CONNECT GROUP

INTEGRATED SUBCONTRACTORS

Technology is a Service

Annual Report **2013**

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Investor relations

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Luc Switten, CEO, Connect Group NV
Hugo Ciroux, CFO, Connect Group NV

Business profile

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 NV has its operational headquarters in Kampenhout, Belgium. Connect Group has production facilities in Belgium, the Netherlands, Germany, the Czech Republic and Romania, and serves its customers from sales offices in Belgium, the Netherlands, Germany, the Czech Republic and Romania. The company was founded in 1992 and its shares have been traded on Euronext Brussels since 2000.

Connect Group in Europa

Connect Group provides total EMS (Electronic Manufacturing Services) solutions for the professional industry. Its activities divide into four main pillars – technology, module building, PCB assembly, cable assembly – with interaction between the pillars offering a unique range of possibilities.

Connect Group customers come from different professional markets, ranging from automotive, green energy to healthcare.

Added value

Connect Group accompanies customers through the entire product lifecycle, from the development and concept stage onwards to production to logistics support. Delivery of added value is central to this process. Our companies in the Western European countries serve as competence centers, closely linked to customers, both product-wise and geographically. Our production volume is mainly allocated to the Czech Republic and Romanian plants.

This geographical spread gives customers confidence in the proximity of Western European factories, giving support during the start-up phase in which engineering support and prototype development feature large, and the Eastern European factories at the production phase, offering advantageous pricing and sufficient capacity to guarantee continuity.

Keyfigures

ANNUAL RESULTS CONNECT GROUP FOR THE 12 MONTH PERIOD ENDING 31 DECEMBER (IN 000 EUR)

	2013	%	2012	%	2011	%
Sales	124,988	100.0	141,638	100	148,231	100
Cost of sales	(110,058)	(88.1)	(125,421)	(88.5)	(127,689)	(86.1)
Gross profit	14,930	11.9	16,217	11.5	20,542	13.9
Research and development, general and administrative, selling and other expenses	(14,259)	(11,4)	(14,759)	(10.4)	(15,512)	(10.5)
Operating result from continuing operations before goodwill impairment	671	0.5	1,458	1.1	5,030	3.4
Goodwill impairment	-	-	(1,633)	(1.2)	-	-
Operating profit/(loss) from continuing operations	671	0.5	(175)	(0.1)	5,030	3.4
Financial income / (charges)	(582)	(0.5)	(1,291)	-	(1,600)	(1.1)
Taxes	(8)	-	-	-	305	0.2
Profit / (loss) for the year from continuing operations	81	0.1	(1,466)	(1.0)	3,735	2.5
Profit / (loss) from discontinued operations	-	-	4,500	3.2	-	-
Profit / (loss) for the year	**81**	**0.1**	**3,034**	**2.1**	**3,735**	**2.5**
Atrributable to:						
Equity holders of the parent	81	0.1	3,034	2.1	3,735	2.5
Minority interest	-		-		-	
Earnings per share						
Basic earnings / (loss) per share continuing operations	0.01		(0.14)		0.41	
Basic earnings / (loss) per share from continuing plus discontinued operations	0.01		0.29		0.41	

BALANCE SHEET CONNECT GROUP AT 31 DECEMBER (IN 000 EUR)

	2013	2012	2011
Assets			
Current assets:			
Cash and cash equivalents	263	1,089	743
Trade receivables	18,577	18,785	25,710
Other receivables	865	906	737
Inventories	32,964	33,525	34,390
Other current assets	1	100	109
Total current assets	**52,670**	**54,405**	**61,689**
Non-current assets:			
Other receivables	800	-	2,000
Deferred tax assets	1,500	1,500	1,500
Property, plant and equipment	9,429	9,868	9,614
Intangible assets	595	909	1,528
Goodwill	4,549	4,549	4,649
Total non-current assets	**16,873**	**16,826**	**19,291**
Total assets	**69,543**	**71,231**	**80,980**

	2012	2011	2010
Liabilities and equity			
Non-current assets:			
Bank loans and overdrafts	13,101	13,201	22,958
Current portion of long-term debt	2,245	2,264	2,439
Trade payables	18,662	16,210	19,868
Accrued expenses, payroll and related taxes and deferred income	5,840	6,634	5,886
Provisions	304	327	185
Current income taxes payable	-	-	-
Other current liabilities	522	904	195
Total current liabilities	**40,674**	**39,540**	**51,531**
Non-current liabilities:			
Long-term debt less current portion	2,575	5,478	6,250
Total non-current liabilities	**2,575**	**5,478**	**6,250**
Equity attributable to equity holders of the parent	**26,294**	**26,213**	**23,199**
Total liabilities and equity	**69,543**	**71,231**	**80,980**

‘Customers have clearly expressed their confidence in us by entrusting us with major long-term projects’.

Message from the CEO, LUC SWITTEN

Under the motto ‘Technology is a Service’ (TiaS®), we decided a few years ago on a strategy change in our organization. This aimed to offer customers greater added value by supporting them in developing new products and by providing life cycle management for these products. This strategy change also led us to select certain market focus areas within which to actively promote the TiaS® programme. This TiaS® programme, that we presented in detail in the course of 2012 to our customers, has recorded a number of attractive successes in 2013, thereby demonstrating its value for the group.

One example is the cooperation with Nikinc Dental BV and GBO Design, that has led to an attractive hightech product for the dentistry sector. On behalf of Nikinc we developed, together with GBO Design, a piece of apparatus used by dentists in root canal treatments.

Connect Group was actively involved in the development and industrialization of the electronics, as well as prototyping, industrialization and setting up the supply chain for this product.

Another nice example is our cooperation with our customer Letec. Working together with a number of specialists including Connect Group, Letec has developed a device for treating burnouts and for other therapeutic applications, whereby a complex interaction of light and magnetism stimulates a chemical reaction in the body that influences the patient’s mood. The result is striking, and we are very pleased to have been able to make a substantial contribution to this revolutionary technology.

We observe that, with the social importance of health and aging, the medical sector has become a real growth market, with electronics playing an important role in research, diagnosis and therapy. In addition to our TiaS® efforts in this sector, we have secured ISO 13485 certification for our production facilities. This is the applicable norm for companies selling medical apparatus and accessories. Our production facilities in Veldhoven (Netherlands) and Kladno (Czech Republic) were already certified, and at the start of this year our Poperinge facility was also awarded the medical certificate. Right now there are also plans for ISO 13485 certification for our German production facility.

Alongside medical technology, we are also focusing increasingly on the railway market. Here too we have had successes. Customers like Alstom and Faiveley have expressed their confidence in us in no uncertain terms by entrusting us with major long-term projects.

At the end of 2013, Connect Group was also certified by Deutsche Bahn for delivery and maintenance of electricity transformers and other electrical modules. Supplier certification for the same products was also received from the French RATP (Régie Autonome des Transports Parisiens). We can speak of a real breakthrough here. Both Deutsche Bahn and RATP are highly demanding purchasers. Working with them strengthens our references in the railway market. This recognition gives us confidence that we have made the right choice in defining our focus markets.

Our new approach is clearly gaining the confidence of our customers. In addition in recent years Connect Group has made the necessary efforts to meet the market competition in all areas of management:

- Our cost structure has been tightened, making us more competitive in the long term.
- We have won various new customers, and at end-2013 the order book stood at more than EUR 84 million.
- In both Romania and in our Poperinge facility, totally new production lines have been installed, featuring the latest technologies.
- Our balance sheet has improved considerably, with inventories and receivables under control and financial debts reducing from EUR 20 million to under 18 million.
- More and more our customers are recognizing and acknowledging our competences in both production and development.

For this reason we look to the future of the Connect Group with confidence.

Of course, we cannot achieve all of this without the dedication and effort of our employees. We would like to express our gratitude to them for their daily contribution and commitment.
We would also like to thank our customers, board of directors and our shareholders for the support and guidance they offer us along the way.

Technology is a Service

Today, regulations, innovations and supply chain may influence the life cycle of our client's product.

This may impact their operations. Connect Group supports the customer in designing easy-to-produce devices and ensures that they remain easy to produce. This influences the relation between EMS and vendor and asks for increasingly integrated systems. Including added value considerations in product life cycle management requires specialized knowledge and skills.

With our focused certification and skills strategy, our customer empathy, the commitment of our employees and our ability to adapt to developments in the selected segments, we are ideally placed to provide our customers with technological advice and support. Technology is no longer something static, but is instead something subject to permanent and rapid change, often out of sync with the previously charted life cycle of products and solutions. Reconciling these circumstances to enable customers to always have the right technology to keep their products relevant and attractive in the market is a competence we have honed and cultivated over the years. We offer 'Technology as a Service'.

Connect Group supports their customers in the:

- **Creation phase**
- Designing the product
- Testing the product
- Making the product reliable

- **Industrialization phase**
- Cost down programs
- Appropriate testing
- Stabilizing the product

- **Maintaining phase**
- Life cycle management
- Change management
- Stretching the life cycle

Our mission

‘To continuously improve the success of our customers in the high-end markets throughout Europe by supplying the best Technology Services over the entire lifecyle of their products’.

Company values

- A customer-oriented organization
- State-of-the-art technology, used as a medium to support our customers search for the best solution
- Aiming for the best price through TiaS®- program, high productivity and centralized purchasing
- Aiming for results in every aspect beyond our customers’ expectations
- Delivering products and services contributing to a better, healthier and safer world

Sustainability

Connect Group is committed to act fairly and with integrity towards its stakeholders and is expected to comply with all applicable rules and regulations as to:

- Health & Safety
- Forced Labor - Child Labor
- Right to organize - Discrimination
- Environment
- Ethics

Market strategy

Focus on high-end markets

Customer approach through TiaS®- program
- Technology services
- Manufacturing services

Purchasing
- Strategic
- Project-oriented
- Procurement

Technology competence centres near the customer, throughout Western Europe

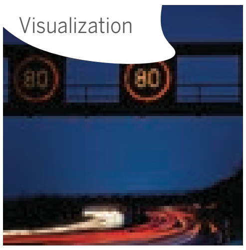
Production locations centralised in Eastern Europe

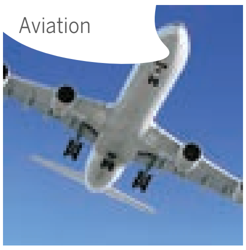
A focused market segmentation approach

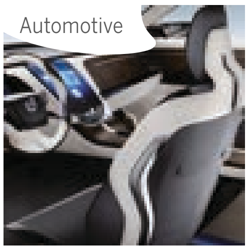

Healthcare


Railway

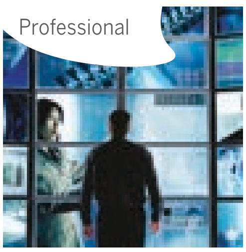

Energy

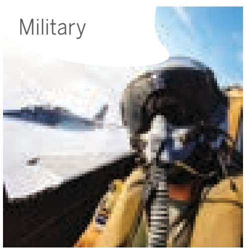

Visualization
80
80


Aviation


Automotive


Semicon


Professional


Military


Telecommunications

General market trends

Connect Group has the recognized experience and discerning expertise to address general trends and challenges affecting development of today's new technology. In addition to the trends illustrated in the figure, there are more specific changes directly impacting PCB design, production and functionality that will have a profound impact across all market segments:

- **Enhanced energy efficiency of devices and controls.** Improved power utilization drives this trend, from better usage management that lowers costs to reduced consumption that helps extend battery life. This trend also impacts the more efficient powering of technology that's increasingly reliant on touchscreen controls, visual displays, wireless operation or web connectivity to function.

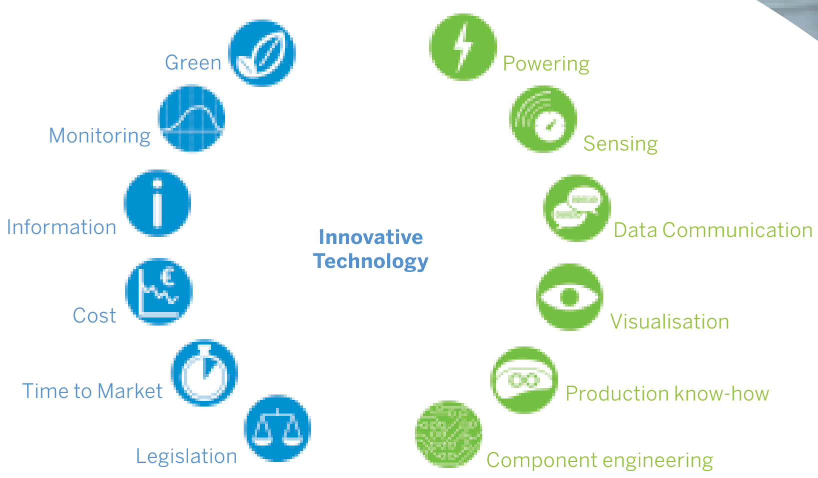
- **Increased use of electronic sensors.** Automatic sensing, monitoring and recording of a wide range of performance parameters will dramatically expand across nearly all market segments. In many cases, this is driven by new government regulations for more detailed recordkeeping. Innovative PCBs and components will be needed to accommodate these requirements.

- **Growth of "big data". As greater data quantities are generated,** a better means to automatically store, display and easily retrieve information will be needed. Electronic components will facilitate this demand, as well as support the growing volume of data moving to Cloud-based storage that address cost and green-energy mandates resulting from the need to reduce power consumption.

- **Greater importance of devices to users.** People now work differently, preferring to access information from a wide range of consumer IT and electronic devices versus traditional paper files, spread sheets or other hardcopy sources. Improved circuitry to support quick, secure digital accessibility will facilitate lower storage costs, greater retrieval speed, productivity and accuracy as well as better customer service.

Finally, a new generation is entering the workplace that champions the benefits of "easy, mobile and social" technology thanks to the consumer device revolution. Many business leaders are just beginning to understand that new electronic equipment is smaller yet more robust, and can be wielded more rapidly and efficiently than the legacy hardware and business systems they'll soon replace.

Our goal is to minimize costly or embarrassing missteps that may disrupt a customer's industry, organization, marketing or communications when designing or implementing these advances within a product line. Connect Group is superbly positioned to help successfully analyze, implement and optimize technology change.

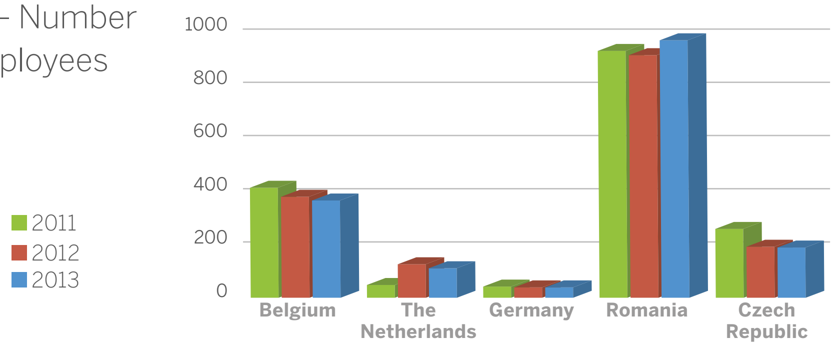


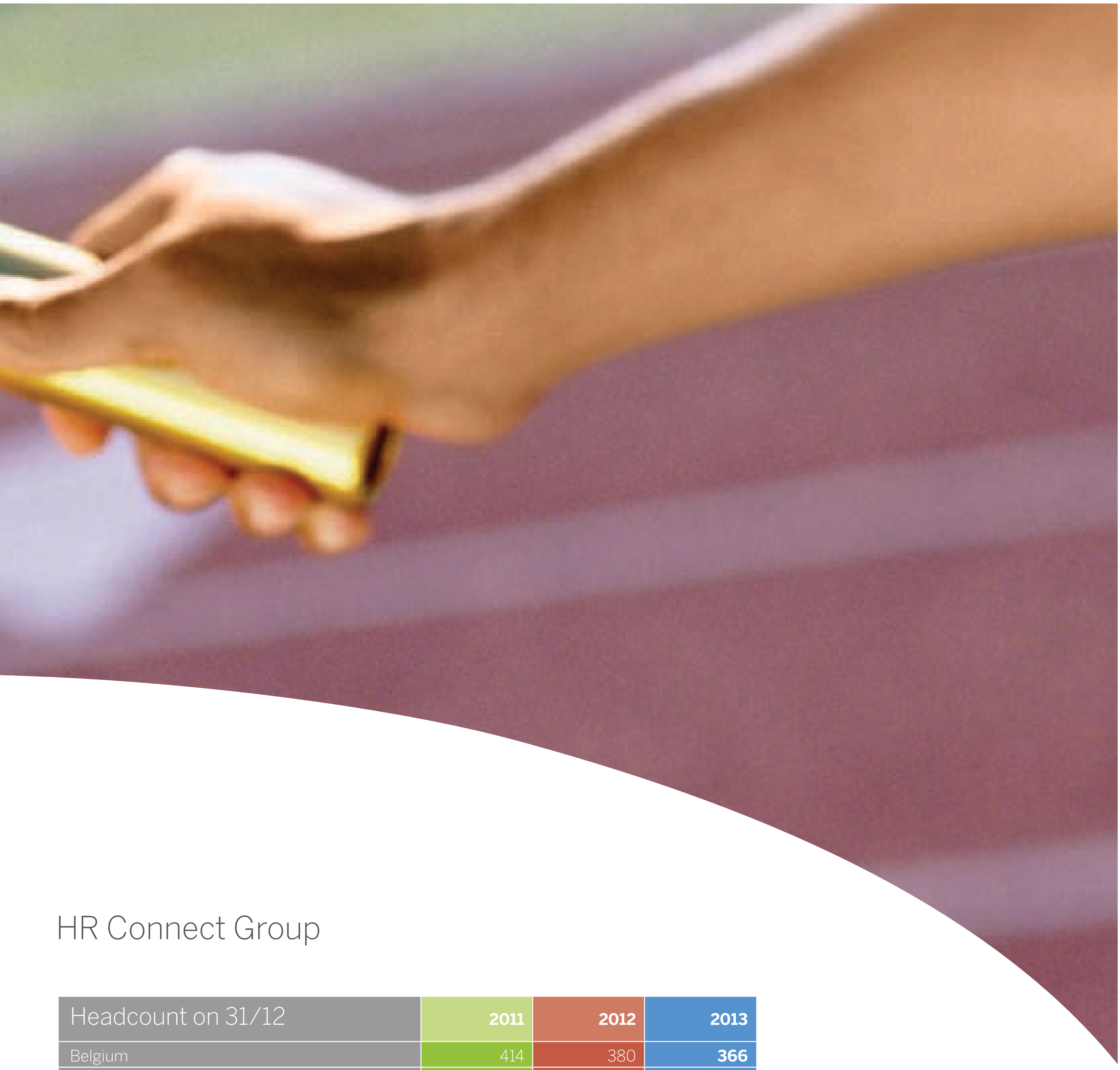
People in partnership

As an EMS (Electronic Manufacturing Services) provider Connect Group is totally dependent on the quality and the performance of its employees.

From buying to selling; whether production, test engineering or administration – each individual is indispensable for implementing our customers' projects.

Staff – Number of Employees





HR Connect Group

Headcount on 31/12	2011	2012	2013
Belgium	414	380	**366**
The Netherlands	48	126	**111**
Germany	42	39	**39**
Romania	929	913	**969**
Czech Republic	259	192	**189**
Total	**1692**	**1650**	**1674**

Technology

Connect Group offers its customers added value with industrialization and engineering services, plus advice on materials and component selection and layout for the assembly of cables, printed circuit boards and modules.

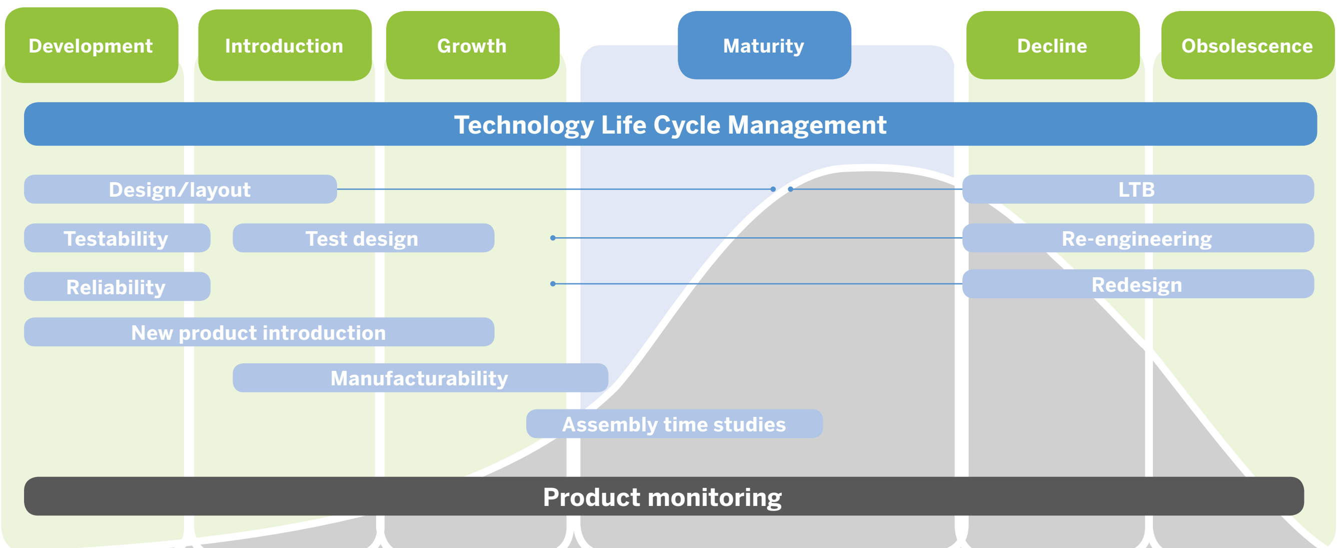
With the extensive expertise our engineers have developed over the past twenty years, Connect Group is fully qualified to offer its customers the specific technical support they are looking for. The sooner we are involved in the development of your project, the higher the added value of our engineering team will be.

