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

PRESS RELEASE
Regulated information

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Financial Report for the 1st half of 2014

Sales of EUR 64.8 million vs. EUR 63.0 million in H1 2013

Operating profit of KEur 517 vs. KEur 130 in H1 2013.

EBITDA of EUR 1.982 million compared with EUR 1.643 in H 2013.

Net profit of KEur 13 compared with KEur 161 net loss in H1 2013.

Order book of EUR 90 million at end-H1 2014 (EUR 84 million at end-2013).

Connect Group NV (Euronext Brussels: CONN) announces 1st half-year 2014 sales of EUR 64.8 million. Sales for the comparable period of 2013 were EUR 63.0 million. Gross margin, at 11.7 percent, was slightly better than in 2013 (11.5 percent). Such margin changes are the result of product mix. Research and development costs, general and administrative expenses and selling expenses are fully in line with the previous year.

Operating profit was KEur 517 positive in the first six months of the year (KEur 130 in 2013).

Net financial charges amounted to KEur 502 (KEur 291 in 2013). This increase is the result of foreign exchange losses mainly on the dollar (KEur 90 loss compared with KEur 15 gain in 2013) and increased financing costs (higher interest rate based on EBITDA/financial debt ratio).

The order book evolved positively, ending the first half at EUR 90 million compared with EUR 84 million at end-2013. The order book consists of formal commitments by customers, but is subject to adjustments in numbers and timing, and cannot therefore serve as a financial indicator of future results.

The increase in trade receivables reflects the payment behaviour of a small number of customers that met their payment obligations only after the end of the month. Trade receivables do not contain known increased collection risks.
The fixed assets have increased mainly due to the investment in a new production line at our mounting plant in Poperinge. This line will replace two obsolete production lines and increase efficiency.

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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.

Significant events in first half 2014

At the start of 2014 Connect Group obtained the ISO 13485 medical certificate for its facility in Poperinge, Belgium. This quality standard is intended for suppliers of medical equipment and devices wishing to demonstrate compliance with legislative and customer requirements. The ISO 13485 certification opens up for Connect Group the technologically demanding market of medical equipment and confirms the quality of this production unit, which previously also earned various quality labels.

At the start of 2014 Connect Group was validated as a supplier by Deutsche Bahn and RATP (Régie Autonome des Transports Parisiens). Deutsche Bahn validated Connect Group to supply and maintain auxiliary converters and different electrical modules, while Connect Group was approved to supply HVAC (heating, ventilation, air conditioning) modules for the RATP’s new double-decker trains. Validation by these two operators enables Connect Group to enter serial production of a number of strategic products in the Railway market and reinforces its references in the railway market.

In May 2014 Connect Group announced it had renewed the frame agreement, started in 2010, with Faiveley Transport, an important international manufacturer and supplier of railway equipment. As well as electronics, Connect Group also supplies cable assemblies and services to Faiveley Transport.

In June 2014 Connect Group announced it had concluded a framework agreement with Nedap in Groenlo. Under this agreement, both parties agreed to continue their cooperation which started in 2011. During this period, the range of assignments undertaken by Connect Group has gradually grown, both in volume and in type of products. Alongside electronics, Connect Group also supplies cable assemblies and services to Nedap.

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Connect Group: Half year results 2014

These condensed interim consolidated financial statements together with the notes for the half year ending 30 June 2014 are not audited.

Condensed consolidated income statement on 30 June 2014 and 30 June 2013

(in 000 Eur)	H1 2014	%	H1 2013	%
Sales	**64,806**	**100.0**	**63,048**	**100.0**
Cost of sales	-57,230	-88.3	-55,808	-88.5
Gross profit	7,576	11.7	7,240	11.5
Research and development expenses	-651	-1.0	-638	-1.0
General and administrative expenses	-3,311	-5.1	-3,218	-5.1
Selling expenses	-3,435	-5.3	-3,335	-5.3
Other operating income	354	0.5	152	0.2
Other operating expenses	-16	0.0	-71	-0.1
Operating result	**517**	**0.8**	**130**	**0.2**
Financial income	57	0.0	124	0.2
Financial charges	-559	-0.8	-415	-0.7
Profit / (loss) before taxes	15	0.0	-161	-0.3
Income taxes	-2	0.0	-	-
Net profit / (loss)	**13**	**0.0**	**-161**	**-0.3**
Attributable to				
Equity holders of the parent	13	0.0	-161	-0.3
Minority interest			-	-
Earnings per share				
Basic earnings / (loss) per share	0.0		-0.01	
Diluted earnings / (loss) per share	0.0		-0.01	

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Condensed consolidated statement of comprehensive income

(in ooo Eur)	H1 2014	H1 2013
Profit / (loss)	**13**	**-161**
Total comprehensive income	**13**	**-161**
Total comprehensive income attributable to:		
Equity holders of the parent	13	-161
Minority interest	-	-

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Condensed consolidated balance sheet at 30 June 2014 and 31 December 2013

