant change to the status of the case in the course of the first half of 2018.

Significant events in the first half of 2018

No significant events occurred in the first six months of 2018.

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

Connect Group H1 2018 results

These condensed consolidated interim financial statements (as well as the accompanying notes) as of 30 June 2018 have not been audited.

Condensed consolidated profit and loss statement at 30 June 2018 and 30 June 2017

(in 000 Euro)	1H 2018	%	1H 2017	%
Sales	**75,784**	**100.0**	**59,428**	**100.0**
Cost of sales	(66,453)	(87.7)	(53,368)	(89.8)
Gross margin	9,331	12.3	6,060	10.2
Research and development expenses	(775)	(1.0)	(667)	(1.1)
General and administrative expenses	(3,043)	(4.0)	(2,582)	(4.3)
Selling expenses	(2,625)	(3.5)	(2,330)	(3.9)
Other operating income	130	0.2	34	0.0
Other operating expenses	(11)	(0.0)	10	0.0
Operating result before restructuring costs	**3,007**	**4.0**	**525**	**0.9**
Restructuring costs	-	-	-	-
Operating result	**3,007**	**4.0**	**525**	**0.9**
Financial income	93	0.1	215	0.4
Financial charges	(669)	(0.9)	(491)	(0.8)
Pre-tax result	**2,431**	**3.2**	**249**	**0.4**
Taxes	(21)	(0.0)	(2)	0.0
Net result	**2,410**	**3.2**	**247**	**0.4**
Attributable to				
Group	2,410		247	
Third parties				
Profit per share				
Basic profit / (loss) per share	0.09		0.01	
Diluted profit / (loss) per share	0.09		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 000 Euro)	**H1 2018**	**H1 2017**
Profit / (loss)	**2,410**	**247**
Total comprehensive income	**2,410**	**247**
Total comprehensive income attributable to:		
Equity holders of the parent	2,410	247
Minority interests	-	-

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

CONNECT GROUP
INTEGRATED SUBCONTRACTORS

Condensed consolidated balance sheet at 30 December 2018 and 31 December 2017

(in 000 Euro)	30 June 2018	31 December 2017
Assets		
Current assets:		
Cash and cash equivalents	275	200
Trade receivables	30,815	26,334
Contract assets	4,470	3,800
Other receivables	1,077	1,058
Inventories	38,529	32,834
Other current assets	3	5
Total current assets	**75,169**	**64,232**
Non-current assets:		
Other receivables	0	0
Deferred taxes - assets	1,500	1,500
Property, plant and equipment	8,604	7,263
Non-current intangible assets	150	162
Total non-current assets	**10,254**	**8,925**
TOTAL ASSETS	**85,423**	**73,156**
Liabilities and equity		
Current liabilities		
Bank loans and overdrafts	17,211	17,032
Current portion of long-term debt	1,212	2,476
Trade payables	27,036	19,609
Accrued expenses, payroll and related taxes and deferred income	7,829	6,767
Provisions	1,312	1,095
Other payables	2,569	1,950
Total current liabilities	**57,169**	**48,929**
Non-current liabilities		
Long-term debt less current portion	2,108	458
Provisions	568	601
Total non-current liabilities	**2,676**	**1,059**
Equity attributable to equity holders of the parent	**25,578**	**23,168**
Total liabilities and equity	**85,423**	**73,156**

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 Euro)	Number of outstand-ing shares	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					2,025		2,025
Capital increase							
Other elements of the total result							
Impact of IFRS 15 on the opening balance sheet					615		615
31/12/2017	**26,754,062**	**1,659**	**43**	**45,769**	**(24,369)**	**67**	**23,168**

(in 000 Euro)	Number of outstand-ing shares	Capital	Legal reserve	Share premium	Profit/ (loss) carried forward	Cumulative translation adjustment	Attributable to equity holders of the parent
01/01/2018	**26,754,062**	**1,659**	**43**	**45,769**	**(24,369)**	**67**	**23,168**
Net result					2,410		2,410
30/06/2018	**26,754,062**	**1,659**	**43**	**45,769**	**(21,959)**	**67**	**25,578**

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 for the period from 1 January 2018 to 30 June 2018 and from 1 January 2017 to 30 June 2017