With our broad knowledge of technical and manufacturing possibilities, we can accompany your product development process from the concept stage onwards, to give optimal production, price and quality.

Connect Group's engineering activities function here as an extension of its customers' own design teams, with open communication, sharing of knowledge and proactive search for solutions to support our customers' success.

In whatever product group or market your company operates, Connect Group engineers can provide development, industrialization and production support. Very fast prototyping, drawing and specifications writing allows us to move quickly into (volume) production and considerably narrow lead times from drawing board to market.

Human design



Module building

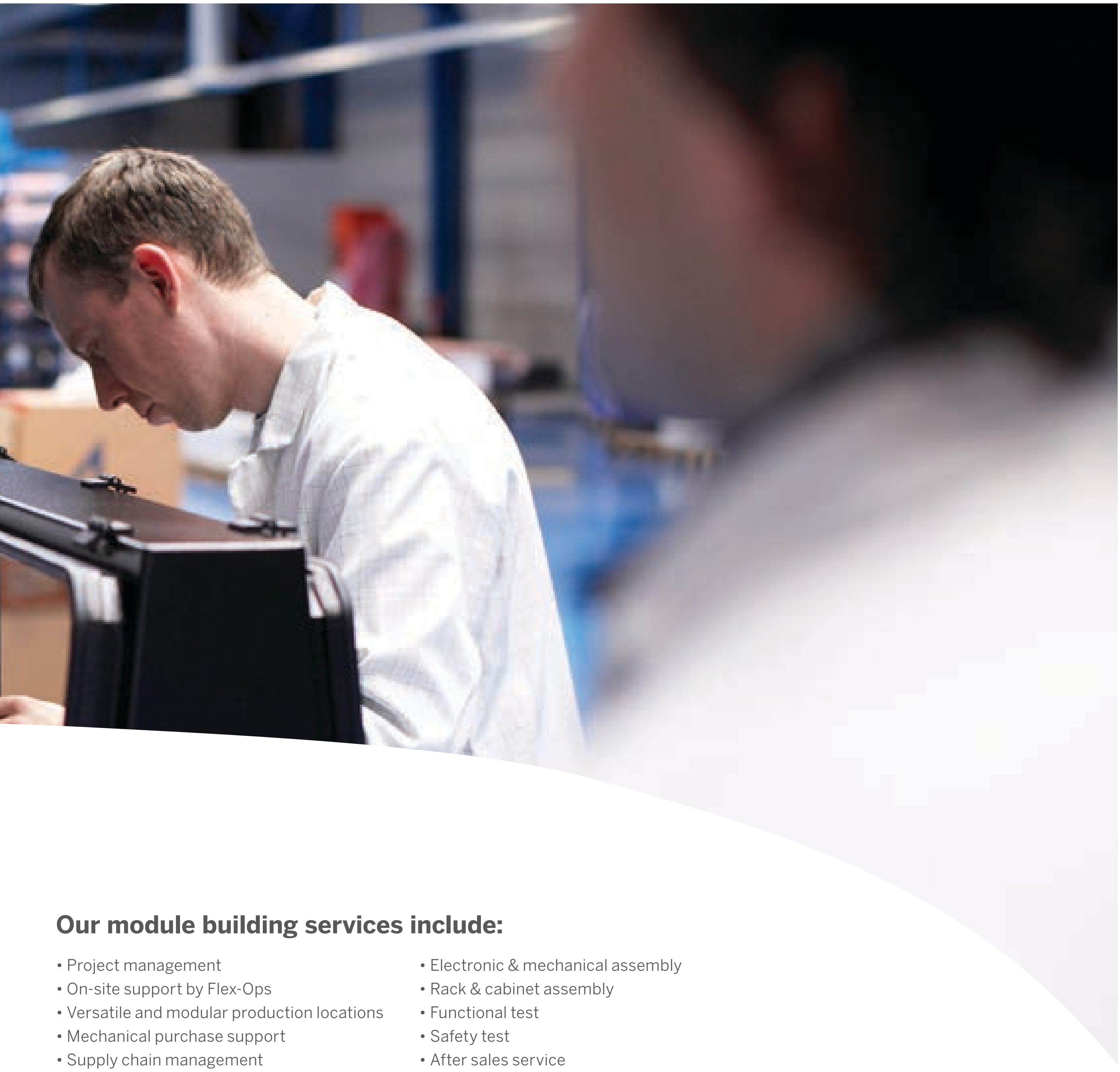
The module building activity pools the best of Connect Group's cabling, electronic and mechanical expertise to offer customers production possibilities ranging from sub-assemblies to fully-tested finished products.

For complex modules, fully wired racks and cabinets, Connect Group has versatile, modular production facilities that handle customer projects right through from co-development to after sales service.

Our flexible structure enables us to handle very varying requirements and respond rapidly to volume and product changes. Kanban, safety stock and many other logistical concepts can also be introduced to ensure product continuity.

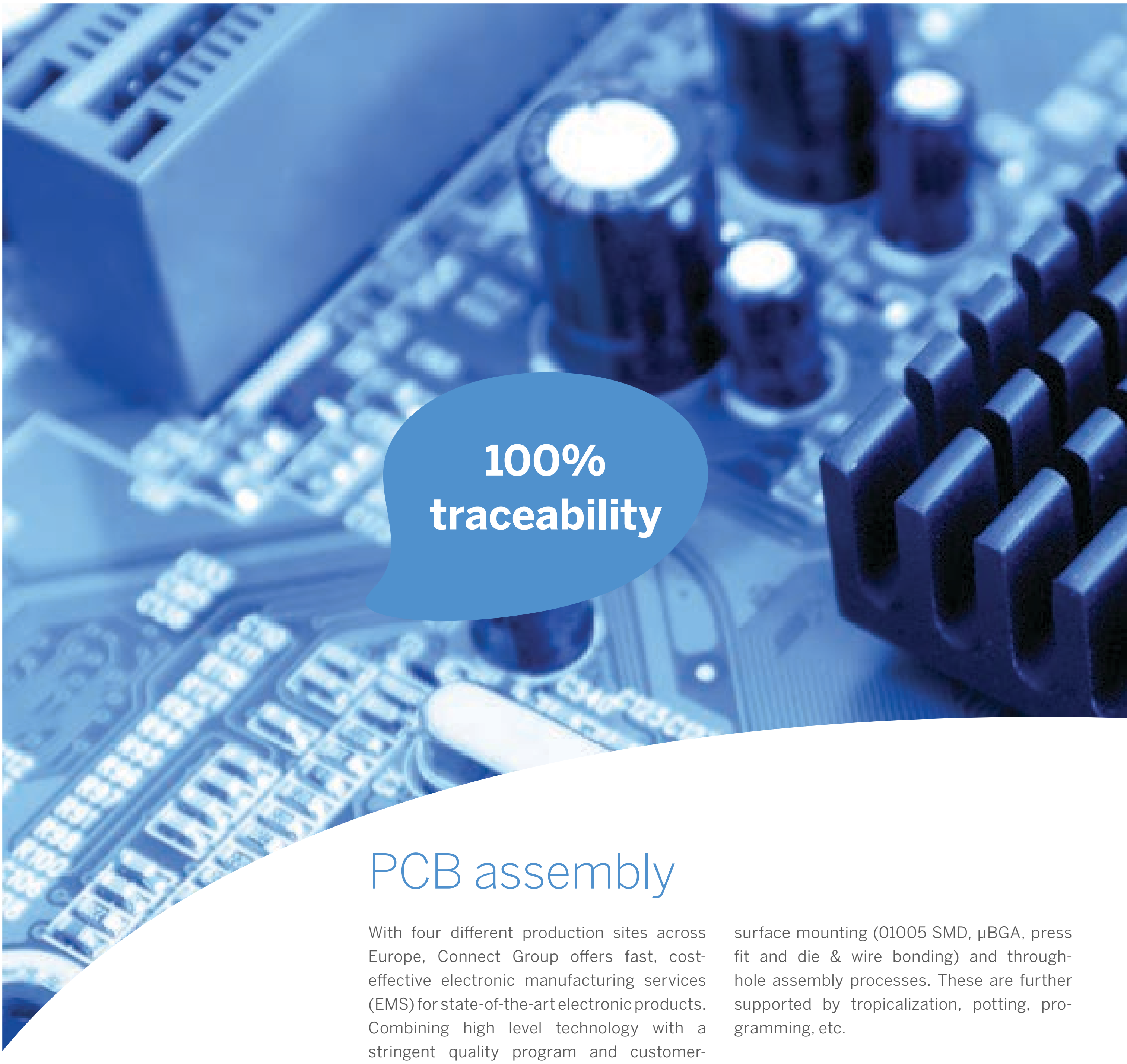
Flex-Ops

The Flex-Ops team takes care of all customer-oriented end-to-end services that are under-taken on a project basis. Flex-Ops stands for proactive cooperation between Connect Group and the customer, to whom we offer our full range of competences in cabling, printed circuit boards and module assembly, both at our own production facilities and on-site.



Our module building services include:

- Project management
- On-site support by Flex-Ops
- Versatile and modular production locations
- Mechanical purchase support
- Supply chain management
- Technical product documentation
- Electronic & mechanical assembly
- Rack & cabinet assembly
- Functional test
- Safety test
- After sales service



PCB assembly

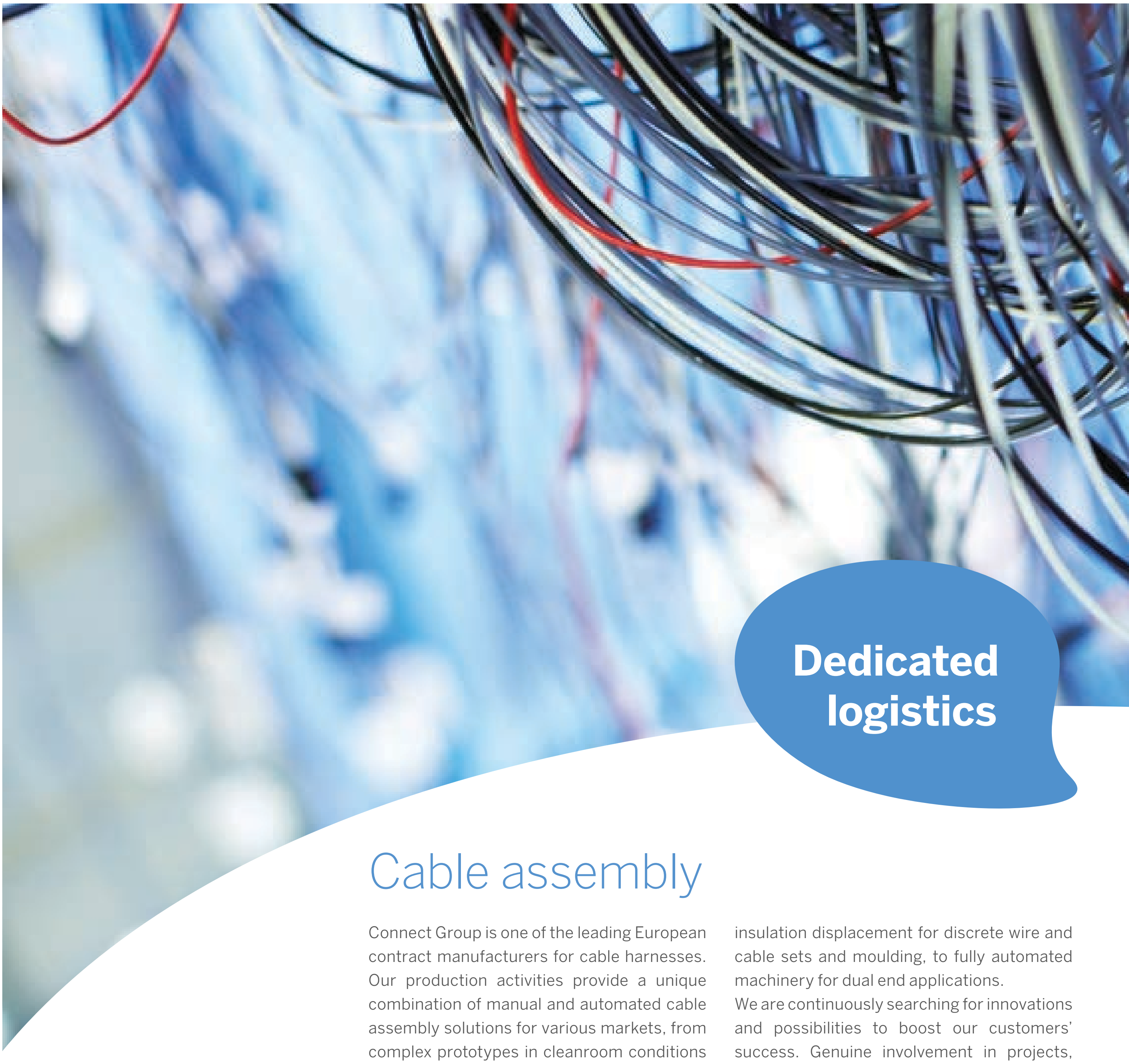
With four different production sites across Europe, Connect Group offers fast, cost-effective electronic manufacturing services (EMS) for state-of-the-art electronic products. Combining high level technology with a stringent quality program and customer-specific logistics, our factories offer innovative solutions tailored to individual requirements. Our unique combination of Eastern and Western European manufacturing sites ensures a high level of customer support and allows us to offer competitively priced PCB mounting from proto runs via our industrialization process into mid and large volume production.

Our clients can count on us for full lifecycle electronic manufacturing services, including technology, purchasing, industrialization process, manufacturing, testing and after sales service. Our production facilities offer an extensive technology mix, including PCB surface mounting (01005 SMD, µBGA, press fit and die & wire bonding) and through-hole assembly processes. These are further supported by tropicalization, potting, programming, etc.

For testing, Connect Group again stands at the top of the supply chain. Besides standard tests (AOI, flying probe, in-circuit testing, final testing including boundary scan test, stress testing, etc.), our test engineering services offer design services and support for developing fixtures and product-specific test systems, allowing complex functional tests to be carried out before integrating PCBs into larger systems.

Our PCB assembly services include:

- 100% traceability (at component level)
- IPC 610A Class II and III
- NPI-process
- Dedicated logistics
- SMD placement
- Manual and automated THT
- Die & wire bonding
- THT
- Selective soldering
- Press fit
- High precision coating
- Cleanroom ISO class 7
- Testing: AOI, ICT, functional test,
  boundary scan
  HASS and HALT



Dedicated logistics

Cable assembly

Connect Group is one of the leading European contract manufacturers for cable harnesses. Our production activities provide a unique combination of manual and automated cable assembly solutions for various markets, from complex prototypes in cleanroom conditions to large series production.

Our cabling services, using copper, coaxial and fibre technologies, provide a comprehensive answer to the interconnection needs of OEM's and equipment installers. Our qualified employees are fully conversant with all frequently occurring signal, power and coaxial cables, including the most complex structures.

Connect Group offers a wide range of production technologies, from manual wire wrap, soldering and crimping, to semi-automated processes like ultrasonic welding, insulation displacement for discrete wire and cable sets and moulding, to fully automated machinery for dual end applications.

We are continuously searching for innovations and possibilities to boost our customers' success. Genuine involvement in projects, customer-specific logistics concepts and volume flexibility thanks to our European network of production sites are just some of the ways we seek to offer optimal support to our customers.

Our cable assembly services include:

- Dedicated logistics
- Cutting
- Stripping
- Crimping
- Printing
- Resistor and ultrasonic welding
- Moulding and potting
- Braiding
- Cable harnesses
- High level of automation
- Cleanroom ISO class 8
- 100% test
- Flex-Ops

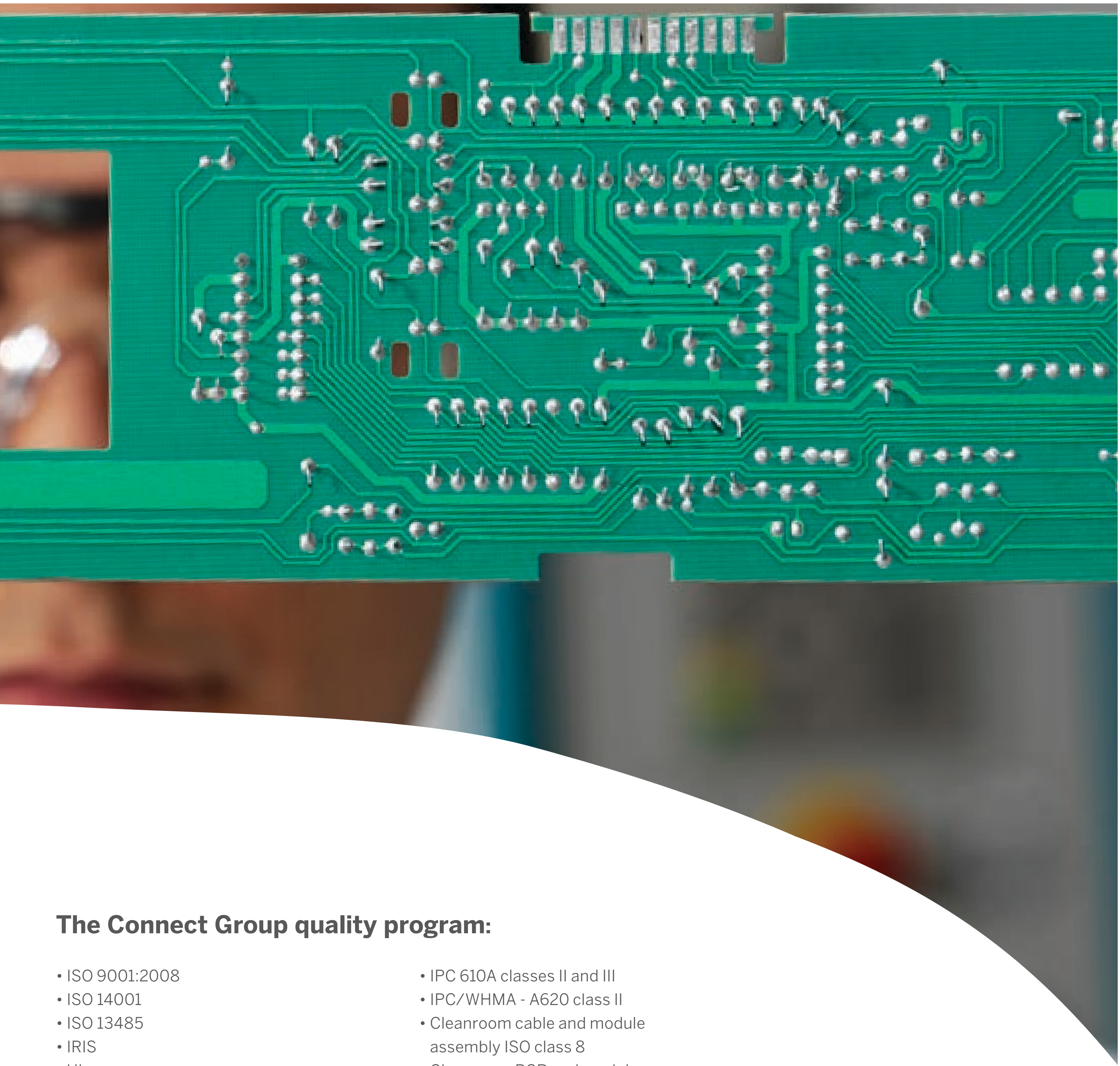
Quality

Our services are backed by a comprehensive quality program. We strive to deliver flawless products that exceed our customers' expectations. The latest test systems, strong relationships with our suppliers and professionalism based on more than twenty years experience are our guarantee.

Within Connect Group we make sure that every employee has the necessary tools and know-how to offer customers a first class job every day. An internal training program keeps employee skill levels high and permits continuous improvement.

Together with our customers we make a preliminary assessment of the required test procedures and quality analysis. We can even develop customer-specific testing where appropriate.

Our centralized approach to testing and quality is based on open communication with our customers, regular customer satisfaction studies, external audits and investments in the latest test systems. All this results in a continuous process of improvement.



