Connect Group NV
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PRESS RELEASE
Regulated information

8 August 2013 – Embargo till 6pm

Financial Report for the 1st half of 2013

Sales improve in the first half of 2013 to EUR 63.0 million from EUR 61.2 million in the second half of 2012 (EUR 79.9 million in H1 2012).

Strong improvement in the operating result to give a profit of kEUR 130 in the first half of 2013 versus an operating loss of EUR 1.3 million in the second half of 2012 (EUR 2.7 million profit in H1 2012).

Following the sharp drop in sales and the operating loss in the 2nd half of 2012, reflecting the general economic crisis, Connect Group succeeded in slightly increasing sales (+ 3%) and in turning the operating loss (EUR 1.3 million) into a small operating profit of kEUR 130 (including kEUR 450 of reorganization costs).

Order book of EUR 83.2 million at the end of the first half (EUR 77.0 million at end-2012).

Connect Group NV (Euronext Brussels: CONN) announces sales of EUR 63.0 million for the first half of 2013. Sales for the equivalent period in 2012 were EUR 79.9 million. The decline in sales in H1 2013 compared with H1 2012 is due to the general market slowdown and economic uncertainty, with Connect Group as a subcontractor in the electronics industry facing fluctuating order intake since the second half of 2012. For the 1st half, gross margin decreased from 13.3 percent in 2012 to 11.5 percent in 2013, due mainly to changes in product mix and lower capacity usage. Selling and administrative expenses decreased by 10 percent thanks to efforts to bring overheads in line with reduced turnover.

Operating profit reduced from EUR 2.7 million for the comparable 6-month period in 2012 to kEUR 130 positive. kEUR 450 of reorganization costs were recorded during the first half year. Without these the operating result would have been kEUR 580.

Net financial expenses decreased from kEUR 874 to kEUR 291. The finance costs decreased significantly by KEUR 349 as a result of the Group's reduced debt position and improved interest rates. Foreign exchange gains of kEUR 15 in H1 2013 compare with losses of kEUR 218 in the comparable period in 2012.

Compared with H2 2012, sales evolved positively. After the strong fall in the third quarter of 2012 and bottoming in the fourth quarter, sales increased in both the first and second quarters of 2013. More significantly, on comparable sales, the H2 2012 operating loss of EUR 1.3 million was turned round into a small operating profit of kEUR 130. In late 2012 and in the H1 2013 the company did everything possible to be once again operationally profitable at the current sales level.

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The order book progressed positively, ending H1 2013 at EUR 83.2 million, up from EUR 77.0 million at the end of 2012. A number of new and important client contracts were concluded during the first half of 2013, which can be expected to positively contribute to sales and results from 2014.

For the second half of 2013, Connect Group expects a slight increase in sales and improved results thanks to new clients and the effect of cost savings. The general tenor of the electronics market continues reticent. This market uncertainty continues to weigh on the outlook.

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. The group complied with its bank covenants at the end of 2012 and is discussing with its bankers its covenants to be complied with in 2013.
- Customer insolvency can have a major impact on the results.
- Risk of order postponements, leading to a temporary under-coverage of costs incurred.

No significant events have occurred after the balance sheet date.

Significant events in first half 2013

No significant events occurred in the first half of 2013.

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Connect Group: Half year results 2013

These condensed interim consolidated financial statements together with the notes for the half year ending 30 June 2013 are not audited.

Condensed consolidated income statement on 30 June 2013 and 30 June 2012

(in 000 Eur)	H1 2013	%	H1 2012	%
Sales	**63,048**	**100.0**	**79,917**	**100.0**
Cost of sales	-55,808	-88.5	-69,299	-86.7
Gross profit	7,240	11.5	10,618	13.3
Research and development expenses	-638	-1.0	-702	-0.9
General and administrative expenses	-3,218	-5.1	-3,528	-4.4
Selling expenses	-3,335	-5.3	-3,700	-4.6
Other operating income	152	0.2	85	0.1
Other operating expenses	-71	-0.1	-27	-0.1
Operating result	**130**	**0.2**	**2,746**	**3.4**
Financial income	124	0.2	98	0.1
Financial charges	-415	-0.7	-972	-1.2
Profit / (loss) before taxes	-161	-0.3	1,872	2.3
Income taxes	-	-	-	-
Net profit / (loss)	**-161**	**-0.3**	**1,872**	**2.3**
Attributable to				
Equity holders of the parent	-161	-0.3	1,872	2.3
Minority interest	-	-	-	-
Earnings per share				
Basic earnings / (loss) per share	-0.01		0.18	
Diluted earnings / (loss) per share	-0.01		0.18	

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Condensed consolidated statement of comprehensive income

