Connect Group NV
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PRESS RELEASE

Regulated information

10 November 2010 – Embargo until 6 pm

Interim statement: 3rd quarter 2010

Turnover of EUR 33.7 million in Q3 2010 from the continuing contract manufacturing operations, against EUR 27.5 million in Q3 2009, an increase of 18 %

Operating profit of EUR 0.5 million, against an operating loss of EUR 1.15 million in Q3 2009.

Net profit from continuing operations of EUR 150,000, compared with a loss of EUR 1,184,000 over the same period in 2009.

Availability of components remains critical. Through the measures taken in the past months the group has managed to significantly reduce the impact on Q3 sales and results.

The orderbook continues to rise, reaching EUR 71 million at the end of Q3 (against EUR 66 million at the end of Q2)

Connect Group NV (Euronext Brussels: CONN) posts turnover from the continuing contract manufacturing operations of EUR 33.7 million for Q3 2010 and an operating profit of EUR 0.5 million from continuing operations. This compares with turnover of EUR 27.5 million and an operating loss of EUR 1.15 million in the same period in 2009.
Following the weak first half of 2010 mainly due to shortages on the components market (delayed sales) and the associated inefficiencies in production (excessive production costs), results are now back to positive.
Although the problem of global shortages of components is not solved, the measures taken by the company and its customers in recent months have taken Q3 turnover back to a normally to be expected level.

The orderbook at the end of Q3 2010 rose to EUR 71 million, against EUR 66 million at the end of the previous quarter, representing an increase of 7%.

As a result of the high orderbook and the problem of component shortages in the market, inventories rose further to EUR 35.7 million.
The group has a net outstanding receivable of EUR 2.8 million against a customer currently unable to pay. In recent months, a number of agreements have been reached with this customer. These include immediate payment for new product deliveries and prepayment of all materials prior to the start of production. These agreements are currently being respected. Negotiations have started on a concrete repayment plan for the outstanding receivable from the past. Should the customer cease respecting these agreements or if no agreement is reached on a repayment plan, the group will be required to record a provision on this receivable. The Board has asked Management for an evaluation of the overall risk on this customer by the end of the financial year.

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As part of the optimization of its financing, the group has decided to make use of factoring of accounts receivable. Factoring is used solely as a financing instrument, with all operational activities (customer service, administration) fully carried out by the Connect Group. This financing method enables the group to dynamically adjust its credit lines to expected needs.
In consultation with the group's bankers, EUR 14 million of credit lines have been replaced by financing via the factoring company. The potential financial leeway achieved through the transfer of the receivables to the factoring company amounts to EUR 16 million at the end of the quarter, creating additional financial resources for the group.

Long-term debt includes a EUR 5 million subordinated convertible loan. This EUR 5 million convertible subordinated loan can be viewed as quasi-equity, bringing total quasi-equity to EUR 18.941 million.

As a result of these changes, the group has gone through all contractual agreements with its bankers. Based on all currently known data, the bankers have clearly stated that they see no need for further modifications to the financing structure.
Taking into account the factoring agreement entered into and the agreements with the banks, the group believes that its medium-term financing needs are covered.

Declaration by those responsible for the compilation of the interim statement

This interim statement has been compiled under the responsibility of the management of Connect Group. The figures in this statement have not been audited. The information contained in this interim statement does not include all information required under IFRS 34.

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Condensed consolidated income statement on 30 September 2010 and 30 September 2009

(in 000 Eur)	**Q3 2010**		**Q3 2009 Revised ***		**1-9 2010**		**1-9 2009 Revised ***	
Continuing operations								
Sales	**33,703**	100.0	27,522	100.0	**96,525**	100.0	90,753	100.0
Cost of sales	**-30,062**	-89.2	-25,440	-92.4	**-86,779**	-89.9	-81,099	-89.4
Gross profit	**3,641**	10.8	2,082	7.6	**9,746**	10.1	9,654	10.6
Research and development expenses	**-304**	-0.9	-291	-1.1	**-956**	-1.0	-933	-1.0
General and administrative expenses	**-1,543**	-4.6	-1,480	-5.4	**-4,679**	-4.8	-4,735	-5.2
Selling expenses	**-1,573**	-4.7	-1,483	-5.4	**-4,943**	-5.1	-4,971	-5.5
Other income	**370**	1.1	26	0.1	**377**	0.4	92	0.1
Other expenses	**-36**	-0.1	-6	0.0	**-53**	-0.1	-18	0.0
Profit / (loss) from operations	**555**	1.6	-1,152	-4.2	**-508**	-0.5	-911	-1.0
Financial income	**18**	0.1	303	1.1	**34**	0.0	687	0.7
Financial charges	**-417**	-1.3	-340	-1.2	**-2,042**	-2.1	-1,762	-1.9
Profit / (loss) before taxes	**156**	0.4	-1,189	-4.3	**-2,516**	-2.6	-1,986	-2.2
Income taxes	**-6**	0.0	5	0.0	**-19**	0.0	-10	0.0
Profit / (loss) from continuing operations	**150**	0.4	-1,184	-4.3	**-2,535**	-2.6	-1,996	-2.2
Discontinued operations								
Profit / (loss) from discontinued operations	**0**		-1,818		**1,096**		-4,730	
Profit / (loss)	**150**		-3,002		**-1,439**		-6,726	