The Connect Group quality program:

- ISO 9001:2008
- ISO 14001
- ISO 13485
- IRIS
- UL
- RoHS
- CSA
- Complete ESD control
- IPC 610A classes II and III
- IPC/WHMA - A620 class II
- Cleanroom cable and module assembly ISO class 8
- Cleanroom PCB and module assembly ISO class 7
- 100% traceability (at component level)

REPORT OF THE BOARD OF DIRECTORS

1. Report on the consolidated financial statements

After the sharp economic downturn in the 2nd half of 2012, the market stagnated during 2013. We see this clearly in the evolution of our sales figures of the past two years:

H1 2012	H2 2012	H1 2013	H2 2013
79.9 million	61.7 million	63.0 million	61.9 million

After the sharp fall in the second half of 2012, sales volumes in 2013 stabilized at the level of the second half of 2012. A key task for Connect Group in 2013 was to restore the group's profitability in the light of this decline. Our success in this becomes clear when we analyze the Group's operating results on a comparable basis.

H1 2012	H2 2012	H1 2013	H2 2013
+2,746 k	-1,288 k	+130 k	+541 k

On comparable sales, we have succeeded during the last three reporting periods in turning a loss of kEUR 1,288 into a profit of kEUR 541.

We believe that 2014 can produce a further improvement for several reasons:

- The group's overheads have been reduced so as to produce create results from sales of EUR 125 million upwards;
- We have won several new customers to end the year with a strong order book of over EUR 84 million. Despite market/customer fickleness with regard to delivery dates, we believe that we can return to growth in 2014;
- The introduction of our TiaS® (Technology is a Service) program into the market has been very positively received by our customers. Customers are keen to obtain more technology from us. We see a strong demand for this service and have already logged a number of successes with certain customers that strengthen customer loyalty. We also observe that new customers consider this service as an additional argument to order from us;
- Our focus on specific target markets like Railway and Healthcare is showing clear results. Long-term agreements with a number of customers in these sectors have secured revenue streams for several years. This is new for our company. In the past we had at best annual contracts and orders. Today we have contracts running over several years. For the sake of clarity, the order book figure contains only the portion of the contracts to be delivered within the next 12 months;
- Following the marked improvement in 2012, the balance sheet again strengthened in 2013. Inventories and accounts receivable were under control and financial liabilities have decreased from over EUR 31 million at end-2011 and 19.9 million at end-2012 to 17.7 million at end-2013.

Analysis of the consolidated statements

Consolidated income statement

Connect Group NV reports annual sales of EUR 125 million compared with EUR 142 million in 2012 (down 11.8 %). The sales decline took place in the 2nd half of 2012, after which sales remained stable in 2013 at the same lower level.

Gross margin on sales increased from 11.5 % to 11.9 %, reflecting the product mix. With the acquisition of the Halin group in late 2011, R&D and sales and administration costs rose sharply in 2012. After integrating of these departments into Connect Group, these costs decreased overall by EUR 1.2 million in 2013, back to the 2011 level.

In 2012, a client made kEUR 550 of part payments on a receivable that had been fully written down in 2011. In 2013 we reversed a further kEUR 162 of the written down receivables. On the other hand, the group had to set up a provision of kEUR 456 for a client that has filed for bankruptcy. Netted out, this resulted in a loss of EUR 294 k, recorded under "other operating expenses". When comparing operating results it should therefore be noted that the 2012 operating result includes income of kEUR 550 in the form of recovery on customer receivables from the past and the 2013 figure a loss of kEUR 294 from the writing off of accounts receivable.

The operating result from continuing operations before goodwill impairment reduced from a profit of kEUR 1,458 in 2012 to a profit of kEUR 671 in 2013. Disregarding the recovery of accounts receivable in 2012 and the write-off in 2013, operating profit rose from kEUR 908 in 2012 to kEUR 965 in 2013.

The Board conducts an annual impairment analysis for the entire group. In 2012 it decided to write off goodwill of kEUR 1,633 against profit and loss. In 2013 it was decided that no further impairment losses needed to be recorded.

In December 2012, a settlement was concluded with the purchasers of the Automation activity related to their contractual obligation to pay to Connect Group 50 percent of the adjusted profit of the acquired business for the period 2010-2012. As a result of this settlement, the buyer paid to Connect Group at 28 December 2012, EUR 4.5 million as final settlement for this contractual obligation and 2 million as payment for the outstanding debt to Connect Group. The EUR 4.5 million was recorded in 2012 as income from the discontinued Automation activity.

The net financial result improved by kEUR 480 as a result of lower interest rates and a lower average borrowings and by kEUR 228 as a result of foreign exchange gains instead of losses in 2013. The company makes only limited use of foreign currency hedging contracts.

In this way profit from continuing operations (before goodwill impairment) for 2013 was kEUR 81 compared with a profit of kEUR 168 in 2012 (on a comparable basis).
In this way the group's net result fell from a profit of kEUR 3,034 to a profit of kEUR 81.

The total order book at end-2013 amounted to EUR 84 million (EUR 77 million at end-2012).

Balance sheet

Trade receivables remained virtually unchanged at EUR 18.6 million at end-2013 owing to comparable sales in Q4 2012 and Q4 2013.

Inventories reduced slightly from EUR 33.5 million to 32.9 million.

In 2013, EUR 2.1 million of new investments (both replacement and technology investments) were undertaken. With annual depreciation of EUR 2.9 million, this produced a decrease in property, plant & equipment and intangible fixed assets from EUR 10.8 million at end-2012 to EUR 10.0 million at end-2013.

The group's total bank financing capacity in 2013 remained unchanged. The group uses factoring for its receivables. It also has a EUR 12 million short-term credit line and a EUR 10 million long-term (5 years) loan, repayable in an amount of EUR 2 million per year - with EUR 3.5 million outstanding at the end of 2013). Total financial debt decreased from EUR 20.9 million at end-2012 to 17.9 million at end-2013 out of free cash flow.

Trade payables rose from EUR 16.2 million to 18.7 million.

The group has received a waiver from its banks for failing to meet the required EBITDA/debt ratio at the end of 2013.

2. Report on the individual financial statements

In accordance with article 95 and 96 of the Company Law, we are pleased to report to you on the activities of our company during the past financial year and on the individual financial statements, closed on 31 December 2013.

The individual financial statements have been drawn up pursuant to the stipulations of the Royal Decree of 30 January 2001 implementing the Companies' Code, in particular book II, section I on the annual accounts of enterprises, and in accordance with the particular legal and regulatory provisions that apply to the company.

1. Capital and ownership

End 2013, the issued capital amounted to EUR 637,981.49 represented by 10,290,024 shares without nominal value. All shares are fully paid-in.

2. Activities

Connect Group NV is a European supplier of cost-effective, high quality Electronic Manufacturing Services to the professional industry. The activities include the production of cable and cable trees, PCB assembly and testing, production of semi-manufactured products and final product assembly.

3. Commentary on the individual annual accounts

1. FINANCIAL SITUATION ON 31 DECEMBER 2013

The financial year 2013 ended with a loss of kEUR 2,903 versus a profit of kEUR 770 the year before. Key figures are as follows:

In kEUR	2013	2012
Balance sheet total	93,582	102,000
Sales	50,564	68,661
Result of the year	**(2,903)**	**770**

2. BALANCE SHEET

In kEUR	31/12/2013	31/12/2012
ASSETS		
Intangible assets	535	870
Tangible assets	987	1,243
Financial assets	61,856	61,894
Amounts receivable > 1 year	800	-
Stocks and contracts in progress	3,256	5,028
Amounts receivables < 1 year	26,125	28,273
Cash at bank and in hand	24	4,692
Total assets	**93,583**	**102,000**
LIABILITIES		
Capital and reserves	31,466	34,370
Provisions	290	299
Amounts payabe > 1 year	39,798	43,225
Amounts payable < 1 year	22,029	24,106
Total liabilities	**93,583**	**102,000**

New investments amount to kEUR 248 and relate to replacement and technology investments in machinery of the EMS plant in Poperinge.

Amounts receivable after more than one year include a loan to a customer who agreed on a 5 year payment plan of his debt. The Board of Directors made an assessment of this customer and believes that no impairment loss needs to be recorded.

The decrease of the trade receivables is attributable to the lower sales of the last quarter and a better credit collection at the end of the year.

Amounts payable after one year contain intercompany loans of kEUR 38,100, financial debts of kEUR 1,560 and leasing debt of kEUR 138.

The decrease of the amounts payable within one year is the result of the lower trade payables and the lower outstanding credit line use at the end of the accounting period.

Equity (after result appropriation) is EUR 31,466,166 compared to EUR 34,369,606 in 2012.
This decrease of EUR 2,903,440 is the result of the loss of the year.

3. INCOME STATEMENT

In kEUR	31/12/2013	31/12/2012
Operating income	**51,117**	**70,845**
Turnover	50,564	68,661
Other operating income	553	2,184
Operating charges	**(52,661)**	**(68,438)**
Raw materials, consumables and goods for resale	(37,171)	(52,573)
Services and other goods	(4,041)	(4,141)
Personnel costs	(10,355)	(11,196)
Depreciation	(815)	(1,200)
Other operating charges/ income	(279)	672
Operating profit / (loss)	**(1,544)**	**2,407**
Financial income / (charges)	(1,413)	(1,716)
Profit / (loss) on ordinary act. before taxes	(2,957)	691
Extraordinary income	57	4,580
Extraordinary (charges)	-	(4,501)
Profit (loss) for the year before taxes	(2,900)	770
Income taxes	(3)	-
Profit / (loss) for the year available for appropriation	**(2,903)**	**770**

The decrease in turnover is the result of a decrease in sales of the largest customer and the fact that within the Connect Group, group companies invoice the end customer more and more directly instead of passing the invoicing through the parent company.

Personnel costs decreased with 7.5%. Without the booked restructuring costs of kEUR 355, the drop in personnel costs amount to 10.5% which is the result of decrease in FTE's from 210 (in 2012) to 180 in 2013.

As of 31 December 2012, an impairment loss of kEUR 1,238 booked in 2011 on one specific customer was reversed.
As of 31 December 2013, additionally, on the same customer for kEUR 292 reversal of impairment was booked and an new impairment loss on a bankrupt customer amounting to kEUR 501 was booked.

Net financial charges decreased compared to last year, mainly due to the lower outstanding bank debts and a decrease of the financing costs due to a better EBITDA / financial debt position.

In 2012, the company recorded a profit of EUR 4.5 mio as final settlement of the sale of the Automation business and recorded a loss of EUR 4.5 mio as impairment loss on the valuation of its participation. In 2013 no impairment losses were booked.

The financial year 2013 ended with a loss of EUR 2.9 million versus a profit of EUR 0.8 million the year before.

4. APPROPRIATION OF THE RESULT

The Board of Directors proposes that the loss for the year (EUR -2,903,440) will be added to the loss carried forward from the previous year (EUR -9,155,807) as follows (in EUR):

In Eur	31/12/2012	Profit/(loss)	31/12/2013
Capital	637,981	-	637,981
Share premium account	42,844,439	-	42,844,439
Legal reserve	42,993	-	42,993
Profit/(loss) carried forward	(9,155,807)	(2,903,440	(12,059,247)
Total shareholders' equity	**34,369,606**	**(2,903,440)**	**31,466,166**

3. Going concern

Pursuant to Article 96 §6 of the Companies Code , the Board of Directors has evaluated the preparation of the consolidated and individual annual accounts in accordance with the principle of going concern. Taking into account the financial resources and situation, the Board of Directors believes that the preparation of financial statements under the going concern principle is fully justified.

Although it is difficult to get a good insight into the economic recovery, the Board of Directors believes, based on the approved budget, that the result for the year 2014 will be positive.

The current economic climate and the uncertainty of the financial markets in Europe play an important role in the demand for electronic components and systems. Customers postpone orders more frequently but also require to start up production faster. This requires a high flexibility of our employees and leads to a limited extent of inefficiencies in the organization. Based on the outstanding order book, Connect Group remains positive for the future. The capital increase in 2011 and the good results (cash flow) in 2011, 2012 and 2013 have significantly strengthened the financial position of the group.

The group has sufficient credit lines through its factoring agreement to cope with working capital changes.

4. Important events after the closing of the financial year

Since 31 December 2013, there have been no major events that could have a significant impact on the development of the company.

5. Most significant risks for the group

The most significant risks for the company are:

1. The 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.
2. Currency risk:
   a. The group buys a portion of its components in US dollars/yen, the exchange rate risk on which is only partially covered in the selling price;
   b. Production takes place partly in Romania and the Czech Republic: large fluctuations of these currencies against the Euro can impact costs;
   c. Since foreign currency needs cannot be accurately timed, the group does not cover its foreign currency positions.
3. The group has a credit agreement with its bankers that includes a minimum solvency ratio, equity, cash flow and maximum consolidated leverage (total net financial debt/EBITDA) covenants. The group complied with all requirements, except for the maximum consolidated leverage end 2013. A waiver was obtained before yearend.
4. Customer insolvency can have a major impact on the results.
5. Risk of order postponements, leading to a temporary under-coverage of costs incurred.

6. Announcements

Branches
The company has its registered office at Industriestraat 4, B-1910 Kampenhout (headquarters) and an operational site at Frankrijklaan 18-22, B-8970 Poperinge (PCB assembly).

Financial risk management
Fluctuations in market prices, exchange rate differences on sales and purchases and intercompany loans are risks inherent to the company's activity. The company is seeking constantly to minimize the financial risks inherent to its activities. The group does not enter into or trades financial instruments for speculative purposes. The group has engaged into interest rate cap agreements of 1% on Euribor 1M in order to limit its exposure to interest rate risks. The agreement was made for a period of 3 years for a total outstanding debt of EUR 15 million. Per yearend, the group has evaluated the market to market valuation of the interest rate cap. The market value was not recorded in profit and loss, as the impact on the financial statements was considered to be immaterial.

All outstanding receivables and payables are recorded at the year-end rate in the accounts.

Research and development
As a subcontractor, Connect Group is not involved in the development of new products that are offered directly to a target market. Connect Group's development activities consist of supporting the development of its customer's products (getting them ready for production) and of developing an efficient production apparatus.

Consolidation
The group uses a consolidation system whereby all financial data of each company included in the consolidation scope are introduced on a monthly basis.
All monthly data are analyzed by management, compared with the budget data and discussed with local management. The consolidated annual accounts are derived directly from the management's consolidation system.

7. Attest and non-attest fees charged by the Statutory Auditor

In accordance with the law of 20 July 2006, article 101, please find below a summary of the attest fees and non attest fees of the statutory auditor Deloitte Bedrijfsrevisoren and its network of professional service firms.

In Eur	**Individual**	**Consolidated**
Attest fees	77,320	143,110
Other legal missions	1,500	-
Other non attest fees	9,556	11,925
Tax advise	10,994	20,968

On consolidated level the non attest fees do not exceed the attest fees.

8. Announcement pursuant to articles 95 and 96 (and 119) of the Companies Code

1. With respect to the capital structure we refer to the first item of this report.

2. There are no legal or statutory limitations on the transfer of securities.

3. There are no holders of securities to which special rights of control are attached.

4. There are no share plans for employees.

5. There are no legal or statutory limitations to the exercise of voting rights.

6. There are no shareholder agreements which could limit the exercise of voting rights.

7. The company is governed by a Board of Directors composed of at least 5 directors, who may or may not be shareholders. They are appointed by the General Meeting of Shareholders. The mandates of departing directors who are not reelected end immediately after the annual meeting of the year in which their mandate ends. Directors may be dismissed at any time by the General Meeting. Departing directors may be reelected. Any Board member may resign by written notification to the Board of Directors. At least 3 directors must be independent directors.

   A person is viewed as an independent director when he:

   - is not a member of the executive management of the Company, nor of the control bodies or of the executive management of the other companies of the group;
   - has no family ties with the other directors that could influence his independent judgment;
   - is not part of the executive management or Board of Directors of one of the dominating shareholders, nor has been elected upon the proposal of one of the dominating shareholders, nor has business, financial or other relationships with these persons that are such as could influence his opinion;
   - maintains no other relationship with the Company which, in the opinion of the Board of Directors, is such as could potentially influence his judgment; such influence is not deemed to lie in the remuneration that this director receives, nor in his limited personal ownership of shares in the Company;
   - is not more than 3 consecutive terms appointed as a non-executive director on the Board of Directors.

   Only the extraordinary general meeting is authorized to make amendments to the articles of association and, in particular, to decide on the accelerated dissolution of the company, on any increase or decrease of company capital, any merger with one or more companies, changes in the company purpose and the conversion of the company into a company having another legal form.

8. The Board of Directors is authorized to acquire the shares of the company by purchase or exchange, directly or via a person acting in his own name but for the company's account, in order to avoid imminent and serious detriment to the company, without the prior decision of the General Meeting by way of application of the provisions of the Companies Code. The Board of Directors is authorized to sell treasury shares without the prior decision of the General Meeting on the stock market or as the consequence of an offer for sale directed at all shareholders at the same conditions, in order to avoid imminent and serious detriment to the company, without the prior decision of the General Meeting by way of application of the provisions of the Companies Code. On 27 April 2010 the General Meeting moreover renewed the authorization of the Board of Directors to acquire own shares, by purchase or exchange, directly or via a person acting in his own name but for the company's account, and more specifically:

   - this acquisition can cover up to 1,386,884 shares;
   - the buying in shall take place at a price not lower than EUR 1 and not higher than EUR 6 per share.

   This authorization shall be valid for a period of no more than 5 years.

9. There are no significant agreements to which the issuer is a party and which come into effect, undergo changes or expire in the event of a change in control of the issuer after a public takeover bid, or the consequences of the same, except if they are of such that publication of the same would seriously damage the issuer; this derogatory regulation not being applicable in those cases where the issuer is specifically obliged to publish such information under other legal requirements.

10. There are no agreements concluded between the issuer and its directors or employees which provide for remuneration in the event that, as the result of a public takeover bid, directors resign or are required to take redundancy without valid reason or the employment of employees is terminated.

11. At least one member of the Audit Committee is independent and is an expert in audit and accounting.

9. Corporate Governance Statement

Connect Group complies with the Belgian Corporate Governance Code published on 12 March 2009, which is the Company's reference code.

However, in 2013 the company has deviated from the following provisions:
- Gender diversity in the composition of the board of directors is not yet implemented.

The Connect Group Corporate Governance Charter can be consulted on the website of the company.
The Belgian Corporate Governance Code can be consulted on www.corporategovernancecommittee.be.

In 2013, the Board of Directors was made up by the following members:

Composition of the Board of Directors

The Board of Directors consists of 7 members in 2013, 2 of whom are nominated by the principal shareholders. The Chairman and the Chief Executive Officer are never the same individual. The Chief Executive Officer is the only Board member with an executive function. All other members are non-executive Directors. Three of the Directors are independent in accordance with the criteria of Article 526ter of the Companies Code and provision 2.3 of the Belgian Corporate Governance Code.

The Board of Directors has not taken any specific actions yet with regard to the composition requirement that at least one third of the members of the Board of Directors consists of the other gender than that of the other members, but intends to do so before 1 January 2017.

Name	Appointed	End of mandate	Principal occupation of director or permanent representative	Number of board meetings taken place	Number of board meetings attended
Chairman of the Board					
Dominique Moorkens	2012	2016	Director of companies	6	6
Independent Directors					
Becap BVBA, permanently represented by Piet Serrure	2007	April 2013	Director of companies	2	2
Mentofacturing bvba, permanently represented by Willy Hendrickx	2011	2015	Director of companies	6	6
Peter Watteeuw	2011	2015	Director of companies	6	5
BC Conseil, permanently represented by Bernard Delvaux	April 2013	2017	Director of companies	4	4
Chief Executive Officer					
Luc Switten BVBA, permanently represented by Luc Switten	2010	2014	CEO Connect Group NV	6	6
Directors nominated by the principal shareholders					
At Infinitum NV, permanently represented by Dimitri Duffeleer (representing QuaeroQ cvba)	April 2013	2017	Director of companies	6	6
Stokklinx BVBA, permanently represented by Guy van Dievoet (representing LRM NV)	2010	2014	Director of companies	6	5

Remark: At Infinitum NV, permanently represented by Dimitri Duffeleer (representing QuaeroQ cvba) was already member of the Board in 2013, but was reappointed by the Annual Shareholdersmeeting on 30/04/2013.

Operation of the Board of Directors

In 2013 the Board of Directors met on 11/02, 26/03, 06/05, 05/08, 04/11 and 13/12. In addition to its statutory powers and powers under the Articles of Association and the Connect Group Corporate Governance Charter, the Board of Directors considered the following matters, among others in 2013:
• the debt position of the group;
• the 2014 budget;
• the follow-up of the long term-strategy of the group and its major components;
• the acquisition policy;
• the composition and the functioning of the Board of Directors and committees.

Committees formed by the Board of Directors

The Board of Directors has established two advisory Committees.

Audit Committee
The Audit Committee is composed as required by Article 526bis §2 of the Companies Code. In the beginning of 2013 the Audit Committee was composed of 5 members, all being non-executive directors.
Three members, Piet Serrure, Peter Watteeuw and Dominique Moorkens were independent directors.