(in ooo Eur)	H1 2013	H1 2012
Profit / (loss)	**-161**	**1,872**
Total comprehensive income	**-161**	**1,851**
Total comprehensive income attributable to:		
Equity holders of the parent	-161	1,851
Minority interest	-	-

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Condensed consolidated balance sheet at 30 June 2013 and 31 December 2012

(in 000 Eur)	30 June 2013	31 December 2012
Assets		
Current assets:		
Cash and cash equivalents	197	1,089
Trade receivables	24,150	18,785
Other receivables	1,114	906
Inventories	33,677	33,525
Other current assets	12	100
Other current assets	**59,150**	**54,405**
Non-current:		
Other receivables	-	-
Deferred tax assets	1,500	1,500
Property, plant and equipment	9,836	9,868
Intangible assets	809	909
Goodwill	4,549	4,549
Total non-current assets	**16,694**	**16,826**
TOTAL ASSETS	**75,844**	**71,231**
Liabilities and equity		
Current liabilities:		
Bank loans and overdrafts	18,347	13,201
Current portion of long-term debt	2,177	2,264
Trade payables	19,091	16,210
Accrued expenses, payroll and related taxes and deferred income	5,750	6,634
Provisions	318	327
Other current liabilities	266	904
Total current liabilities	**45,949**	**39,540**
Non-current liabilities:		
Long-term debt less current portion	3,843	5,478
Total non-current liabilities	**3,843**	**5,478**
Equity attributable to equity holders of the parent	**26,052**	**26,213**
TOTAL LIABILITIES AND EQUITY	**75,844**	**71,231**

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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
31/12/2011	**10,290,024**	**638**	**43**	**42,091**	**-19,661**	**88**	**23,199**
Net result of the year					1,872		1,872
Other comprehensive income						-21	-21
30/06/2012	**10,290,024**	**638**	**43**	**42,091**	**-17,789**	**67**	**25,050**

(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**

CONNECT GROUP
INTEGRATED SUBCONTRACTORS

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Condensed consolidated cash flow statement for the period from 1 January 2013 to 30 June 2013 and 1 January 2012 to 30 June 2012

(in 000 Eur)	H1 2013	H1 2012
Operating profit / (loss)	**131**	**2,746**
Adjustments for:		
Allowance for doubtful receivables and obsolete stock	105	-46
Depreciation and amortization	1,512	1,905
Provisions	-9	-17
Cash flow before changes in working capital	**1,739**	**4,588**
Inventories	-191	-467
Trade receivables	-5,430	-4,373
Trade payables	2,881	1,570
Accrued expenses, payroll and related taxes and deferred income	-884	399
Other current assets	-120	-216
Other payables	-638	94
Cash flow from operating activities	**-2,643**	**1,595**
Income taxes	-	-
Exchange differences	16	-218
Interest / Financial charges	-341	-684
Other	-2	-21
Net cash from/(used in) operating activities	**-2,970**	**672**
Cash flow from investing activities		
Investments in intangible assets	-186	-15
Purchases of property, plant and equipment	-1,195	-1,209
Cash flows resulting from acquisition Halin	-	-373
Interests received	35	28
Cash flows from (used in) investing activities	**-1,346**	**-1,569**
Cash flows from financing activities		
Proceeds/(repayments) from long-term debts	-1,634	-731
Proceeds/(repayments) from current portion of long-term debt	-87	-235
Proceeds/(repayments) from bank loans and overdrafts	5,145	1,537
Net cash provided by financing activities	**3,424**	**571**
Increase/(decrease) in cash and cash equivalents	**-892**	**-326**
Cash and cash equivalents at the beginning of the period	1,089	743
Cash and cash equivalents at the end of the period	197	417

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Notes to the condensed interim financial statements

Information about the company

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 like 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 2013	7 November 2013
Announcement annual results 2013	13 February 2014

Investor Relations

Luc Switten	CEO
Hugo Ciroux	CFO

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Conformity declaration

These condensed interim consolidated financial statements together with the notes for the half year ending 30 June 2013 have not been audited.

The condensed interim consolidated financial statements for the six months ended 30 June 2013 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 2012, as published in the 2012 Annual Report to Shareholders.

These condensed interim consolidated financial statements were approved for publication by the Board of Directors on 5 August 2013.

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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, 2012 the following new Standards and Interpretations now apply. Their adoption had no effect on the Group's financial position and its results:

- IFRS 13 *Fair Value Measurement* (applicable for annual periods beginning on or after 1 January 2013)
- Improvements to IFRS (2009-2011) (normally applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 *First Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 *First Time Adoption of International Financial Reporting Standards – Government Loans* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* (applicable for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 19 *Employee Benefits* (applicable for annual periods beginning on or after 1 January 2013)
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (applicable for annual periods beginning on or after 1 January 2013)

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 2012.

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.

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.

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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