(*) The results have been revised for comparative purposes to take account of the discontinued automation activity.

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Condensed balance sheet on 30 September 2010 and 31 December 2009

(in 000 Eur)	**30 September 2010**	**31 December 2009**
Assets		
Current assets:		
Cash and cash equivalents	1,573	128
Trade receivables	27,592	20,195
Other receivables	483	376
Inventories	35,707	29,540
Other current assets	153	191
Assets classified as held for sale	-	26,919
Total current assets	**65,508**	**77,349**
Non-current assets:		
Other receivables	1,500	-
Deferred taxes - assets	1,500	1,500
Property, plant and equipment	11,746	16,039
Intangible assets	2,296	816
Goodwill	4,649	4,649
Total non-current assets	**21,691**	**23,004**
TOTAL ASSETS	**87,199**	**100,353**
Liabilities and equity		
Current liabilities:		
Bank loans and overdrafts	19,927	25,024
Current portion of long-term debt	1,856	1,109
Trade payables	26,458	22,323
Accrued taxes, payroll and related taxes and deferred income	7,838	6,155
Provisions	327	638
Liabilities directly associated with assets classified as held for sale	-	27,036
Total current liabilities	**56,406**	**82,285**
Non-current liabilities:		
Bank debt maturing after one year	11,852	2,379
Subordinated convertible bond	5,000	-
Total non-current liabilities	**16,852**	**2,379**
Equity attributable to equityholders of the parent	**13,941**	**15,689**
TOTAL LIABILITIES AND EQUITY	**87,199**	**100,353**

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CONNECT GROUP
INTEGRATED SUBCONTRACTORS

Condensed cash flow from 1 January 2010 to 30 September 2010 and from 1 January 2009 to 30 September 2009

(in 000 Eur)	1-9 2010	1-9 2009
Profit/(loss) from operations	**-508**	**-911**
Adjustments for:		
Allowance for doubtful receivables and obsolete stock	-155	200
Depreciation and amortization	3.044	3.053
Provisions	-311	-148
Cash flow before changes in working capital	**2.070**	**2.194**
Cash flow from changes in working capital	**-7.447**	**7.686**
Cash flow from operating activities	**-5.377**	**9.880**
Taxes	-18	-10
Exchange differences	-598	265
Interests / financial charges	-1.444	-1.363
Other	-310	126
Net cash from (used in) operating activities continued operations	**-7.747**	**8.898**
Cash flows from (used in) investing activities continued operations	**-528**	**-3.846**
Cash flows from (used in) continued operations	**-8.276**	**5.052**
Cash flows related to operations of discontinued operations	**-404**	**-2.854**
Cash flows from financing activities	**10.124**	**-2.479**
Increase / (decrease) in cash and cash equivalents	**1.444**	**-282**

The cash flow statement as of 30.09.2009 has been restated to reflect the reclassification of the automation business as a discontinued operation.

Information about Connect Group

Connect Group offers cost-effective, high quality production services to the professional industry. Activities include the production of cables and cable trees, PCB assembly and testing, production of semi-manufactures and final product assembly.
Connect Group's references include companies such as Alstom, ASML, Atlas Copco, Atos, Barco and Philips.
Today the company employs around 1,700 people in various facilities in Europe. The company's shares are traded on NYSE Euronext Brussels: CONN (www.euronext.com).

Updated financial calendar

Announcement annual results 2010:	17 February 2011
Announcement 1st quarter results 2011:	12 May 2011
Announcement half-year results 2011:	11 August 2011
Announcement 3rd quarter results 2011:	10 November 2011

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