- Chairman : Piet Serrure
- Members : Guy van Dievoet, Peter Watteeuw, Dominique Moorkens and Dimitri Duffeleer

After resignation of Piet Serrure as member of the Board of Directors at the Annual Shareholdersmeeting of 30 April 2013, the Audit Committee has been recomposed of the following 3 directors or its permanent representatives:
- Chairman : Dimitri Duffeleer
- Members : Dominique Moorkens and Bernard Delvaux

Dominique Moorkens and BC Conseil, permanently represented by Bernard Delvaux, are independent directors. Dimitri Duffeleer has a strong financial background based on his former and other functions. The Audit Committee is chaired by Dimitri Duffeleer.

The company considers Dominique Moorkens as an independent director. According Article 526ter, a board member is no longer independent after being two times reappointed as board member. Dominique Moorkens has been appointed already three times as board member, but he has no investment in Connect Group, no relations with any shareholder or management of the company and is financially completely independent from Connect Group. Therefore Dominique Moorkens is fully independent in his way of working.

The Chief Executive Officer and the Chief Financial Officer are not members of the Committee, but are invited to attend its meetings. This arrangement guarantees the essential interaction between the Board of Directors and the executive management.

The Audit Committee met four times in 2013.

Name director or permanent representative	End of mandate	Number of meetings attended*
Piet Serrure	April 2013	1/1
Guy van Dievoet	2014	1/1
Peter Watteeuw	2015	0/1
Dominique Moorkens	2016	4/4
Dimitri Duffeleer	2017	4/4
Bernard Delvaux	2017	3/4

* in relation to the meetings held during their mandate as member of the Audit Committee

According its powers regulated by law, the Audit Committee discussed the following main subjects:
• Monitoring of financial reporting;
• Monitoring of the efficiency of the systems for internal control and risk management of the company;
• Monitoring of the statutory audit of annual accounts and consolidated accounts including responses to questions and recommendations formulated by the external auditor;
• Assessment and monitoring the independence of the external auditor with particular attention for the provision of additional services to the company;
• Treasury situation of the group;
• Expenditure and purchasing cycle.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is composed as required by Article 526quarter §2 of the Companies Code. After resignation of Freddy Daniëls and Piet Serrure as members of the Board of Directors, the Remuneration and Nomination Committee was recomposed as follows:
- Chairman : Willy Hendrickx
- Members : Peter Watteeuw and Dimitri Duffeleer

All its members are non-executive directors. Willy Hendrickx and Peter Watteeuw are independent directors within the meaning of article 526ter of the Companies Code. The Remuneration and Nomination Committee is chaired by Willy Hendrickx.

All its members have professional experience as business managers in other groups and have sufficient experience in remuneration matters.

The Remuneration and Nomination Committee met three times in 2013.

Name director or permanent representative	End of mandate	Number of meetings attended*
Willy Hendrickx	2015	3/3
Piet Serrure	April 2013	1/1
Peter Watteeuw	2015	2/2
Dimitri Duffeleer	2017	2/2

* in relation to the meetings held during their mandate as member of the Remuneration and Nomination Committee

According its powers regulated by law, the Committee discussed the following subjects:
• remuneration of the Chairman of the Board and board members for 2013;
• remuneration of the management for 2013;
• preparing the annual remuneration report;
• explaining the remuneration report during the statutory general meeting.

Evaluation

The main features of the process for evaluating the Board of Directors, its Committees and the individual Directors are described in chapter 3, 4 & 5 of the Connect Group Corporate Governance Charter.
The Board of Directors reviews its own composition and modus operandi, and the composition and the modus operandi of the committees created by it on a regular basis. This evaluation includes:

• the degree to which timely and complete information is made available to directors, and the way any questions and comments are answered by management;
• the discussion and decision-making processes in the Board of Directors, and in particular whether all points of view can be formulated and taken into consideration;
• the participation of individual directors in the discussions and the sufficient contribution by the director of his specific expertise during discussions;
• the way meetings are led by the Chairman of the Board of Directors, with particular attention to the complete exercise of everyone's right to speak.

Executive Management

Luc Switten has been appointed Chief Executive Officer in charge of daily management. He is supported by Hugo Ciroux, Chief Financial Officer, Flor Peersman, Chief Operations Officer and Herman Struiwigh, Chief Commercial Officer. Together these persons represent the Executive Management*. The Executive Management meets monthly and is responsible for finance and administration, operations and sales, the preparation of the meetings of the Board of Directors and the supervision of daily management.
The Executive Management of Connect Group is not a management committee as described in Article 524bis of the Companies Code.

Name *	Position
Luc Switten	Chief Executive Officer
Hugo Ciroux	Chief Financial Officer
Flor Peersman	Chief Operations Officer
Herman Struiwigh	Chief Commercial Officer

* in their own names or via management companies

Remuneration Report

Procedure

The remuneration policy for directors and executive management is evaluated annually in the Remuneration and Nomination Committee. The Remuneration and Nomination Committee makes relevant proposals to the Board of Directors and on such matters that need to be submitted to the General Shareholders Meeting. The proposals formulated by the Remuneration and Nomination Committee are discussed by the Board of Directors. Any adjustment has to be submitted to the next General Shareholders Meeting.

Remuneration policy for non-executive Directors

The remuneration policy for non-executive Directors is described in paragraph 3.4 of the Connect Group Corporate Governance Charter.

Non-executive directors receive from Connect Group NV a fixed annual remuneration and attendance fees:

- there is a set annual remuneration for the members of the Board of Directors;
- participation in a board meeting entitles the director to an attendance fee;
- there is a fixed additional annual remuneration for members of the Remuneration and Nomination Committee;
- there is no additional remuneration for the members of the Audit Committee.

This remuneration structure is aimed at encouraging directors' active participation in both Board and committee meetings.

The objective and independent judgment of non-executive directors is further encouraged by the fact that they do not draw any other remuneration from the company than their fixed directors' remuneration and their attendance fees. There is no performance-related remuneration provided for the non-executive directors.

The fees for 2013 were maintained at the level of 2012, namely an annual fixed fee of EUR 12,000, an attendance fee of EUR 1,250 per board meeting and an annual fixed fee of EUR 6,000 for the Remuneration and Nomination Committee (all fixed fees are paid pro rata). The fixed remuneration of the chairman of the Board of Directors is twice the remuneration amount of the members. The Chief Executive Officer does not receive a board attendance fee.

The remuneration policy of the Board is evaluated annually by the Remuneration and Nomination Committee. The level of remuneration is tested against the specific properties of the group. It shall in particular take into account the existing fees in companies of comparable size. Based on information from Guberna the fees were assessed in 2012.

The remuneration policy for non-executive directors will in principle not substantially be modified in the next two years.

Remuneration policy for Executive Management

The remuneration policy for Executive Management is described in paragraph 5.5 of the Connect Group Corporate Governance Charter.

The remuneration policy of the executive management is reviewed annually by the Remuneration and Nomination Committee, after which it is submitted to the Board of Directors. The level of remuneration is tested against the specific properties of the group. In this context, the Board commissioned the Hay Group to make a comparison study with other companies in 2011.

Bonus targets for the executive management are set annually when preparing the budget for the coming year.
Payments of the bonuses of the executive management are based for 70 % on the company performances (achievement of EBIT budget) and for 30 % on the individual performance of the manager. These performance criteria are evaluated per calendar year (which is also the accounting period). When not reaching 90% of the targets, no bonus is paid. Upon achieving 110% of the targets, 100% of the bonus is paid. For 2013 none of the objectives were achieved and as a result no bonus was granted.

For the Executive Management and the CEO there are no specific provisions entitling the company to recover variable remuneration granted on the basis of incorrect financial data.

The remuneration policy for the executive management will in principle not substantially be modified in the next two years.

Remuneration of the Board of Directors

The remuneration of the Board of Directors of 2013 is reflected in the table below (in EUR).

Name	Fixed remuneration	Board attendance fee	Committee attendance fee	Other remuneration	Total gross 2013
Chairman					
Dominique Moorkens	24,000	7,500	1,500	0	33,000
Directors					
Stokklinx BVBA, permanently represented by Guy van Dievoet	12,000	6,250	1,500	0	19,750
Becap BVBA, permanently represented by Pierre Serrure	3,000	2,500	3,000	0	8,500
Mentofacturing bvba, permanently represented by Willy Hendrickx	12,000	7,500	6,000	0	25,500
Peter Watteeuw	12,000	6,250	6,000	0	24,250
At Infinitum NV, permanently represented by Dimitri Duffeleer	12,000	7,500	6,000	0	25,500
BC Conseil, permanently represented by Bernard Delvaux	8,000	5,000	0	0	13,000
Total	**83,000**	**42,500**	**24,000**	**0**	**149,500**

Remuneration of the Chief Executive Officer

In 2013, Connect Group paid EUR 310,404 to the CEO, Luc Switten. The payments to his management company includes:

• a fixed remuneration of EUR 284,000;
• a cost reimbursement of EUR 26,404;
• no retirement allowance;
• no other remuneration.

For 2013 no variable remuneration was granted.

Remuneration of the Executive Management

The Executive Management consists of the CEO, CFO, COO and CCO. In 2013, Connect Group paid a total joint remuneration of EUR 1,015,345 to the Executive Management. This includes:

• a total remuneration of EUR 893,200;
• a cost reimbursement of EUR 88,145;
• a variable remuneration of EUR 34,000;
• no retirement allowance;
• no other remuneration.

Longterm-cash bonus plans on more than one year

There are no longterm-cash bonus plans on more than one year granted to the members of the Board of Directors and the Executive Management.

Shares and stock options

The company has no shares, no share options or other rights to acquire shares.

Following the publication of the annual results for 2010 at the end of March 2011, all Connect Group bondholders who subscribed to the convertible subordinated loan of EUR 5 million in April 2010, decided to convert their bonds into shares. This conversion resulted in the issuance of 3,355,600 new shares with the same rights as existing shares, bringing the total number of issued shares to 10,290,024. This conversion was carried out on 5 May 2011. Following this conversion members of the Board and the Executive Management obtained additional shares during 2011.

Exit bonus

Except for the legal severance regulations, there is no exit bonus plan for the CEO and the Executive Management.

Shares and shareholders

Share identification

The Connect Group share is listed on NYSE Euronext Brussels as ISIN BE0003786036 (CONN) and was first listed in May 2000.

The Connect Group share in 2013

Shares	
Highest price	2.15 EUR
Lowest price	1.48 EUR
Average price (accounting average)	1.75 EUR
Price at 31/12/2013	1.79 EUR
Number of shares	10,290,024
Average volume traded per day	2,463
Stock market capitalisation at 31/12/2013	18,419,143 EUR

Connect Group closing prices and volumes traded in 2013

The average daily traded volume was 2,463 shares in 2013. In 2012, the average daily traded volume was 2,632 shares.

ISSUED CAPITAL AND RESERVES (AT 31/12/2013)

Shareholders' equity (at 31/12/2013)

Origin Name	Number issued	Declared total	%
Equity	10,290,024	7,088,573	68.89 %

Shareholder Name	Number declared (*) 2013	% 2013	Number declared (*) 2012	% 2012
QuaeroQ cvba	2,214,971	21.53 %	2,214,971	21.53 %
Huub Baren (**)	2,166,155	21.05 %	2,166,155	21.05 %
LRM NV	1,870,786	18.18 %	1,870,786	18.18 %
Luc Switten	426,369	4.14 %	426,369	4.14 %
Het Beste Brood Holding SA (***)	410,292	3.99 %	410,292	3.99 %
Other below the reporting threshold	3,201,451	31.11 %	3,201,451	31.11 %
Total	**10,290,024**	**100 %**	**10,290,024**	**100 %**

(*) Shareholders holding 3% or more need to declare their interests
(**) + companies controlled by Huub Baren
(***) company controlled by Guy van Dievoet

Dividend policy
The company does not pursue any strictly defined dividend policy. Connect Group wants to use all its generated cash to reduce its financial debts in the coming years.

General Meetings of Shareholders
The Annual General Meeting was held on 30 April 2013. The resolution of this meeting is available at www.connectgroup.com.

Risk management and internal control

Connect Group's Board of Directors is responsible for assessing risks inherent to the company and the effectiveness of internal control.

Belgian regulations have not set up a strict legal framework for listed companies. However, a European regulation of 29 April 2004 and the Belgian Corporate Governance Code 2009 recommend to highlight risk factors and the measures they have taken to keep them at an acceptable level.

Connect Group has set up an internal control system adapted to its functioning and to the environment in which it operates, based on the COSO(*) model. The COSO methodology is based on five areas: the control environment, risk analysis, control activities, information and communication, and supervision and monitoring.

Control environment
- Organization of internal control

Connect Group has set up an Audit Committee in charge, among other things, of checking the effectiveness of the Company's internal control and risk management systems. The Chairman of the Audit Committee may not be the Chairman of the Board of Directors.

- Professional ethics

Connect Group has adopted a Corporate Governance Charter with a view to ensuring honest, ethical and law-abiding conduct respectful of good governance principles and a Trading Regulations Code to avoid illegal use of privileged information by the group's Directors, shareholders, senior management and key employees in the exercise of their duties.

Risk analysis
Connect Group has carried out a risk analysis for its activities. This analysis identified the following main risks:
- Market risk
  The Connect Group operates in a European market where price competitiveness is very high.

- Production technology risk
  New production technologies play a major role to win future projects.

- Financial risk
  The Connect Group capital structure makes the group largely dependent on external financing.

- Customer bankruptcy risk
  Bankruptcy or failure of a larger customer has an impact not only on outstanding receivables but also on the inventory and the purchase commitments specifically related to that customer.

- Planning / budgeting risk
  Budgets and projections are important for decision making and management control. Their reliability and relevance can influence the company's performance.

- Risk related to human resources
  This relates to the company's capacity to find and retain the human capital required to ensure that it operates effectively and achieves its objectives.

- Risk related to the financial statements (management information, registration of transactions in accounts, consolidation)
  The production of complete, reliable and relevant information is an essential element of management and governance.

Control activities
Control activities include all the measures taken by Connect Group to ensure that the principal risks it has identified are appropriately controlled.

- Market risk
  The group has since many years invested in production facilities in Eastern Europe to counter price pressure.

- Production technology risk
  Management permanently evaluates existing production facilities to ensure that production capacities and technologies remain in line with market expectations.

- Financial risk
  The introduction of factoring significantly improves management of working capital. Working capital requirements are monitored on a daily basis.

- Customer bankruptcy risk
  Specific procedures are set in place to follow up the individual total customer risks.

- Risks related to the financial statements
  Connect Group publishes consolidated financial statements on a quarterly basis. These are approved, with the related press release, by the Board. The Board analyses significant transactions and key events under the period in review, and examines the latest budget and performance projections. Financing, cash management and access to liquidities are generally central to these discussions. Complex accounting subjects, in particular the application of IFRS requirements, are also identified and discussed by the Board. The Statutory Auditor (Deloitte) reports to the Audit Committee with its audit conclusions and any comments on the audit process.

Information and communication
In order to transmit reliable financial information to shareholders without delay, a standardized information flow process is defined. Connect Group has applied IFRS since 2000. Its valuation
rules are published every year in its report. Uniform reporting of accounts is used both upstream and downstream in order to ensure the consistency of data and to detect potential anomalies. A financial calendar for this reporting is established every year.
Computerized data backup operations are organized on a daily basis and a monthly storage process prevents a total loss of financial data. Restricted access to software (accounts, consolidation, payment and remuneration) is also applied.

Supervision and monitoring
The supervision activity is exercised by the Board through the Audit Committee's activities. Given the size of Connect Group's activities, there is no internal auditor's post.

The Statutory Auditor (Deloitte) also reviews on an annual basis the internal control procedure for risks related to Connect Group's financial statements. This review of internal control forms part of the assignment of certifying Connect Group's statutory and consolidated accounts in conformity with audit standards applicable in Belgium.
More specifically, the Statutory Auditor tests on the basis of a triennial rotation plan the operating effectiveness of internal control for risks deemed critical in relation to the establishment process of financial statements. Its work consists of discussions with members of the organization and tests on a limited number of transactions.
The conclusion of this work, presented in a report submitted to the Audit Committee of Connect Group, did not reveal any major weaknesses in internal control.

Conduct policy

Statutory conflicts of interests in the Board of Directors
In accordance with Article 523 of the Companies Code, a member of the Board of Directors should give the other members prior notice of any agenda items in respect of which he has a direct or indirect conflict of interests of a financial nature with the company, and should refrain from participating in the discussion of and voting on those items. No such conflict of interests arose in 2013.

Other transactions with Directors and Executive Management
The Connect Group Corporate Governance Charter contains conduct guidelines with respect to direct and indirect conflicts of interests of those members of the Board of Directors and the Connect Group Executive Management that fall outside the scope of Article 523 of the Companies Code. These persons are deemed to be related parties to Connect Group, and have to report, on an annual basis, their direct or indirect transactions with Connect Group or its subsidiaries.

There are no related party transactions in 2013.

Protocol to prevent abuse of advance information and insider trading
During its meeting on 15 November 2000 the Board of Directors of the Connect Group drew up a protocol to avoid the illegal use of privileged information – or creating the impression of its illegal use – by directors, shareholders, senior managers and key employees (insiders). The protocol consists of a number of prohibitions, intended primarily to protect the market.
The practice of insiders dealing in company shares whilst in possession of insider information affects the market. If insiders are seen to make (or are suspected of making) financial benefit from insider knowledge, investors will turn their back on the market. This could reduce the liquidity of the listed shares and limit access to new cash resources. The protocol also includes a number of preventive measures to assure compliance with the legal stipulations and to protect the company's reputation.

The stringent procedures of the protocol require that the persons involved:
- do not deal in Connect Group shares during the two months prior to publication of annual results;
- do not deal in Connect Group shares during the 21 days prior to publication of quarterly results;
- do not sell shares within six months of purchase;
- inform the company of all intended operations before undertaking them.

Declaration regarding the information given in this annual report 2013

In accordance with Article 12 § 2 of the Decree of 14 November 2007 on the obligations of issuers of financial instruments, admitted to trading on a Belgian regulated market, the undersigned declare that:

- the annual accounts, which are in line with the standards applicable for annual accounts, give a true and fair view of the capital, the financial situation and the results of the issuer and the consolidated companies;
- the annual report gives a true and fair view of the development and the results of the company and the position of the issuer and the consolidated companies, as well as a description of the main risks and uncertainties they are faced with.