(in 000 Eur)	30 June 2014	31 December 2013
Assets		
Current assets:		
Cash and cash equivalents	304	263
Trade receivables	22,478	18,577
Other receivables	934	865
Inventories	33,948	32,964
Other current assets	2	1
Other current assets	**57,666**	**52,670**
Non-current:		
Other receivables	800	800
Deferred tax assets	1,500	1,500
Property, plant and equipment	10,392	9,429
Intangible assets	525	595
Goodwill	4,549	4,549
Total non-current assets	**17,766**	**16,873**
TOTAL ASSETS	**75,432**	**69,543**
Liabilities and equity		
Current liabilities:		
Bank loans and overdrafts	18,142	13,101
Current portion of long-term debt	2,444	2,245
Trade payables	18,674	18,662
Accrued expenses, payroll and related taxes and deferred income	6,719	5,840
Provisions	170	304
Other current liabilities	670	522
Total current liabilities	**46,819**	**40,674**
Non-current liabilities:		
Long-term debt less current portion	2,306	2,575
Total non-current liabilities	**2,306**	**2,575**
Equity attributable to equity holders of the parent	**26,307**	**26,294**
TOTAL LIABILITIES AND EQUITY	**75,432**	**69,543**

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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
31/12/2012	10,290,024	638	43	42,091	-16,627	68	26,213
Net result of the year					-161		-161
Other comprehensive income						0	0
30/06/2013	10,290,024	638	43	42,091	-16,788	68	26,052

(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
31/12/2013	10,290,024	638	43	42,091	-16,545	67	26,294
Net result of the year					13		13
Other comprehensive income						0	0
30/06/2014	10,290,024	638	43	42,091	-16,532	67	26,307

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CONNECT GROUP
INTEGRATED SUBCONTRACTORS

Condensed consolidated cash flow statement for the period from 1 January 2014 to 30 June 2014 and 1 January 2013 to 30 June 2013

(in 000 Eur)	H1 2014	H1 2013
Operating profit / (loss)	**517**	**130**
Adjustments for:		
Allowance for doubtful receivables and obsolete stock	-	106
Depreciation and amortization	1,464	1,512
Provisions	-133	-9
Cash flow before changes in working capital	**1,848**	**1,739**
Inventories	-984	-191
Trade receivables	-3,901	-5,430
Trade payables	13	2,881
Accrued expenses, payroll and related taxes and deferred income	878	-884
Other current assets	-69	-120
Other payables	147	-638
Cash flow from operating activities	**-2,068**	**-2,643**
Income taxes	-2	-
Exchange differences	-90	16
Interest / Financial charges	-426	-341
Other	-	-2
Net cash from/(used in) operating activities	**-2,586**	**-2,970**
Cash flow from investing activities		
Investments in intangible assets	-161	-186
Purchases of property, plant and equipment	-2,197	-1,195
Cash flows resulting from acquisition Halin	-	-
Interests received	14	35
Cash flows from (used in) investing activities	**-2,344**	**-1,346**
Cash flows from financing activities		
Proceeds/(repayments) from long-term debts	-269	-1,634
Proceeds/(repayments) from current portion of long-term debt	199	-87
Proceeds/(repayments) from bank loans and overdrafts	5,041	5,145
Net cash provided by financing activities	**4,971**	**3,424**
Increase/(decrease) in cash and cash equivalents	**41**	**-892**
Cash and cash equivalents at the beginning of the period	263	1,089
Cash and cash equivalents at the end of the period	304	197

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Notes to the condensed interim financial statements

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, ASML, Atlas Copco, Atos, Barco and Philips. The company currently employs around 1,600 people in various facilities in Europe. The company's shares are traded on NYSE Euronext Brussels: CONN (www.euronext.com).

Update financial calendar

Interim Statement Q3 2014	13 November 2014
Announcement annual results 2014	12 February 2015

Investor Relations

Luc Switten	CEO
Hugo Ciroux	CFO

Connect Group
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www.connectgroup.com
ir@connectgroup.com

Conformity declaration

These condensed interim consolidated financial statements together with the notes for the half year ending 30 June 2014 have not been audited.

The condensed interim consolidated financial statements for the six months ended 30 June 2014 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 2013, as published in the 2013 Annual Report to Shareholders.

These condensed interim consolidated financial statements were approved for publication by the Board of Directors on 26 August 2014.

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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, 2013 the following new Standards and Interpretations now apply. Their adoption had no effect on the Group's financial position and its results:

- IFRS 10 *Consolidated Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 11 *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 12 *Disclosures of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2014)
- IAS 27 *Separate Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 39 *Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual periods beginning on or after 1 January 2014)

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 2013.

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.

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Segment reporting

The group consists solely of the contract manufacturing activity, with no further segmentation.

Related party transactions

There are no significant related party transactions.

Significant events after the balance sheet date

No significant events have occurred after the balance sheet date.

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.

Luc Switten, CEO
Hugo Ciroux, CFO