(in 000 Euro)	**H1 2018**	**H1 2017**
Operating profit/(loss) before goodwill impairment and restructuring costs	**3,007**	**525**
Adjustments for:		
Allowance for doubtful receivables and obsolete stock	(160)	80
Depreciation and amortization	1,090	1,113
Provisions	184	(198)
IFRS 15	170	-
Gains on the sale of fixed assets	(7)	-
Cash flow before changes in working capital	**4,284**	**1,520**
Inventories	(6,494)	(5,473)
Trade receivables	(4,362)	(2,641)
Trade payables	7,427	3,600
Accrued expenses, payroll and related taxes and deferred income	1,062	522
Other current assets	(16)	203
Other payables	619	379
Cash flow from operating activities	**2,520**	**(1,890)**
Taxes	(21)	(2)
Exchange differences	(201)	41
Financial charges	(106)	(99)
Interest charges	(274)	(241)
Other	(2)	-
Net cash from/(used in) operating activities	**1,916**	**(2,191)**
Cash flow from investing activities		
Investments in intangible assets	(41)	(30)
Investments in property, plant and equipment	(2,379)	(634)
Interest received	7	23
Revenue from the sale of fixed	7	-
Cash flows from (used in) investing activities	**(2,406)**	**(641)**
Cash flows from financing activities		
Increase/(decrease) in long-term debt	2,530	452
Increase / (decrease) in subordinated loans	(800)	-
Increase / (decrease) in bank debts	(1,165)	2,435
Cash flow from financing activities	**565**	**2,887**
Increase / (decrease) in in cash and cash investments	**75**	**55**
Cash and cash investments at the beginning of the period	200	166
Cash and cash investments at the end of the period	275	221

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 consolidated financial statements

Declaration of Conformity

These condensed consolidated financial statements (and the associated notes) for the period ending on 30 June 2018 have not been audited.

The condensed consolidated financial statements for the first six months ending on 30 June 2018 cover the financial statements of the company and its subsidiaries (hereinafter jointly referred to 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 and associated press release for the period ended 31 December 2017, as published in the 2017 Annual Report to Shareholders.
These condensed consolidated financial statements were approved for publication by the Board of Directors on 6 August 2018.

Seasonality

Seasonality is limited (during the annual holiday period (July-August) deliveries takes place at a reduced rate).

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

Changes in accounting policies and presentation rules

Compared to the consolidated annual report as of 31 December 2017, the following new Standards and Interpretations now apply.

- IFRS 9 *Financial Instruments and subsequent amendments* (applicable for annual periods beginning on or after 1 January 2018)
- IFRS 15 *Revenue from Contracts with Customers* (applicable for annual periods beginning on or after 1 January 2018)
- Amendment to IFRS 2 *Share-based payment* (applicable for annual periods beginning on or after 1 January 2018, but only approved within the European Union as of 26 February 2018)
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (applicable for annual periods beginning on or after 1 January 2018, but only approved within the European Union as of 28 March 2018)
- Amendment to IAS 40 *Transfers of investment property* (applicable for annual periods beginning on or after 1 January 2018, but only approved within the European Union as of 14 March 2018)
- Amendment of IFRS 4 '*Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*' (applicable for annual periods beginning on or after 1 January 2018)

No significant changes were made to our valuation rules used to prepare these condensed consolidated interim financial statements compared to those used to prepare the most recent consolidated financial statements as of 31 December 2017, with the exception of the application of new standards and interpretations, described below.

IFRS 15 Revenue from Contracts with Customers, and clarifications of this IFRS (applicable for annual periods beginning on or after 1 January 2018)

The company has analysed the impact of applying IFRS 15 (*Revenue from Contracts with Customers*), which stipulates that, if the company's performance does not create an asset that can be used alternatively by the enterprise and the company has an enforceable right to payment for already performed services, the performance obligation will be fulfilled over a period. The products sold by Connect Group have no alternative use. On the basis of the final analysis of the figures as of 31 December 2017, Connect Group has made a positive correction to the opening equity statement ("modified retrospective approach") amounting to EUR 615 K. A similar analysis of the figures as of 30 June 2018 has led the company to book an amount of EUR 170 K against the result.

Other new standards and interpretations applicable for the annual period beginning at 1 January 2018 had no significant impact on our condensed interim consolidated financial statements.
The Group did not opt to implement new standards or changes at an earlier date.

The same accounting policies were followed in the unaudited interim condensed consolidated financial statements as in the audited consolidated financial statements at 31 December 2017 and for the year that ended then.

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

Transactions with related parties

In H1 2018, certain transactions were carried out under normal market conditions with IPTE Factory Automation NV concerning the purchase of certain machines for an amount of EUR 380 K.

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 industry. Connect Group develops products to user specifications from the concept stage onwards with optimal production, price and quality results.
Connect Group references include Alstom, Punch Powertrain, Atlas Copco, Faiveley, Transics, Nedap, Fabricom and Worldline. The company currently employs around 1,900 people in various facilities in Europe. The company's shares are traded on NYSE Euronext Brussels: CONN (www.euronext.com).

Updated financial calendar

2018 annual results	26 February 2019

Investor relations

Arnaud Devooght CFO (*a.i.*)
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.

Arnaud Devooght, CFO (*a.i.*)
Jeroen Tuik, CEO