Luc Switten bvba, CEO
Hugo Ciroux bvba, CFO

1. CONSOLIDATED FINANCIAL STATEMENTS

1.1 Independent Auditor's Report

To the shareholders,

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Connect Group NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

The consolidated statement of financial position shows total assets of 70 million EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 82 thousand EUR.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of Connect Group NV give a true and fair view of the group's net equity and financial position as of 31 December 2013, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Diegem, 25 March 2014
The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Gert Vanhees

1.2 Detailed Consolidated Financial Statements (in EUR)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER

CONNECT GROUP NV	2013	2012	2011
Assets			
Current assets:			
Cash and cash equivalents (notes 1.3.7.a)	262,697	1,089,110	742,875
Trade receivables (notes 1.3.7.b)	18,576,855	18,785,359	25,709,805
Other receivables (notes 1.3.7.c)	865,140	905,461	737,121
Inventories (notes 1.3.7.d)	32,963,986	33,524,997	34,390,122
Other current assets	1,483	100,122	109,085
Total current assets	**52,670,161**	**54,405,049**	**61,689,008**
Non-current assets:			
Other receivables (notes 1.3.7.e)	800,000	-	2,000,000
Deferred tax assets (notes 1.3.7.o)	1,500,000	1,500,000	1,500,000
Property, plant and equipment (notes 1.3.7.f)	9,429,320	9,868,249	9,613,649
Intangible assets (notes 1.3.7.g)	594,569	909,039	1,528,447
Goodwill (notes 1.3.7.h)	4,548,712	4,548,712	4,648,712
Total non-current assets	**16,872,601**	**16,826,000**	**19,290,808**
Total assets	**69,542,762**	**71,231,049**	**80,979,816**
Liabilities and equity			
Current liabilities:			
Bank loans and overdrafts (notes 1.3.7.j)	13,101,279	13,201,277	22,958,191
Current portion of long-term debt (notes 1.3.7.k)	2,244,890	2,263,903	2,438,491
Trade payables	18,661,704	16,209,969	19,868,464
Accrued expenses, payroll and related taxes and deferred income (notes 1.3.7.i)	5,840,381	6,634,400	5,885,957
Provisions (notes 1.3.7.l)	303,666	327,370	185,041
Other current liabilities (notes 1.3.7.m)	521,504	903,996	194,451
Total current liabilities	**40,673,424**	**39,540,915**	**51,530,595**
Non-current liabilities:			
Long-term debt less current portion (notes 1.3.7.k)	2,574,906	5,477,567	6,250,000
Deferred tax liability (notes 1.3.7.o)	-	-	-
Total non-current liabilities	**2,574,906**	**5,477,567**	**6,250,000**
Equity (notes 1.3.7.n)			
Shareholders' capital	637,981	637,981	637,981
Legal reserve	42,993	42,993	42,993
Share premium	42,091,544	42,091,544	42,091,544
Retained earnings	(16,544,957)	(16,626,822)	(19,661,277)
Cumulative translation adjustment	66,871	66,871	87,980
Equity attributable to equity holders of the parent	**26,294,432**	**26,212,567**	**23,199,221**
Total equity	**26,294,432**	**26,212,567**	**23,199,221**
Total liabilities and equity	**69,542,762**	**71,231,049**	**80,979,816**

The accompanying notes to these statements of financial position form an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT FOR THE 12 MONTH PERIOD ENDING 31 DECEMBER (IN EUR)

CONNECT GROUP NV	2013	2012	2011
Continuing operations			
Sales	124,987,618	141,638,435	148,231,824
Cost of sales (notes 1.3.7.p)	(110,057,784)	(125,421,130)	(127,689,381)
Gross Profit	14,929,834	16,217,305	20,542,443
Research and development expenses (notes 1.3.7.q)	(1,256,715)	(1,358,231)	(1,238,295)
General and administrative expenses (notes 1.3.7.r)	(6,296,399)	(6,821,673)	(6,386,750)
Selling expenses (notes 1.3.7.s)	(6,569,675)	(7,208,799)	(6,556,103)
Other operating expenses (notes 1.3.7.t)	(301,833)	(96,044)	(1,458,942)
Other operating income (notes 1.3.7.t)	166,067	725,428	127,395
Operating profit /(loss) continuing operations before goodwill impairment	671,279	1,457,985	5,029,749
Goodwill impairment	-	(1,633,359)	-
Operating profit /(loss) continuing operations	**671,279**	**(175,374)**	**5,029,749**
Financial income (notes 1.3.7.w)	313,337	235,239	418,656
Financial charges (notes 1.3.7.w)	(894,803)	(1,525,452)	(2,018,657)
Profit/(loss) before taxes	89,813	(1,465,587)	3,429,748
Income taxes (notes 1.3.7.x)	(7,948)	42	305,314
Profit/(loss) for the year from continuing operations	**81,865**	**(1,465,545)**	**3,735,062**
Profit/(loss) for the year from discontinued operations (notes 1.3.7.z)	**-**	**4,500,000**	**-**
Profit / (loss) for the year	**81,865**	**3,034,455**	**3,735,062**
Profit / (loss) attributable to:			
Equity holders of the parent	81,865	3,034,455	3,735,062
Non-controlling interest (notes 1.3.7.n)	-	-	-
Earnings per share			
Basic earnings per share continuing operations (note 1.3.7.y)	0.01	(0.14)	0.41
Diluted earnings per share continuing operations (note 1.3.7.y)	0.01	(0.14)	0.41
Basic earnings per share continuing plus discontinued operations (notes 1.3.7.y)	0.01	0.29	0.41
Diluted earnings per share continuing plus discontinued operations (notes 1.3.7.y)	0.01	0.29	0.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IN EUR)

	2013	2012	2011
Profit / (loss) of the year	**81,865**	**3,034,455**	**3,735,062**
Other comprehensive income			
Elements not subsequently reclassified to profit/loss	-	-	-
Elements that can be subsequently reclassified to profit/loss	-	**(21,109)**	**57,693**
Exchange differences on translating foreign operations	-	(21,109)	57,693
Total comprehensive income for the year	**81,865**	**3,013,346**	**3,792,755**
Total comprehensive income attributable to:			
Equity holders of the parent	81,865	3,013,346	3,792,755
Non-controlling interest (notes 1.3.7.n)	-	-	-

The accompanying notes to these income statements form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IN EUR)

Date		Number of shares outstanding	Capital	Legal reserve	Share premium	Profit/loss carried forward	Cumulative translation adjustment	Total attributable to equity holders of the parent
31/12/2010		**6,934,424**	**429,934**	**42,993**	**37,214,276**	**(23,396,339)**	**30,287**	**14,321,151**
	Net result of the year					3,735,062		3,735,062
	Other comprehensive income						57,693	57,693
	Total comprehensive income					3,735,062	57,693	3,792,755
	Capital increase	3,355,600	208,047		4,791,797			4,999,844
	Impact conversion subordinated loan				85,471			85,471
31/12/2011		**10,290,024**	**637,981**	**42,993**	**42,091,544**	**(19,661,277)**	**87,980**	**23,199,221**
	Net result of the year					3,034,455		3,034,455
	Other comprehensive income						(21,109)	(21,109)
	Total comprehensive income					3,034,455	(21,109)	3,013,346
31/12/2012		**10,290,024**	**637,981**	**42,993**	**42,091,544**	**(16,626,822)**	**66,871**	**26,212,567**
	Net result of the year					81,865		81,865
	Other comprehensive income							-
	Total comprehensive income					81,865		81,865
31/12/2013		**10,290,024**	**637,981**	**42,993**	**42,091,544**	**(16,544,957)**	**66,871**	**26,294,432**

CONSOLIDATED CASH FLOW STATEMENT FOR THE 12 MONTH PERIOD ENDING 31 DECEMBER (IN EUR)

CONNECT GROUP NV	2013	2012	2011
Operating profit / (loss)	**671,279**	**(175,374)**	**5,029,749**
Adjustments for:			
Gain/(loss) on sale of property, plant and equipment	-	(38,410)	(103,031)
Recognition of an impairment loss on goodwill	-	1,633,359	-
Allowance for doubtful receivables and obsolete stock	371,125	(13,211)	1,988,813
Depreciation and amortization	2,895,035	3,526,554	3,567,276
Provisions	(23,704)	116,895	3,352
Operating profit before changes in working capital continued operations	**3,913,735**	**5,049,813**	**10,486,158**
Inventories	459,938	3,773,199	3,080,340
Trade receivables	(61,557)	10,394,285	620,286
Trade payables	2,451,735	(6,090,359)	(6,296,752)
Accrued expenses, payroll and related taxes and deferred income	(794,008)	(237,178)	(1,835,306)
Other current assets	(661,040)	(61,623)	(188,097)
Other payables	(382,492)	118,163	296,482
Cash flow from operating activities continued operations	**4,926,311**	**12,946,300**	**6,163,111**
Taxes	(7,948)	42	-
Exchange differences	54,028	(176,891)	(117,049)
Financial charges and interests	(756,081)	(1,184,279)	(1,669,003)
Other	(2)	(21,107)	(154,391)
Net cash from/(used in) operating activities continued operations	**4,216,308**	**11,564,065**	**4,222,668**
Net cash from/(used in) operating activities discontinued operations (1.3.7.z)	**-**	**6,500,000**	**-**
Cash flows from investing activities continued operations			
Investments in intangible assets	(202,024)	(19,543)	(28,770)
Purchases of property, plant and equipment	(1,939,612)	(2,471,306)	(1,274,352)
Interests received	120,587	70,957	186,051
Net cash outflow on acquisitions of subsidiaries	-	(373,168)	-
Cash flows used in investing activities continued operations	**(2,021,049)**	**(2,793,060)**	**(1,117,071)**
Cash flows from financing activities			
Proceeds/(repayments) from long-term debts	(2,902,661)	(1,792,226)	(2,595,469)
Proceeds/(repayments) from current portion of long term debt	(19,013)	(288,235)	(1,345,582)
Proceeds/(repayments) from bank loans and overdrafts	(99,998)	(12,844,309)	1,498,950
Net cash provided by financing activities	**(3,021,672)**	**(14,924,770)**	**(2,442,101)**
Increase/(decrease) in cash and cash equivalents	**(826,413)**	**346,235**	**663,496**
Cash and cash equivalents at the beginning of the period	1,089,110	742,875	79,379
Cash and cash equivalents at the end of the period	262,697	1,089,110	742,875

The accompanying notes to these cash flow statements form an integral part of the consolidated financial statements.

1.3 Notes to the Consolidated Financial Statements of Connect Group

1.3.1. General

Connect Group NV is a limited liability company incorporated under Belgian law, with subsidiaries in Belgium (Connectsystems NV, Connectsystems International NV and Connect Systems Holding NV), the Netherlands (Connect Group Nederland BV), Germany (Connect Group GmbH), Romania (Connectronics Romania SRL) and the Czech Republic (Connectronics sro). The company is a subcontractor for the electronics industry (contract manufacturing business).

The number of employees at year end 2013 amounted to 1,674 compared to 1,650 in 2012 and 1,692 in 2011.

The registered office address of the group is located at Industriestraat 4, 1910 Kampenhout, Belgium. The financial statements were authorized for issue by the Board of Directors subsequent to their meeting held on 24 March 2014 in Kampenhout.

1.3.2. Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

These consolidated statements have been prepared under the historical cost convention except for certain accounts for which IFRS requires another convention. Such deviation from historical cost is disclosed in the notes.

1.3.3. Adoption of new and revised International Financial Reporting Standards

Standards and interpretations applicable for the annual period beginning on 1 January 2013

- 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 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)

Standards and interpretations published, but not yet applicable for the annual period beginning on 1 January 2013

- IFRS 9 *Financial Instruments* and subsequent amendments (not yet endorsed in EU)

- 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 28 *Investments in Associates and Joint* Ventures (applicable for annual periods beginning on or after 1 January 2014)

- Improvements to IFRS (2010-2012) (normally applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)

- Improvements to IFRS (2011-2013) (normally applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)

- 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 19 *Employee Benefits – Employee Contributions* (applicable for annual periods beginning on or after 1 July 2014, but not yet endorsed in EU)

- 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 Asset* (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)

- IFRIC 21 – *Levies* (applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)

Except for IFRIC 21 levies, the directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the group in the period of initial application. Based on its current assessment, the group believes that several levies will no longer be allowed to be spread over the calendar year, as the obligating event occurs at a specific point in time and after which the group can no longer avoid the outflow of economic benefit by its own actions. This might impact the group's quarterly reporting.

1.3.4. Summary of principal accounting policies

a. Basis of consolidation

The consolidated financial statements include all the subsidiaries that are controlled by the group. Control exists when the company has the power to govern the financial and operating policies and obtains the benefits from the entity's activities. Control is presumed to exist when the company owns, directly or indirectly, more than 50 % of an entity's voting rights of the share capital. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

b. Business combinations and goodwill

As of January 1, 2010, the following accounting policies were applied for business combinations and goodwill.
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Cash-generating units to which goodwill has been allocated are tested annually for impairment, or more frequently when there are indications that the carrying amount of the unit exceeds the recoverable amount. If the recoverable amount of a cash generating unit is less than its carrying value, the impairment is first deducted from the carrying amount of the goodwill allocated to the cash-generating unit. Then, the impairment is assigned to the other fixed assets belonging to the unit, and this in proportion to their book value. Once an impairment loss has been recognized for goodwill, this will not be reversed in a later period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

LIST OF SUBSIDIARIES CONSOLIDATED AS OF 31 DECEMBER

Entity Connect Group NV (% owned)	2013	2012	2011
Connect Systems Holding NV	100	100	100
Connectsystems NV	100	100	100
Connect Group Nederland BV	100	100	100
Connectsystems International NV	100	100	100
Connectronics Romania SRL	100	100	100
Connect Group GmbH	100	100	100
Connectronics sro	100	100	100

c. Foreign currency translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Euro, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Foreign currency transactions
Foreign currency transactions are recognized initially at exchange rates prevailing at the date of the transactions. Subsequently, at closing, monetary assets and liabilities denominated in foreign currencies are translated at the statement of financial position currency rate. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in the income statement as a financial result. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Foreign entities
Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified in other comprehensive income and transferred to the group's equity reserve "Cumulative translation adjustment". Such translation differences are recycled as income or as expenses in the period in which the entity is sold, disposed or liquidated. Exchange rates mentioned below have been used to consolidate foreign subsidiaries.

The year-end exchange rates (used to translate assets and liabilities in the financial statements) are as follows:

Date	GBP/EUR	SGD/EUR	USD/EUR	RON/EUR	CHF/EUR	CZK/EUR	JPY/EUR
31/12/2013	1.199	0.574	0.725	0.224	0.815	0.036	0.007
31/12/2012	1.225	0.621	0.758	0.225	0.828	0.040	0.009
31/12/2011	1.168	0.579	0.745	0.230	0.815	0.039	0.010

The weighted average rates (used to translate revenues and expenses in the financial statements) are as follows:

Year	GBP/EUR	SGD/EUR	USD/EUR	RON/EUR	CHF/EUR	CZK/EUR	JPY/EUR
2013	1.178	0.604	0.754	0.227	0.815	0.039	0.008
2012	1.229	0.620	0.775	0.225	0.830	0.040	0.010
2011	1.145	0.569	0.713	0.236	0.810	0.041	0.009

d. Intangible Assets

Acquired intangible assets
Licences, patents, trademarks, similar rights and software are measured initially at cost.
Intangible assets obtained in a business combination are initially measured at fair value. After initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses. They are amortised on a straight-line basis over their estimated useful life which is not considered to exceed 5 years. At the end of each annual reporting period the amortisation method and period are reviewed.

Internally-generated intangible assets - research and development expenditure
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognised in the income statement as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the asset can be clearly identified, when the development costs can be measured reliably and to the extent that it is probable that the asset created will generate future economic benefits. Other development expenditures are recognised as an expense as incurred. Development cost previously recognised as an expense is not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit which normally does not exceed five years.

The group does not have intangible assets with an indefinite useful life.

e. Property, plant and equipment

Land is carried at cost less accumulated impairment. All other property, plant and equipment are carried at cost less accumulated depreciation and impairment losses except for property, plant and equipment under construction which is carried at cost less accumulated impairment losses. Cost includes all directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method to their estimated residual value. The depreciation is computed from the date the asset is ready to be used.
The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) is/are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

The following useful lives are applicable to the main property, plant and equipment categories:

Buildings	10-20 years
Machinery and equipment	4-5 years
Furniture and office equipment	5 years
Computer equipment	3 years
Vehicles	3-5 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

f. Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as lessee

Finance leases
Assets held under finance leases are recognised as assets of the group at the lower of their fair value and the present value of the minimum lease payments less cumulative depreciation and impairment losses. The corresponding liability to the lessor is included in the statement of financial position as obligations under finance leases.
Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise the asset is depreciated over the shorter of the lease term and its useful life.

Operating lease
Lease payments under an operating lease are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

g. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

h. Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

i. Inventories

Inventories are stated at the lower of cost and net realizable value.

Raw materials, consumables and goods purchased for resale are valued at the lower of their cost or their net realizable value. Cost is determined using the moving weighted average cost method. The cost of work in process and finished goods comprise all the costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The conversion costs include the cost of production and the related fixed and variable production overhead costs. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

j. Financial instruments

Receivables

Receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Amounts deemed uncollectible are written off against the allowance account for receivables at each reporting date. This analysis is based on an individual assessment. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. The accounting policies adopted for specific financial liabilities are set out below.

Bank borrowings

Bank borrowings, are initially measured at fair value, net of transaction costs.

They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derivative financial instruments

The group uses sometimes derivative financial instruments to manage its exposure to interest rate risks and the foreign exchange rate risk (USD). The group does not engage in pure speculative transactions nor does it issue or hold financial instruments for trading purposes.

Derivatives are initially recorded at fair value and re-measured at the subsequent reporting dates.

Derivatives that do not qualify for hedge accounting

The changes in the fair value of derivatives which do not qualify for hedge accounting under the specific rules in IAS 39 are recognised immediately in the income statement.

Financial risk factors

Fluctuations in foreign currency exchange rates on foreign currency payables and receivables including intercompany loans are inherent risks in the performance of the business. The group entities seek to minimise potential adverse effects on the financial performance from their local business.

- Foreign exchange risks:
  Due to the international character of the group, the group is exposed to different foreign exchange risks arising from various currency exposures primarily with respect to the USD. The group uses sometimes derivatives to manage part of its exposure to the USD (see note 1.3.7. ae).

- Credit risks:
  The group has policies in place to monitor the credit risks on customers. One customer represents 13.01 % of revenue realized in 2013 (15.14 % in 2012 and 22.4 % in 2011). 10 customers represent in 2013 51,8 % of the business (52.8 % in 2012 and 63.5 % in 2011). Customers are closely monitored (see note 1.3.7. ad and note 1.3.7. b).

- Liquidity risk:
  Liquidity risk is linked to the evolution of our working capital. The group monitors the change in working capital through focused actions. Further information can be found in note 1.3.7.j.

- Interest rate risk:
  Historically, the group does not use any significant derivative financial instruments to manage its exposure to fluctuation in interest rates on their short-term loans. All loans are at commercial Belgian banks and are concluded based on Euribor + bankers margin. Bankers margin is based on financial debt / EBITDA (*) ratio and fluctuates between 0.8 and 2.75% interest.

(*) EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization = Operating result + amortisation + provisions for liabilities and other risks + depreciation.

k. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.
Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

l. Government grants

Government grants are recognised when there is a reasonable assurance that:
• the group will comply with the conditions attached to them;
• the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs are recognised as income of the period in which it becomes receivable.

Government grants related to assets are presented as deferred income. Government grants related to income are presented as a deduction to the related expense.

m. Provisions

Provisions are recognised in the statement of financial position when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

A restructuring provision is recognised when the group has a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Onerous contracts
The group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

n. Revenue recognition

Revenue is recognised when it is probable that future economic benefits associated with the transaction will flow to the entity and that these benefits can be measured reliably.

Turnover is reported net of sales taxes and rebates.

Sale of goods
Revenue from sales of goods is recognised when:

- The significant risks and rewards of the ownership of goods is transferred to the buyer;
- The group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Provisions for rebates and discounts are recorded as a reduction of revenue at the time the related revenues are recorded or when the incentives are offered.

Interest
Interest is recognised on a time proportion basis that takes into account the effective yield on the asset.

Dividends
Dividends are recognised when the shareholder's right to receive the payment is established.

o. Income taxes

The income tax charge is based on the results for the year and includes current and deferred taxation. They are recorded in the income statement except when they relate to items directly recorded in equity, in which case they are directly recorded in equity.

Current tax is the amount of tax to pay based on the taxable profit of the period, as well as any adjustments relating to previous years. It is calculated using local tax rates adopted (or substantially enacted) at the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

p. Employee benefits

Pension obligations
The group operates a number of defined contribution retirement benefit plans. Payments to defined contribution benefit plans are charged as an expense as they fall due.

Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. A liability for termination benefits is recognized at the earlier of when the group can no longer withdraw the offer of the termination benefit and when the group recognizes any related restructuring costs. Benefits falling due more than 12 months after reporting date are discounted to present value.

Profit-sharing and bonus plans
The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

q. Segment reporting

The group has not defined separate segments within its activities as the group provides one type of service to its customers, being contract manufacturing within the electronics industry. Consequently, there are no business segments to report.

1.3.5. Critical accounting judgments and key sources of estimation uncertainty

a. Judgments

Going concern
The Board of Directors has evaluated the preparation of the consolidated and individual annual accounts in accordance with the principle of going concern. The company has a strong balance sheet position, the year 2013 was positively concluded and the outlook for 2014 looks positive.

b. Estimates and assumptions

Impairment of goodwill, intangible assets and property, plant and equipment
An impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of the contract manufacturing operations has been determined based on a value in use calculation which uses cash flow projections based on the financial budget approved by the Board of Directors covering a one-year period. The sales growth rate applied for the cumulative future periods is 2.5% (5% in 2012). The growth rate applied in determining the terminal value is set at 0% (2% in 2012) and does not exceed the long term average growth rate for this type of industry (subcontractors in the electronics industry). The target EBITDA percentage on sales amounts to 5.6% (6% in 2012). The normalised EBITDA percentage on sales amounts to 3.9 % per 2013 (4.4 % in 2012). Management determines these assumptions based on past performance and its expectations for the market development. The pre-tax discount rate applied to cash flow projections is determined on the weighted average cost of capital (WACC), amounting to 9.5% (last year 13 %). The components for the determination of the WACC are based on sector specific parameters.

The value in use exceeds the carrying amount of the cash generating unit with EUR 9 million (2012 negative headroom of EUR 1.6 million). In 2012, the Board of Directors decided to write off the goodwill with EUR 1.6 million.

Stresstest on impairment

Management applied a sensitivity test on the assumptions used in the impairment test in order to indicate risk limits. The impact on the significant variables for the CGU is shown below.

CGU contract manufacturing	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Sales growth (impact on all future projected cash flows)	-1%			-1%
EBITDA % on sales		-1%		-1%
WACC			+1%	+1%
Headroom (*)	-5.4 Mio	-13.8 Mio	-5.6 Mio	-21.1 Mio

(*) The negative amounts give the impact of a change in the assumptions on the headroom.

The company cannot predict whether other events that trigger goodwill impairment will occur, when they will occur or how they will affect the asset values reported. Connect Group believes that all of its estimates are reasonable: they are consistent with the internal reporting, external market data and reflect management's best estimates. However, inherent uncertainties exist that management may not be able to control. We refer to note 1.3.7.h for additional disclosures on goodwill.

1.3.6. Changes in organization

Acquisitions and disposals 2011

There were no acquisitions and disposals in 2011, except for the announcement in December 2011, of the shareholders of Halin Group at Veldhoven (Netherlands) and Connect Group that they have reached agreement for Connect Group to acquire 100 percent of the shares of Halin Group.

Acquisitions and disposals 2012

On 6 January 2012 the transfer of 100 % of the Halin Group shares to Connect Group took place.
The acquisition price was set at EUR 1,100,000. For further disclosure on this acquisition, we refer to note 1.3.7.aa.

Acquisitions and disposals 2013

There were no acquisitions and disposals in 2013.

1.3.7. Notes

a. Cash and cash equivalents

	2013	2012	2011
Cash at bank and on hand	262,697	1,089,110	742,875
Cash equivalents	-	-	-
Total	**262,697**	**1,089,110**	**742,875**

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Connect Group does not have such cash equivalents.

b. Trade receivables - net

	2013	2012	2011
Trade receivables	20,511,828	20,888,388	28,581,607
Allowance for doubtful accounts	(1,934,973)	(2,103,029)	(2,871,802)
Trade receivables (net)	**18,576,855**	**18,785,359**	**25,709,805**

Trade receivables per year end 2013 remain in line with yearend 2012, due to the comparable turnover level in the last quarter of 2013 in comparison to 2012.

The decrease within the trade receivables per year end 2012 compared to 2011 entirely relates to the lower turnover of the last two months of 2012 and proper receivables collection at the end of the year.

The average credit period on sales is 56 days in 2013, 51 days in 2012 and 70 days in 2011. In the event of overdue payment, Connect Group shall have the right to levy interest at a rate of 1 % per month over the total amount overdue.

Credit risks arise from the possibility that customers may not be able to settle their obligations as agreed. To manage this risk, the group periodically assesses the financial reliability of its customers. Allowances for bad debtors are recorded in case indications exist that recoverability is doubtful.

As of year-end 2011, the company has one major outstanding receivable of EUR 2.8 million on one customer who did not pay its invoices of 2009 and 2010. This receivable was fully reserved.

In 2012, the group made an agreement with this customer. EUR 594,251 of the receivable was reversed (credit notes made) and the remaining of EUR 2,175,000 was going to be paid over a period of 22 months (starting April 30, 2012 till January 31, 2014). At the end of 2012, the open receivable and provision for this customer amount to EUR 1,284,000.

In 2013, some payments from this customer were received. As of the 3rd quarter, the customer ceased making payments. As a result, the provision amounts to EUR 789,000 at the end of 2013. The group went to court in order to obtain the remaining receivable. Because the receipt of payment and the outcome of the court's decision are uncertain, the receivable is still fully reserved at year-end.

Aging of receivables:

2013	Receivables not impaired	Impaired receivables	Total gross receivables
Current (not past due)	14,425,372	2,390	14,427,762
1-30	3,523,218	1,160	3,524,378
31-60	242,687	91,673	334,360
61-90	111,479	114,942	226,421
91-180	29,084	-	29,084
>180	31,473	1,938,350	1,969,823
Total	**18,363,313**	**2,148,515**	**20,511,828**

2012	Receivables not impaired	Impaired receivables	Total gross receivables
Current (not past due)	13,931,824	-	13,931,824
1-30	3,291,665	106	3,291,771
31-60	515,306	(2,658)	512,648
61-90	616,645	16,122	632,768
91-180	182,656	41,679	224,335
>180	129,721	2,165,321	2,295,042
Total	**18,667,817**	**2,220,571**	**20,888,388**

2011	Receivables not impaired	Impaired receivables	Total gross receivables
Current (not past due)	19,073,984	-	19,073,984
1-30	4,646,305	-	4,646,305
31-60	500,491	-	500,491
61-90	150,233	15,606	165,839
91-180	548,119	38,080	586,199
>180	157,876	3,450,913	3,608,789
Total	**25,077,008**	**3,504,599**	**28,581,607**

The group does not have any other financial receivables which are past due.

Allowance for doubtful accounts:

Balance at 31 December 2010	**2,201,460**
New impairment losses recognised on receivables	1,425,556
Amounts written off (used) during the year	(743,534)
Amounts reversed during the year	(11,680)
Balance at 31 December 2011	**2,871,802**
Acquired from third parties	268,323
New impairment losses recognised on receivables	233,536
Amounts written off (used) during the year	(676,381)
Amounts reversed during the year	(594,251)
Balance at 31 December 2012	**2,103,029**
New impairment losses recognised on receivables	159,808
Amounts written off (used) during the year	(2,495)
Amounts reversed during the year	(325,369)
Balance at 31 December 2013	**1,934,973**

Total impairments (new and amounts reversed) of the continuing operations recorded in the profit and loss statement amount to EUR (165,561).

As mentioned in note 1.3.7.j. the group has concluded a factoring agreement with one financial institution in the course of 2010. The factored receivables amount to EUR 18,215,413 per end 2013, EUR 17,794,195 per end 2012 and EUR 25,100,019 per end of 2011.

c. Other receivables

	2013	2012	2011
VAT receivables	302,851	367,340	390,430
Personnel related payroll cost	842	1,198	154,896
Insurance	20,237	10,581	-
Deferrals and accruals	316,392	388,813	108,383
Other	224,818	137,528	83,412
Total	**865,140**	**905,460**	**737,121**

d. Inventories

	2013	2012	2011
Raw materials and supplies, at cost	28,716,865	29,017,856	32,134,149
Work in progress, at cost	7,223,018	5,579,635	3,915,761
Finished goods, at cost	2,046,437	4,001,442	3,066,644
Goods purchased for resale	-	-	-
Contracts in progress	-	-	-
Reserve for obsolete inventories	(5,022,334)	(5,073,936)	(4,726,432)
Net	**32,963,986**	**33,524,997**	**34,390,122**

During 2012 initiatives were taken to structurally reduce inventories. As a result inventories decreased from EUR 34.4 million at the end of 2011 to EUR 33.5 million at the end of 2012.
Given that at the start of 2012 another EUR 4 million of inventory entered the books as a result of the Halin Group acquisition, this is an inventory reduction of more than 10 percent.

Per year end 2013, inventory levels are comparable to prior year.

In a contract manufacturing business model, inventories are purchased based upon firm customer orders or forecasts for specific customer products within a specific time frame. Consequently more than 80 % of the inventory is customer specific. In case customers cancel forecasts, the company has the right to get indemnification for all inventory items specifically purchased for the cancelled forecast.

For further information on the cost of inventories recognized as an expense during the period in respect of continuing operations, we refer to note 1.3.7.o. Impairment losses on inventory are recorded as cost of sales.

e. Long-term other receivables

	2013	2012	2011
Other receivables	800,000	-	2,000,000

In 2011, the company had a gross receivable of EUR 2,000,000 on the purchaser of the automation activity. The receivable was payable in 2013 and started bearing interest as of Q4 2011. In 2010, the receivable was discounted using an interest rate of 6.7 %.
In December 2012, a settlement was concluded with the purchasers of the automation activity in connection with their contractual obligation to pay to Connect Group 50 percent of the adjusted profit of the acquired business for the period 2010-2012. As a result of this settlement, the buyer paid to Connect Group at 28 December 2012 the sum of EUR 4.5 million as final settlement for this contractual obligation and EUR 2 million as payment for the outstanding debt to Connect Group. The EUR 4.5 million was recorded as a result from the discontinued Automation activity.

In May 2013, the group had a receivable on a customer of EUR 1,438,000. In October of the year, this customer went into bankruptcy. The acquirer of the bankrupt customer agreed to take over EUR 1,000,000 of the payable towards Connect Group, resulting in a write-off of EUR 438,000 recorded under "Other operating expenses" for Connect Group. This payable is transferred into a 5 year interest-bearing loan, repayable in an amount of EUR 200,000 per year. Therefore, EUR 800,000 is recorded under "Long-term other receivables" while EUR 200,000 is recorded under "Other receivables" (note 1.3.7.c).

f. Property, plant and equipment

Year ended December 2013	Land and buildings	Machinery and equipment	Furniture and vehicles	Fixed asset under construction	Total
Cost:					
Beginning of the period	**8,732,593**	**21,689,964**	**3,035,363**	**5,239**	**33,463,159**
Additions of the year	93,577	1,587,739	252,926	16,403	**1,950,645**
Acquired from third parties	-	50,112	23,109	-	**73,221**
Disposals	-	(390,746)	(216,618)	-	**(607,364)**
Transfers	14,497	(30,442)	21,184	(5,239)	**-**
End of the period	**8,840,667**	**22,906,627**	**3,115,964**	**16,403**	**34,879,661**
Accumulated depreciation and impairment:					
Beginning of the period	**4,235,127**	**16,994,080**	**2,365,703**	**-**	**23,594,910**
Depreciation expense	392,147	1,703,030	284,996	-	**2,380,173**
Impairment losses	-	-	-	-	**-**
Eliminated on disposals	-	(320,220)	(204,522)	-	**(524,742)**
Transfers	11,855	(32,901)	21,046	-	**-**
End of the period	**4,639,129**	**18,343,989**	**2,467,223**	**-**	**25,450,341**
Net book value at December 2013	**4,201,538**	**4,562,638**	**648,741**	**16,403**	**9,429,320**

Year ended December 2012	Land and buildings	Machinery and equipment	Furniture and vehicles	Fixed asset under construction	Total
Cost:					
Beginning of the period	**8,596,101**	**20,541,965**	**3,289,253**	**-**	**32,427,319**
Additions of the year	90,962	2,571,270	296,469	5,239	**2,963,939**
Acquired from third parties	144,492	4,703,320	-	-	**4,847,812**
Disposals	(98,823)	(5,913,522)	(674,504)	-	**(6,686,849)**
Transfers	3,843	(213,069)	158,248	-	**(50,978)**
Effect of exchange differences	(3,982)	-	(34,103)	-	**(38,085)**
End of the period	**8,732,593**	**21,689,964**	**3,035,363**	**5,239**	**33,463,159**
Accumulated depreciation and impairment:					
Beginning of the period	**3,790,424**	**16,487,236**	**2,536,010**	**-**	**22,813,670**
Depreciation expense	393,086	2,152,085	342,430	-	**2,887,601**
Acquired from third parties	53,165	3,930,916	-	-	**3,984,081**
Eliminated on disposals	(4,422)	(5,362,633)	(638,992)	-	**(6,006,047)**
Transfers	3,843	(213,524)	158,701	-	**(50,980)**
Effect of exchange differences	(969)	-	(32,446)	-	**(33,415)**
End of the period	**4,235,127**	**16,994,080**	**2,365,703**	**-**	**23,594,910**
Net book value at December 2012	**4,497,466**	**4,695,883**	**669,661**	**5,239**	**9,868,249**

Year ended December 2011	Land and buildings	Machinery and equipment	Furniture and vehicles	Fixed asset under construction	Total
Cost:					
Beginning of the period	**8,480,367**	**22,048,699**	**3,135,699**	**-**	**33,664,765**
Additions of the year	116,063	1,147,432	247,978	-	**1,511,473**
Disposals	-	(2,304,225)	(392,486)	-	**(2.696.711)**
Transfers	4,481	(138,168)	133,687	-	**-**
Effect of exchange differences	(4,810)	(211,773)	164,375	-	**(52,208)**
End of the period	**8,596,101**	**20,541,965**	**3,289,253**	**-**	**32,427,319**
Accumulated depreciation and impairment:					
Beginning of the period	**3,405,166**	**16,759,116**	**2,250,864**	**-**	**22,415,146**
Depreciation expense	387,192	2,189,595	342,029	-	**2,918,816**
Impairment losses	-	-	-	-	**-**
Eliminated on disposals	-	(2,158,830)	(343,515)	-	**(2.502.345)**
Transfers	-	(106,873)	106,873	-	**-**
Effect of exchange differences	(1,934)	(195,772)	179,759	-	**(17,947)**
End of the period	**3,790,424**	**16,487,236**	**2,536,010**	**-**	**22,813,670**
Net book value at December 2011	**4,805,677**	**4,054,729**	**753,243**	**-**	**9,613,649**

The gross carrying amount of all items that are fully depreciated but still in active use is EUR 17,335,542 per 31 December 2013, EUR 15,160,439 per 31 December 2012 and per year end 2011, the gross carrying amount of such items was EUR 12,852,268.

The company has financial leases for a total amount of EUR 293,096 mainly related to machinery and equipment per end of 2013. At year end 2012, the company had financial leases for a total amount of EUR 547,397 and at year end 2011, the company had financial leases for a total amount of EUR 189,368. We refer to note 1.3.7.k for additional disclosures regarding the financial leases.

There are mortgages (see note j.) on the buildings of Connectsystems NV, Connect Group NV and Connect Group Nederland BV. These buildings have a net book value of EUR 3,477,333.

For an impairment analysis on property, plant and equipment, we refer to note 1.3.5. where an impairment analysis of goodwill, intangible assets and property, plant and equipment has been disclosed on the level of the cash generating units.

g. Intangible assets

Year ended December 2013	Development Costs	Licenses	Other	Total
Cost:				
Beginning of the period	**1,952,648**	**1,393,669**	**45,018**	**3,391,335**
Additions of the year	-	200,394	-	**200,394**
Additions of the year	-	-	-	**-**
Transfers	-	(11,523)	-	**(11,523)**
Effect of exchange differences	-	-	-	**-**
End of the period	**1,952,648**	**1,582,540**	**45,018**	**3,580,206**
Accumulated amortization and impairment:				
Beginning of the period	**1,165,287**	**1,286,222**	**30,787**	**2,482,296**
Depreciation expense	394,342	112,252	8,270	**514,864**
Impairment losses	-	-	-	**-**
Transfers	-	(11,523)	-	**(11,523)**
Effect of exchange differences	-	-	-	**-**
End of the period	**1,559,629**	**1,386,951**	**39,057**	**2,985,637**
Net book value December 2013	**393,019**	**195,589**	**5,961**	**594,569**

Year ended December 2012	Development Costs	Licenses	Other	Total
Cost:				
Beginning of the period	**1,952,648**	**1,329,656**	**43,774**	**3,326,078**
Additions of the year	-	14,801	1,244	**16,045**
Transfers	-	(50,980)	-	**50,980**
Effect of exchange differences	-	(1,768)	-	**(1,768)**
End of the period	**1,952,648**	**1,393,669**	**45,018**	**3,391,335**
Accumulated amortization and impairment:				
Beginning of the period	**757,588**	**1,021,524**	**18,519**	**1,797,631**
Depreciation expense	407,699	217,844	13,408	**638,951**
Impairment losses	-	-	-	**-**
Transfers	-	52,120	(1,140)	**50,980**
Effect of exchange differences	-	(5,266)	-	**(5,266)**
End of the period	**1,165,287**	**1,286,222**	**30,787**	**2,482,296**
Net book value December 2012	**787,361**	**107,447**	**14,231**	**909,039**

The development cost and licenses mainly consist of the SAP licences and implementation costs of 2009.

Year ended December 2011	Development Costs	Licenses	Other	Total
Cost:				
Beginning of the period	**1,947,544**	**1,322,667**	**37,830**	**3,308,041**
Additions of the year	5,104	6,989	11,530	**23,623**
Transfers	-	-	-	**-**
Effect of exchange differences	-	-	(5,586)	**(5,586)**
End of the period	**1,952,648**	**1,329,656**	**43,774**	**3,326,078**
Accumulated amortization and impairment:				
Beginning of the period	**370,249**	**771,134**	**10,028**	**1,151,411**
Depreciation expense	387,339	250,390	10,729	**648,458**
Impairment losses	-	-	-	**-**
Transfers	-	-	-	**-**
Effect of exchange differences	-	-	(2,238)	**(2,238)**
End of the period	**757,588**	**1,021,524**	**18,519**	**1,797,631**
Net book value December 2011	**1,195,060**	**308,132**	**25,255**	**1,528,447**

For an impairment analysis on intangible assets, we refer to note 1.3.5. where an impairment analysis of goodwill, intangible assets and property, plant and equipment has been disclosed on the level of the cash-generating units.

The weighted average remaining useful life of the licenses is 5 years.

h. Goodwill

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. For further details on the results of the impairment analysis, we refer to note 1.3.5.

The book value of the total goodwill at 31 December 2013, 2012 and 2011 is as follows:

	Acquisition value	Accumulated impairment losses	Net carrying amount
Goodwill on 31 December 2011	**9,352,950**	**(4,704,238)**	**4,648,712**
Goodwill resulting from Halin acquisition	1.533.359	-	1.533.359
Goodwill write down	-	(1.633.539)	(1.633.539)
Goodwill on 31 December 2012	**10,886,309**	**(6,337,597)**	**4,548,712**
Goodwill on 31 December 2013	**10,886,309**	**(6,337,597)**	**4,548,712**

In 2012, Halin was integrated in Connect Group. As a result of the acquisition EUR 1,533,359 goodwill was recognized.

Prior year, the Board of Directors decided to record a write-off of EUR 1,633,359 based on the impairment analysis in 2012, showing a negative headroom of EUR 1.6 million.

Based on the impairment analysis of 2013, the Board of Directors decided that no further impairment loss needs to be recorded.

For an impairment analysis on goodwill, we refer to note 1.3.5. where an impairment analysis of goodwill, intangible assets and property, plant and equipment has been disclosed on the level of the cash generating unit.

i. Accrued expenses, payroll and related taxes and deferred income

	2013	2012	2011
Vacation pay accruals	1,973,801	1,830,562	1,925,757
Other social debt	1,984,647	3,125,288	1,769,097
VAT debt	648,447	469,009	487,423
Withholding taxes	848,779	793,403	751,874
Accrued interests	33,683	74,305	44,822
Deferred income	11,847	40,573	600,136
Other	339,177	301,260	306,848
Total	**5,840,381**	**6,634,400**	**5,885,957**

Accrued interests relate to interests on current bank loans and overdrafts.

j. Current bank loans and overdrafts

	2013	2012	2011
Secured	13,101,279	13,201,277	22,958,191
Financial institutions	1,200,078	-	4,760,782
Factoring of receivables	11,901,201	13,201,277	18,197,408

The fair value of the financial loans and overdrafts amounts to EUR 13,101,279 in 2013, EUR 13,201,277 in 2012, EUR 22,958,191 in 2011.

As of 31 December 2013 the company has credit lines for a total amount of EUR 12 million at different Belgian commercial banks and no credit lines at foreign banks.
As of 31 December 2012 the company has credit lines for a total amount of EUR 12 million at different Belgian commercial banks and no credit lines at foreign banks.
As of 31 December 2011 the company has credit lines for a total amount of EUR 10 million at different Belgian commercial banks and no credit lines at foreign banks.

Per end 2013 EUR 1,200,078, per end 2012 EUR 0 and per end of 2011 EUR 4,760,782 of the credit lines at the Belgian commercial banks were used.

All bank borrowings are in Euro. Average interest rate on credit lines is based on Euribor plus a bankers margin which is based on the ratio between EBITDA (*) and financial debt. The average bankers margin amounted to 1.5% in 2013, 1,75% in 2012 and 2.5 % in 2011.

(*) EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization = Operating result + amortization + provisions for liabilities and other risks + depreciation

As part of the annual renewal of the credit letters, new letters were received by all financial institutions without major changes compared to prior year. Based on these letters, following guarantees have been given by the company:

- Mortgage on the buildings of Connect Group NV and Connectsystems NV (Kampenhout) each for EUR 785,860 at one financial institution, and EUR 550,000 at two other financial institutions;
- Mortgage on the buildings of Connect Group NV and Connectsystems NV (Kampenhout) each for EUR 965,000 at one financial institution, EUR 1,375,000 at two other financial institutions;
- Pledge on the commercial funds of Connect Group NV, Connectsystems NV and Connectsystems International NV for a total value of EUR 10,000,000 at one financial institution and EUR 5,500,000 at two other financial institutions;
- Pledge on the commercial funds of Connect Group NV, Connectsystems NV and Connectsystems International NV for a total value of 8,000,000 at one financial institution, EUR 9,350,000 at two other financial institutions;
- Mortgage on the buildings of Connect Group Nederland BV for a total value of EUR 480,000 at one financial institution and EUR 360,000 at two other financial institutions.

All financial institutions obtained following guarantees in parity with their credit lines:
- A ‘Zessionsvertrag’ and ‘Raumsicherungsubereignungsvertrag’ on Connect Group GmbH;
- A pledge on the inventories of Connect Group GmbH;
- A pledge on the receivables and the inventories of Connect Group Nederland BV;

- A pledge on the agreement with Barco;
- A pledge on the factoring agreements with KBC Commercial Finance;
- A pledge on the shares of Connect Group NV in Connect Systems Holding NV;
- A pledge on the shares of Connect Systems Holding NV in Connectsystems NV;
- A pledge on the shares of Connectsystems NV in Connectsystems International NV;
- Subordination of the receivable on Connectronics Romania SRL of EUR 2 mio by Connect Group NV in advantage of the banks

According to these credit letters, the following 2013 bank covenants need to be respected on a consolidated level:
- A solvency ratio (*) of minimum 25 % as of 31 December 2013;
- The consolidated cash flow (**) over the last 4 quarters needs to be positive on average;
- A maximum consolidated leverage (***) of 3;
- A consolidated tangible equity of EUR 14 mio.

Except for the consolidated leverage ratio, all bank covenants were respected per December 2013. The company received before yearend a waiver for not respecting this covenant.

Per 30 June 2014, the leverage ratio may not rise above 4 and as of 31 December 2014, the leverage ratio may not exceed 3. Based on the budget for 2014 management expects to be able to comply with these covenants in the coming year or in case one of the covenants would not be met to obtain a waiver.

(*) Defined as tangible equity / modified total balance sheet (tangible equity = equity plus subordinated loan, less goodwill and intangible assets, modified total balance sheet = total balance sheet - goodwill and intangible assets, netting cash on bank with short term financial debt, netting deferred taxes)

(**) Defined as net income of the consolidation period + depreciation on fixed and intangible assets + amortization of goodwill

(***)Defined as total net financial debt / EBITDA (total net financial debt = long and short term loans less cash and cash equivalents)

The group concluded a factoring agreement with a financial institution in 2010. The agreement is a pure financing agreement without risk transfer or administration at the factoring company. The average financing throughout the year was limited to 85 % of all accepted receivables not older than 60 days overdue. The financing cost is based on Euribor plus a fixed margin. The factored receivables amount to EUR 18,215,413 per end 2013, EUR 17,794,195 per end 2012 and EUR 25,100,019 per end of 2011.

k. Long-term debt

	2013		2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Secured debt	**4,819,796**	**4,819,796**	**7,741,471**	**7,741,471**	**8,688,491**	**8,688,491**
Bank loans	4,521,824	4,521,824	7,270,867	7,270,867	8,688,491	8,688,491
Finance lease liabilities	297,972	297,972	470,603	470,603	-	-
Unsecured debt	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Total long term debt	**4,819,796**	**4,819,796**	**7,741,471**	**7,741,471**	**8,688,491**	**8,688,491**
Less current maturities	(2,244,890)	(2,244,890)	(2,263,903)	(2,263,903)	(2,438,491)	(2,438,491)
Long term portion	**2,574,906**	**2,574,906**	**5,477,567**	**5,477,567**	**6,250,000**	**6,250,000**

Breakdown of maturities:

The following tables detail the group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The table includes both interest and principal cash flows.

2013	Bankloans repayment	Bankloans interest payments	Total
2015	1,847,343	48,648	**1,895,991**
2016	249,721	10,384	**260,105**
2017	247,948	5,516	**253,464**
2018	26,812	736	**27,548**
2019	-	-	-
Beyond 2019	-	-	-

	Finance lease payments	Finance lease interest payments	Total
2015	114,871	6,328	**121,199**
2016	71,779	1,907	**73,686**
2017	16,432	174	**16,605**
2018	-	-	-
2019	-	-	-
Beyond 2019	-	-	-

2012	Bankloans repayment	Bankloans interest payments	Total
2014	2,405,343	112,098	**2,517,442**
2015	1,903,721	59,075	**1,962,796**
2016	401,984	15,710	**417,658**
2017	400,708	1,488	**402,196**
2018	-	-	-
Beyond 2018	-	-	-

	Finance lease payments	Finance lease interest payments	Total
2014	149,968	23,251	**173,220**
2015	127,666	6,571	**134,237**
2016	71,780	1,907	**73,687**
2017	16,432	174	**16,605**
2018	-	-	-
Beyond 2018	-	-	-

2011	Bankloans repayment	Bankloans interest payments	Total
2013	2,150,000	64,500	**2,214,500**
2014	2,150,000	64,500	**2,214,500**
2015	1,650,000	49,500	**1,699,500**
2016	150,000	4,500	**154,500**
2017	150,000	4,500	**154,500**
Beyond 2017	-	-	-

Long-term debts are in Euro. Average interest rate on long-term bank loans is quarterly revised based on Euribor 3 month plus bankers margin between 0.8 % and 2.75 %. There is no difference between the book value and the fair value of the long-term debts.

The long term bank loans are secured with a mortgage on the buildings of Connect Group NV and Connect Systems NV (Kampenhout). For further information, we refer to note 1.3.7.j.

I. Provisions

	Restructuring	Pensions	Other	Total
Balance at 31 December 2010	**275,000**	**204,244**	**-**	**479,244**
Acquired from third parties	-	-	-	-
New provisions recorded in 2011	-	3,352	-	3,352
Provisions used in 2011	(275,000)	(22,555)	-	(297,555)
Provisions reversed in 2011	-	-	-	-
Provisions related to discontinued operations	-	-	-	-
Balance at 31 December 2011	**-**	**185,041**	**-**	**185,041**
Acquired from third parties	-	-	30,314	30,314
New provisions recorded in 2012	234,198	143,603	2,302	380,103
Provisions used in 2012	(222,248)	(29,641)	(16,199)	(268,088)
Provisions reversed in 2012	-	-	-	-
Provisions related to discontinued operations	-	-	-	-
Balance at 31 December 2012	**11,950**	**299,003**	**16,417**	**327,370**
Acquired from third parties	-	-	-	-
New provisions recorded in 2013	13,500	39,341	-	52,841
Provisions used in 2013	(11,950)	(48,178)	-	(60,128)
Provisions reversed in 2013	-	-	(16,417)	(16,417)
Provisions related to discontinued operations	-	-	-	-
Balance at 31 December 2013	**13,500**	**290,166**	**-**	**303,666**

Provisions have been presented as current liabilities as of 31 December 2013, 2012 and 2011 as the costs are expected to be incurred in the next accounting year.

m . Other current liabilities

	2013	2012	2011
Advances received on contracts in progress	509,190	273,015	193,015
Fair value of financial instruments	-	-	-
Acquisition price Halin group (remaining balance)	-	625,000	-
Other	12,314	5,981	1,436
Total	**521,504**	**903,996**	**194,451**

The remaining balance in 2012 of EUR 625,000 relating to the acquisition price of the Halin Group in 2012 was paid during the year and is a result not recognized anymore on the balance sheet.

n. Shareholders' equity and rights attached to the shares

As of 31 December 2013 the common stock consisted of 10,290,024 issued and outstanding ordinary shares without face value.

Each holder of shares is entitled to one vote per share, without prejudice to specific restrictions on the shareholders' voting rights in the company's Articles of Association and Belgian Company Laws, including restrictions for non-voting shares and the suspension or cancellation of voting rights for shares which have not been fully paid up at the request of the Board of Directors.

Under Belgian Company Laws, the shareholders decide on the distribution of profits at the annual shareholders' meeting, based on the latest audited accounts of the company. Dividends may be paid in cash or in kind. Legally, there are no restrictions in place for paying out a dividend.

The group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide the capital allowing to continue the growth strategy of the group;
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The group sets the amount of capital in proportion to risk. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The group monitors capital on the basis of financial debt-to-adjusted capital ratio. This ratio is calculated as net financial debt / adjusted capital. Net financial debt is calculated as total financial debt, less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, minority interest, retained earnings and revaluation reserve) other than amounts accumulated in equity relating to cash flow hedges, and includes some forms of subordinate debt.

The group's strategy is to maintain the debt-to-adjusted capital ratio, in order to secure access to financing at a reasonable cost.

The debt-to-adjusted-capital ratios at 31 December 2013, 2012 and 2011 were as follows:

	2013	2012	2011
Total financial debt	17,921,075	20,942,747	31,646,682
Less cash and cash equivalents	(262,697)	(1,089,110)	(742,875)
Net financial debt	**17,658,378**	**19,853,637**	**30,903,807**
Total equity	26,294,432	26,212,567	23,199,221
Add subordinated loan	-	-	-
Adjusted capital	**26,294,432**	**26,212,567**	**23,199,221**
Net financial debt to adjusted capital ratio	0.67	0.76	1.33

o. Deferred taxes

Deferred tax balances are presented in the statement of financial positions as follows:

	2013	2012	2011
Deferred tax assets	1,500,000	1,500,000	1,500,000
Non-current assets held for sale	-	-	-
Deferred tax liabilities	-	-	-
Liabilities directly associated with assets classified as held for sale	-	-	-

Components of deferred tax balances are as follows:

2013	Opening balance	Recognised in profit or loss	Closing balance
Deferred tax assets	**1,500,000**	**-**	**1,500,000**
- Tax losses or notional interest deduction of consolidated companies carried forward	1,500,000	-	1,500,000

Deferred taxes arise in the following circumstances:

- Intangible assets: accelerated tax depreciations lead to tax bases lower than the carrying amounts;
- Property, plant and equipment: accelerated tax depreciations lead to tax bases lower than the carrying amounts;
- Inventories may have carrying amounts higher than the fiscal accepted value resulting from the completed contract method in the fiscal books;
- Provisions recorded in the financial statements which are disallowed for fiscal reasons in local books;
- Companies reporting losses: deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized.

At the end of 2013 there are no material differences for the items described above. So no deferred taxes for these items are recorded.

The group has unrecognized tax losses of EUR 46,800,000 EUR 45,500,000 and EUR 49,000,000 respectively at 31 December 2013, 2012 and 2011 with no expiry date resulting in unrecognized deferred tax assets for EUR 18,100,000, EUR 12,300,000, and EUR 14,670,000 as at 31 December 2013, 2012 and 2011. Further the group has also minimal unrecognized tax losses of EUR 7,200,000 at 31 December 2013 with expiry date resulting in unrecognized deferred tax assets for EUR 1,300,000.

Temporary differences on investments in subsidiaries (undistributed earnings) were approximately EUR 37,499,000, EUR 35,389,000, and EUR 34,780,000 at respectively 31 December 2013, 2012 and 2011. Since it is the intention of the company to indefinitely reinvest these earnings, no deferred tax liability has been accounted for.

p. Cost of sales

	2013	2012	2011
Purchases of material	78,271,025	90,928,869	96,496,972
Personnel expenses	24,690,359	26,418,903	24,166,314
Depreciation/amortization	2,721,273	3,314,961	3,353,236
Repair and maintenance	572,688	789,075	519,209
Other	3,802,439	3,969,323	3,153,650
Total	**110,057,784**	**125,421,130**	**127,689,381**

q. Research and development expenses

	2013	2012	2011
Personnel expenses	1,023,967	1,116,292	1,016,887
Depreciation/amortization	57,920	70,531	71,346
Other	174,828	171,408	150,062
Total	**1,256,715**	**1,358,231**	**1,238,295**

r. General and administrative expenses

	2013	2012	2011
Personnel expenses	4,095,868	4,465,167	4,067,546
Depreciation/amortization	57,921	70,531	71,346
Professional and Directors fees	788,982	1,069,643	1,119,473
Other	1,353,628	1,216,332	1,128,385
Total	**6,296,399**	**6,821,673**	**6,386,750**

Other general and administrative expenses mainly include various office supplies, IT and communication services and supplies as well as general taxes such as real estate taxes and community taxes.

s. Selling expenses

	2013	2012	2011
Personnel expenses	4,778,513	5,209,361	4,745,470
Representation and travel expenses	416,887	461,963	470,657
Depreciation/amortization	57,921	70,531	71,346
Transportation costs	589,434	693,295	622,117
Fairs, exhibitions and other	726,920	773,649	646,513
Total	**6,569,675**	**7,208,799**	**6,556,103**

t. Other operating income and other operating expenses

	2013	2012	2011
Gain on disposal of fixed assets	166,067	134,454	127,395
Other	-	590,974	-
Other operating income	**166,067**	**725,428**	**127,395**
Loss on disposal of fixed assets	6,752	96,044	24,364
Other	295,081	-	1,434,578
Other operating expenses	**301,833**	**96,044**	**1,458,942**

Other operating expenses in 2011 include mainly the write down on receivables. In 2012, the operating income is influenced by the payment of EUR 550,000 on a receivable that had been fully written down in 2011. The other operating expenses amount to EUR 295,081 in 2013 and mostly consist out of further payments received from this client and a new allowance on a receivable for a client that has filed for bankruptcy.

u. Personnel expenses and average number of employees

	2013	2012	2011
Hire personnel	928,804	1,427,517	2,360,477
Wages and salaries	31,517,247	33,479,357	29,897,960
Insurance	875,911	905,686	419,428
Other	1,266,745	1,397,162	1,318,352
Total	**34,588,707**	**37,209,722**	**33,996,217**

The average number of employees of the group in 2013 amounted to 1,643 compared to 1,790 in 2012 and 1,745 in 2011.

Defined contribution plans

The company provides defined contribution plans for some employees. The plan provides for contributions ranging from 2 % to 15 % of the salary. These contributions, partly paid by the employer and partly paid by the employee, are calculated by an insurance company and the costs are charged to income statement in the year to which they relate. Defined contribution costs were EUR 875,911, EUR 905,686 and EUR 375,612 respectively at 31 December 2013, 2012 and 2011.
At the end of 2013, the insurance company confirmed that the guaranteed return of the defined contribution plans were met.

v. Depreciation charges, amortization charges

	2013	2012	2011
Property, plant and equipment	2,380,173	2,887,604	2,910,321
Cost of sales	2,206,411	2,676,011	2,696,283
General and administration costs	57,921	70,531	71,346
Selling expenses	57,921	70,531	71,346
Research and development costs	57,920	70,531	71,346
Intangible fixed assets	514,862	638,951	656,953
Cost of sales	514,862	638,951	656,953
Total depreciation charges and amortization charges	**2,895,035**	**3,526,555**	**3,567,274**

w. Financial results

	2013	2012	2011
Interest income	48,266	53,163	141,455
Exchange differences	190,011	164,282	232,605
Other	75,060	17,794	44,596
Total financial income	**313,337**	**235,239**	**418,656**
Interest charges	562,220	899,944	1,363,559
Bank charges	193,861	284,335	305,444
Exchange differences	138,722	341,173	349,654
Total financial charges	**894,803**	**1,525,452**	**2,018,657**
Net financial results	**(581,466)**	**(1,290,213)**	**(1,600,001)**

x. Income taxes

Income taxes are calculated on the basis of the taxable profit of the individual companies included in the consolidation. The company recognizes deferred taxes according to IAS 12. Income taxes recognized in the income statement:

	2013	2012	2011
Income taxes of the current year	-	(13)	(71)
Income taxes of the prior year	(7,948)	55	305,385
Deferred tax expense/(income)	-	-	-
Total	**(7,948)**	**42**	**305,314**

In 2013, 2012 and 2011 no income taxes were recognized in other comprehensive income.

The reconciliation of the effective tax rate to the statutory tax rate is as follows:

	2013	2012	2011
Profit/(loss) before taxes	89,813	3,034,413	3,429,748
Effect of companies reporting losses	3,534,189	3,126,875	1,322,533
Income tax expense calculated at 33.99%	1,231,798	2,094,222	1,615,300
Effect of revenue that is exempt from taxation	(689,187)	(1,709,697)	(689,997)
Non deductible expenses	161,496	536,284	277,360
Notional interest deduction	(380,493)	(410,196)	(132,735)
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	(315,666)	(510,571)	(1,069,857)
Total	**7,948**	**(42)**	**(71)**
Effective tax rate	0%	0%	0%

The deferred taxes recognized in the statement of financial position are the result of temporary differences in the recognition of income and expenses in the annual report on the one hand and the fiscal books on the other hand.

y. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	2013	2012	2011
Net profit/(loss) for the year from continuing operations	81,865	(1,465,545)	3,735,062
Net profit/(loss) for the year	81,865	3,034,455	3,735,062
Weighted average number of shares – basic	10,290,024	10,290,024	9,140,846
Earnings per share – basic/net profit available for distribution continuing operations	0.01	(0.14)	0.41
Earnings per share – basic/net profit available for distribution continuing plus discontinued operations	0.01	0.29	0.41
Weighted average number of shares – diluted	10,290,024	10,290,024	9,140,846
Earnings per share - diluted/net profit available for distribution continuing operations	0.01	(0.14)	0.41
Earnings per share - diluted/net profit available for distribution continuing plus discontinued operations	0.01	0.29	0.41

z. Business combinations and discontinued operations

Business combinations

On 16 December 2011, the shareholders of Halin Group at Veldhoven (Netherlands) and Connect Group announced that they have reached agreement for Connect Group to acquire 100 percent of the shares of Halin Group. The transfer of the shares and the closing took place at 6 January 2012 (being the date of acquisition).

Subsidiaries acquired

Halin Group consists of 4 companies: Halin Group BV, Halin Electronics BV, Halin Industrial Solutions
BV and Halin Communication Technology BV. Halin Communication Technology BV is not included in the takeover. Just like Connect Group, Halin Group is an electronics - mechatronics subcontractor, operating primarily on the Dutch market. The Halin Group employs around 120 people at Veldhoven, Netherlands, and has an annual turnover of around EUR 15 million. The strategic decision for the acquisition relates to the further development of the market in the Netherlands, revenue growth and expected synergies.

The subsidiaries acquired can be summarized as follows:

	Proportion of voting equity interests acquired (%)
Halin Group BV	100%
Halin Industrial Solutions BV	100%
Halin Electronics BV	100%

Consideration transferred

The acquisition price is set at EUR 1,100,000. Acquisition related costs amounting to EUR 50,000 have been excluded from the consideration transferred and are being recognized as incurred as an expense in 2012 within other expenses in the consolidated income statement.

Fair value of assets acquired and liabilities recognized at the date of acquisition

Assets	
Cash and cash equivalents	101,832
Trade receivables	3,112,543
Other receivables	94,335
Inventories	3,255,578
Total current assets	**6,564,288**
Property, plant and equipment	670,899
Total non-current assets	**670,899**
Total assets	**7,235,187**

Liabilities	
Bank loans and overdrafts	3,087,395
Current portion of long-term debt	113,647
Trade payables	2,431,864
Accrued expenses, payroll and related taxes and deferred income	628,726
Provisions	25,434
Other current liabilities	361,688
Total current liabilities	**6,648,754**
Long-term debt less current portion	1,019,793
Total non-current liabilities	**1,019,793**
Total liabilities	**7,668,547**

Goodwill arising on the acquisition

Consideration transferred	1,100,000
Fair value of identifiable net assets acquired	(433,360)
Goodwill arising on acquistion	1,533,360

The consideration paid for the combination effectively includes amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.
None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of subsidiary per 31/12/2012

Consideration paid in cash	1,100,000
Less cash and cash equivalent balances acquired	101,832
Less outstanding amount to pay	625,000
= Net cash out-flow	373,168

Impact of acquisition on the result of the group (in 2012)

The impact of the Halin Group acquisition on the results of the group is unmeasurable as all Halin Group companies were fully integrated in Connect Group Nederland BV before the end of the year. If Halin Group remained independent, the result of the year would certainly have been negative.

Discontinued operations

In December 2012, a settlement was concluded with the purchasers of the Automation activity in connection with their contractual obligation to pay to Connect Group 50 percent of the adjusted profit of the acquired business for the period 2010-2012. As a result of this settlement, the buyer paid to Connect Group at 28 December 2012 the sum of EUR 4.5 million as final settlement for this contractual obligation and EUR 2 million as payment for the outstanding debt to Connect Group. The EUR 4.5 million was recorded as a result from the discontinued automation activity.

aa. Segment reporting

Operating segments

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

Geographical information

The group operates in four principal geographical areas: Belgium (country of residence), The Netherlands Germany and France. The geographical spread of revenues by major country is as follows:

	2013		2012		2011	
	In EUR	In %	In EUR	In %	In EUR	In %
Belgium	50,589,611	40	59,445,719	42	71,151,276	48
The Netherlands	45,791,633	37	54,143,203	38	41,504,911	28
Germany	12,138,292	10	12,080,552	9	13,340,864	9
France	6,385,889	5	8,304,087	6	2,964,636	2
Other Europe	10,082,193	8	7,664,875	5	19,270,137	13
Total	**124,987,618**	**100**	**141,638,435**	**100**	**148,231,824**	**100**

The property, plant and equipment and intangible assets of the Connect Group by location are as follows:

	2013		2012		2011	
	In EUR	In %	In EUR	In %	In EUR	In %
Belgium	4,401,909	44	5,041,724	47	6,131,266	55
The Netherlands	1,450,536	14	1,760,679	16	869,645	8
Germany	260,476	3	275,383	3	343,444	3
Czech Republic	1,031,015	10	1,015,094	9	1,036,572	9
Romania	2,879,953	29	2,684,408	25	2,761,169	25
Total	**10,023,889**	**100**	**10,777,288**	**100**	**11,142,096**	**100**

Information about major customers

The company has one customer counting for 13 % of its sales in 2013, 15.1% in 2012 and 22.4 % in 2011. 10 customers account for approximately 51,8 %, 52.8 % and 63.5 % respectively of the group's net sales of the continued operations in 2013, 2012 and 2011. Beside these 10 largest customers, no other customer accounts for 2 % or more of the group's total net sales. The 10 highest amounts of trade receivables for a single customer account for approximately 53.4 % of the group's trade accounts receivable at 31 December 2013 whereas this was 51.8 % at 31 December 2012 and 65.1 % at 31 December 2011.

ab. Contingent liabilities

Neither the company, nor its subsidiaries are subject to any legal proceeding that can have or may have a significant negative impact on the consolidated financial position of the company.

ac. Issued capital and reserves

Shareholders' Equity (at 31/12/2013)

Origin Name	Number Issued	Declared total	%
Equity	10,290,024	7,088,573	68.89 %

Shareholder name	Number declared (*)	%
QuaeroQ cvba	2,214,971	21.53 %
Huub Baren (**)	2,166,155	21.05 %
LRM NV	1,870,786	18.18 %
Luc Switten	426,369	4.14 %
Het Beste Brood Holding SA (***)	410,292	3.99 %
Other below the reporting threshold	3,201,451	31.11 %
Total	**10,290,024**	**100 %**

(*) Shareholders holding 3% or more of the shares need to declare their interests
(**) + companies controlled by Huub Baren
(***) company controlled by Guy van Dievoet

During 2013 there have been no changes in the authorized shares, ordinary shares issued and fully paid, share premium or treasury shares.

ad. Financial instruments

Categories of financial instrument

	2013	2012	2011
Financial assets at amortized cost			
Cash and cash equivalents	262,697	1,089,110	742,875
Trade receivables	18,576,855	18,785,359	25,709,805
TOTAL Financial assets at amortized cost	**18,839,552**	**19,874,469**	**26,452,680**
Financial liabilities			
Financial liablities at amortized cost			
Bank loans and overdrafts	13,101,279	13,201,277	22,958,191
Long term debt (incl. ST)	4,819,796	7,741,470	8,688,491
Accrued interest	33,683	74,305	44,822
Trade payables	18,661,704	16,209,969	19,868,464
TOTAL Financial liabilities at amortized cost	**36,616,462**	**37,227,621**	**51,559,968**
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	-	-	-
TOTAL Financial liabilities at fair value through profit or loss	-	-	-

Financial risk management objectives

The group's Corporate Treasury function coordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the group. These risks include market risk (including currency risk, interest rate risk), credit risk and liquidity risk.

The group sometimes seeks to minimise the effects of its interest rate risks and USD exchange risks by using derivative financial instruments to manage these risk exposures.

The group does not enter into or trades financial instruments, including derivative financial instruments, for speculative purposes.

Market risk management

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see note A below) and interest rates (see note B below). The group sometimes enters into derivative financial instruments to manage its exposure to foreign currency risk on the US Dollar using foreign currency option contracts. Foreign currency risks that do not influence the group's cash flows (the risks resulting from the translation of assets and liabilities of foreign operations in to the group's reporting currency) are not hedged.

A. Foreign currency risk management

The group undertakes purchase transactions denominated in foreign currencies. Hence, exposure to exchange rate fluctuations arises. Exchange rate exposures are sometimes managed within approved policy parameters utilising foreign currency derivative contracts for US Dollars only. To this effect the group had purchased and written options to buy US Dollars and entered into forward contracts to buy US Dollars. The group does not use any significant derivative financial instruments to manage its exposure to other foreign currencies.

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities (versus the functional currencies of the reporting entity and including intercompany financial assets and liabilities) at the reporting date are as follows:

	2013	2012	2011
Assets			
GBP	425	-	-
RON	220,396	151,953	70,218
USD	107,126	32,456	156,667
CZK	172,203	84,290	55,566
Liabilities			
GBP	24,196	12,535	33,703
JPY	5,813,676	1,185,022	5,585,054
USD	2,631,329	1,873,322	4,122,516
CZK	4,888,823	5,147,117	6,507,968
RON	2,255,137	2,649,029	1,470,872
CHF	21,749	117,091	7,783

Foreign currency sensitivity analysis

The group is mainly exposed to the USD. The group's business is more than 95 % an EUR sales business. Purchasing of material is partially US Dollar driven. In 2013, the company purchased materials for approximately 17.6 million US Dollar (10.7 % of sales). In 2012, the company purchased materials for approximately 24.1 million US Dollar (13.2 % of sales). In 2011, the company purchased materials for approximately 23.6 million US Dollar (11.5 % of sales). These purchases are mainly for electronic components. The impact on future financial statements of a 10 % increase or decrease of the US Dollar against the EUR is difficult to measure and unpredictable for the following reasons:

- Product price setting for customers is based on the US Dollar/EUR exchange rate at the moment the contract is negotiated. Prices are typically negotiated for a 1 year period;
- Customer contracts regularly include clauses allowing Euro price adaptation in case impact of the US Dollar content of the product changes with a certain percentage;
- During the lifespan of a product, price may change (including the impact of US Dollar/EUR effects) as a consequence of minor product changes / revisions;
- The company sells several thousands of different products which each have their own lifespan, starting date and revision of price history.

The combination of all these elements makes the impact of the US Dollar/EUR exchange rate exposure unpredictable. The impact will always be limited to the percent movement of the US Dollar/EUR exchange rate on the total US Dollar purchases in both directions. It can however have a material impact on the financial performance of the company.

The sensitivity analysis below represents the sensitivity of a 10 % change in the foreign currency rates of the USD, including only the outstanding US Dollars at year end. This sensitivity analysis includes external loans as well as loans to foreign operations within the group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit where the EUR strengthens against the USD.

Currency impact USD	2013	2012	2011
	EUR	EUR	EUR
Profit or loss	166,393	126,839	278,640

Foreign currency option contracts

Per 31 December 2013, 2012 and 2011 the group has no such outstanding derivative contracts.

B. Interest rate risk management and sensitivity analysis

The group is exposed to interest rate risk as entities in the group borrow funds at floating interest rates (mostly Euribor plus bankers margin). The effect on the financial statements of a 1% change in interest rate amounts to approximately EUR 180,000 based on the total outstanding financial debt of EUR 18 million at the end of 2013. For 2012 a 1% change in interest rate would have amounted to approximately EUR 210,000 based on a total outstanding amount of debt of EUR 21 million at the end of 2012. For 2011 a 1% change in interest rate would have amounted to approximately EUR 290,000 based on a total outstanding amount of debt of EUR 29 million at the end of 2011. An increase in interest rates would result in a decrease of the company's net result.
A sensitivity in interest rates would not impact equity significantly.

During the year, the group has engaged into interest rate cap agreements of 1% on Euribor 1M in order to limit its exposure to interest rate risks. The agreement was made for a period of 3 years for a total outstanding debt of EUR 15 million. Per yearend, the group has evaluated the market to market valuation of the interest rate cap. The market value was not recorded in profit and loss, as the impact on the financial statements is considered to be immaterial.

Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the group. The group uses publicly available financial information and its own trading records to rate its major customers. The group's exposure is continuously monitored.

Maximum exposure to credit risk can be detailed as follows:

	2013	2012	2011
Financial assets at amortized cost			
Cash and cash equivalents	262,697	1,089,110	742,875
Loans and receivables	18,576,855	18,785,359	27,709,805
TOTAL Financial assets at amortized cost	**18,395,552**	**19,874,469**	**28,452,680**

The main focus for credit risk management relates to trade receivables (see note 1.3.7 b) for an amount of EUR 18,576,855, EUR 18,785,359 and EUR 27,709,805 as at 31 December 2013, 2012 and 2011 respectively.

The company has one customer counting for 13 % of its business. 10 customers count for 51,8 % of the business. We refer to note 1.3.7. b for an analysis of the aging of trade receivables and discussions on impairment.

The company closely follows up their customers to monitor their credit risk. Customers are on one side worldwide international electronic manufacturing firms of which financial data is available on a quarterly basis and credit ratings assigned by international credit rating agencies and on the other side, local electronic manufacturing firms for which no explicit credit rating exists. For these customers, the company closely monitors their customer's business to identify potential credit risk in advance. As manufacturing partner of these companies, adequate control exists to manage this credit risk. The company does not use credit risk insurance.

The group does not hold any collateral for any of its financial assets.

Liquidity risk management

The company secured at its bankers credit lines of EUR 12 million (on average EUR 6,3 million of this credit line was used) and obtained factoring financing on its receivables (on average 85 % of accepted receivables factored is financed) for working capital needs (see note 1.3.7. j). The credit lines at the bankers are in principal renewable every year. We refer to note 1.3.7. k. for a breakdown of the maturities of long term debt.

A breakdown of the cash flows of all financial liabilities at amortized cost is as follows:

2013	Financial liabilities at amortized cost
Current	34,349,846
2015	2,017,191
2016	333,792
2017	270,069
2018	27,548
2019	-
Beyond 2019	-

2012	Financial liabilities at amortized cost
Current	32,112,886
2014	2,517,442
2015	1,962,796
2016	417,658
2017	402,196
2018	-
Beyond 2018	-

2011	Financial liabilities at amortized cost
Current	45,690,918
2013	2,214,500
2014	2,214,500
2015	1,699,500
2016	154,500
2017	154,500
Beyond 2017	-

Fair value measurement

IFRS 7 requires an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There are no financial assets subsequently measured at fair value on level 1, 2 or 3 fair value measurement.

ae. Commitments

At the end of 2013, the company has for EUR 17,1 million purchase orders outstanding at suppliers (EUR 17,9 million in 2012; EUR 21 million in 2011). These purchases are based on fixed sales orders or forecasts provided by the customers. As such the customers have the obligation to purchase the components.
The ultimate risk relating to the purchase orders is for the customers of Connect Group.

At the end of 2013, Connect Group has a commitment for approximately EUR 1 million for the acquisition of a new production line. In the beginning of 2014, the finance lease agreement related to that production line was concluded.

af. Related party transactions

In 2013 there are no related party transactions.

On 2 March 2010 the automation activity was definitively sold to its former founders, Huub Baren and Vladimir Dobosch. Huub Baren and Vladimir Dobosch are shareholders of Connect Group and were both at the time of the sale directors of Connect Group. Vladimir Dobosch ceased being a director of Connect Group after the closing of the transaction. In this transaction, all conditions with respect to the Corporate Law were respected.
As a result of this transaction, the company still had per 31 December 2011 a gross receivable of EUR 2,000,000 against a company controlled by Huub Baren.

In December 2012, a settlement was concluded with the purchasers of the Automation activity in connection with their contractual obligation to pay to Connect Group 50 percent of the adjusted profit of the acquired business for the period 2010-2012. As a result of this settlement, the buyer paid to Connect Group at 28 December 2012 the sum of EUR 4.5 million as final settlement for this contractual obligation and EUR 2 million as payment for the outstanding debt to Connect Group. The EUR 4.5 million was recorded as a result from the discontinued automation activity.

Further there are no related party transactions in 2012.

Connect Group had sales of EUR 547,233 in 2010 and of EUR 207,338 in 2011 to the Electronic Network group. Huub Baren, director and shareholder of Connect Group, is also the main shareholder in the Electronic Network group. These sales are sales in the normal course of operations. The Board of Directors has analysed the nature and character of these sales and concluded that they can be regarded as normal business transactions at market conditions.
On 12 December 2011, Huub Baren resigned from the Board of Directors and in this respect, the Board of Directors no longer considers any future transactions with EN or companies related to Huub Baren as related party transactions.

During 2010, the group issued a subordinated convertible bond of EUR 5 million on which the following members of the Board of Directors and management have subscribed:

Name	Amount in EUR	Number
Luc Switten	250,000	20
LRM NV	925,000	74
Stokklinx BVBA	250,000	20
Hugo Ciroux	100,000	8
Flor Peersman	100,000	8
Herman Struiwigh	50,000	4
Marcel Teughels	250,000	20
Total	**1,925,000**	**154**

Following the publication of the annual results for 2010 at the end of March 2011, all Connect Group bondholders who subscribed to the convertible subordinated loan of EUR 5 million in April 2010, decided to convert their bonds into shares. This conversion resulted in the issuance of 3,355,600 new shares with the same rights as existing shares, bringing the total number of issued shares to 10,290,024. This conversion was carried out on 5 May 2011.

Compensation of key management personnel

The total amount of emoluments to the members of the Board of Directors and management amount to EUR 1.164.845 in 2013, EUR 1,313,012 in 2012 and EUR 1,224,124 in 2011. The total amount of shares held by the members of the Board of Directors amounted to 3,051,632 in 2013 and 2012 and 4,828,228 in 2011. There were no warrants held by members of the Board of Directors in 2013, 2012 and 2011.

The remuneration of members of the Board of Directors and management during the year was as follows:

	2013	2012	2011
Short-term benefits	1,164,845	1,313,012	1,224,124
Post-employment benefits	-	-	-
Other long-term benefits	-	-	-
Share-based payments	-	-	-
Total	**1,164,845**	**1,313,012**	**1,224,124**

ag. Disclosure attest and non attest fees charged by the Statutory Auditor

In accordance with the law of 20 July 2006, article 101, please find below a summary of the attest fees and non attest fees of the statutory auditor Deloitte Bedrijfsrevisoren and its network of professional service firms.

Attest fee (consolidated level)	2013	2012	2011
Agreed fee	143,110	140,285	136,200

Non Attest fees (consolidated level)	2013	2012	2011
Tax advice	20,968	45,895	70,264
Other non-attest services	11,925	20,344	24,269
Legal missions	-	3,000	2,500
Acquisition Due diligence services (which are outside the scope of the 1 to 1 rule)	-	-	-
Total non attest fees	**32,893**	**69,239**	**97,033**

ah. Operational lease commitments

Location	Legal entity	Lease Start Date	Lease End Date	Review Date	Annual Rent	Area (square meters)
Belgium	Connect Group NV Frankrijklaan 18-22, 8970 Poperinge	01/01/2007	31/12/2015	1/1/2011	275,082	10,365
Germany	Connect Group GmbH Siemensstr. 11, 72636 Frickenhausen	01/11/2000	31/12/2015	-	194,904	4,320
Romania	Connectronics Romania SRL Soseaua Borsului 40, 3700 Oradea	01/01/2008	31/12/2022	-	674,664	15,400
Czech Republic	Connectronics sro, Billundska 2756, 272 01 Kladno	01/01/2007	01/01/2017	1/1/2012	263,753	5,284
The Netherlands	Connect Group Nederland BV De Run 4281, 5503 LM Veldhoven	01/03/2000	31/08/2020	06/08/2009	726,493	5,763

	Lease Start Date	Lease End Date	Review Date	Annual Rent
IT infrastructure	01/12/2012	30/11/2017	01/12/2015	168,612

Payments recognized as an expense

	2013	2012	2011
Minimum lease payments	2,300,412	2,082,866	1.342,783
Contingent rentals	-	-	-
Sub-lease payments received	(84,253)	(75,154)	-
Total	**2,216,159**	**2,007,712**	**1,342,783**

Non-cancellable operating lease commitments

	2013	2012	2011
Not later than 1 year	2,303,508	2,085,765	1,355,687
Later than 1 year and not later than 5 years	7,820,376	7,152,071	4,959,140
Later than 5 years	3,857,648	5,813,691	4,392,864
Total	**13,981,532**	**15,051,528**	**10,707,691**

2. INDIVIDUAL FINANCIAL STATEMENTS

In accordance with article 105 of the Company Law, this annual report includes the directors' report (see pg 26), the statutory auditor's opinion and a condensed version of the individual statutory accounts of Connect Group NV.
The directors' report, the statutory auditor's opinion and the full annual accounts of Connect Group NV are available at the registered office of the company at no cost.

2.1 Statutory auditor's report to the shareholders'meeting on the annual accounts for the year ended 31 December 2013

To the shareholders,

As required by law and the company's articles of association, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the annual accounts together with our report on other legal and regulatory requirements. These annual accounts comprise the balance sheet as at 31 December 2013 and the income statement for the year then ended, as well as the summary of accounting policies and other disclosures.

Report on the annual accounts – Unqualified opinion

We have audited the annual accounts of Connect Group NV ("the company") , prepared in accordance with the financial reporting framework applicable in Belgium, which show total assets of 93.582 (000) EUR and a loss for the year of 2.903 (000) EUR.

Board of directors' responsibility for the preparation of the annual accounts
The board of directors is responsible for the preparation and fair presentation of annual accounts in accordance with the financial-reporting framework applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility
Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the annual accounts. We have obtained from the company's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion
In our opinion, the annual accounts of Connect Group NV give a true and fair view of the company's net equity and financial position as of 31 December 2013 and of its results for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the annual accounts, as well as for maintaining the company's accounting records in compliance with the legal and regulatory requirements applicable in Belgium and for the company's compliance with the Companies Code and the company's articles of association.

As part of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statements, which do not modify the scope of our opinion on the annual accounts:

- The directors' report includes the information required by law, is consistent with the annual accounts and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting is in accordance with the relevant requirements of the law and the company's articles of association.
- Except for late publishing the annual account and report of the Board of Directors for the year ended 31 December 2012 at the National Bank of Belgium in accordance with article 98 of the Companies Code, no transactions undertaken or decisions taken in violation of the company's articles of association or the Companies Code that we have to report to you.

Diegem, 25 March 2014
The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Gert Vanhees

2.2 Condensed financial statements (in EUR)

1. BALANCE SHEET

	2013	2012
ASSETS		
FIXED ASSETS	**63,377,417**	**64,006,672**
I.FORMATION EXPENSES	-	-
II.INTANGIBLE ASSETS	**534,558**	**870,118**
III.TANGIBLE ASSETS	**986,859**	**1,242,599**
A. Land & buildings	251,407	286,268
B. Plant, macchinery & equipment	236,394	389,327
C. Furniture and vehicles	96,944	114,256
D. Leasing and other similar rights	194,614	252,748
E. Other tangible assets	200,000	200,000
F. Assets under construction	7,500	-
IV.FINANCIAL ASSETS	**61,856,000**	**61,893,955**
A. Affiliated enterprises	61,856,000	61,856,000
1. Participating interests	61,856,000	61,856,000
2. Amounts receivable	-	-
B. Other enterprises linked by particip. interests	-	-
1. Participating interests	-	-
2. Amounts receivable	-	-
C. Other financial assets	-	37,955
1. Shares	-	-
2. Amounts receivable and cash guarantees	-	37,955
CURRENT ASSETS	**30,204,937**	**37,993,292**
V.AMOUNTS RECEIVABLE AFTER ONE YEAR	**800,000**	-
A.Trade debtors	-	-
B. Other amounts receivable	800,000	-
VI.STOCKS AND CONTRACTS IN PROGRESS	**3,256,013**	**5,028,362**
A.Stocks	3,256,013	5,028,362
1. Raw materials	1,613,285	2,887,422
2. Work in progress	856,085	727,063
3. Finished goods	786,643	1,413,877
4. Goods purchased for resale	-	-
5. Immovable property acquired or constructed for resale	-	-
6. Advance payments	-	-
B.Contracts in progress	-	-
VII.AMOUNTS RECEIVABLE WITHIN ONE YEAR	**26,039,843**	**28,125,878**
A. Trade debtors	13,249,343	16,121,477
B. Other amounts receivable	12,790,500	12,004,401
VIII.INVESTMENTS	-	-
A. Own shares	-	-
B. Other investments and deposits	-	-
IX.CASH AT BANK AND IN HAND	**23,644**	**4,691,505**
X.DEFERRED CHARGES AND ACCRUED INCOME	**85,437**	**147,547**
TOTAL ASSETS	**93,582,354**	**101,999,964**

LIABILITIES	2013	2012
CAPITAL AND RESERVES	**31,466,166**	**34,369,606**
I.CAPITAL	**637,981**	**637,981**
A. Issued capital	637,981	637,981
B. Uncalled capital	-	-
II.SHARE PREMIUM ACCOUNT	**42,844,439**	**42,844,439**
	-	-
III.REVALUATION SURPLUS	-	-
	-	-
IV.RESERVES	**42,993**	**42,993**
A. Legal reserves	42,993	42,993
B. Reserves not available for distribution	-	-
1. In respect of own shares hold	-	-
2. Other	-	-
C. Untaxed reserves	-	-
D. Reserves available for distribution	-	-
V.PROFIT/LOSS CARRIED FORWARD	**(12,059,247)**	**(9,155,807)**
VI.INVESTMENT GRANTS	-	-
PROVISIONS AND DEFERRED TAXATION	**290,166**	**299,003**
VII. A. PROVISION FOR LIABILITIES AND CHARGES	**290,166**	**299,003**
1. Pension and similar rights	290,166	299,003
2. Taxation	-	-
3. Major repair and maintenance	-	-
4. Other liabilities and charges	-	-
B. DEFERRED TAXATION	-	-
CREDITORS	**61,826,022**	**67,331,355**
VIII.AMOUNTS PAYABLE AFTER ONE YEAR	**39,797,527**	**43,225,138**
A. Financial debts	39,797,527	43,225,138
1. Subordinated loans	-	-
2. Unsubordinated debentures	-	-
3. Leasing and other similar obligations	137,527	195,138
4. Credit institutions	1,560,000	3,580,000
5. Other loans	38,100,000	39,450,000
B.Trade debts	-	-
1. Suppliers	-	-
2. Bills of exchange payable	-	-
C. Advances received on contracts in progress	-	-
D. Other amounts payable	-	-
IX.AMOUNTS PAYABLE WITHIN ONE YEAR	**20,843,023**	**22,856,887**
A. Current portion of amounts payable after one year	2,077,611	2,075,739
B. Financial debt	12,635,856	13,567,949
1. Credit institutions	6,385,856	7,317,949
2. Other loans	6,250,000	6,250,000
C. Trade debts	4,061,776	4,253,569
1. Suppliers	4,061,776	4,253,569
2. Bills of exchang payable	-	-
D. Advances received on contracts in progress	121,837	105,087
E. Taxes, remuneration and social security	1,945,943	2,854,543
1. Taxes	310,392	325,935
2. Remuneration and social security	1,635,551	2,528,608
F. Other amounts payable	-	-
X.ACCRUED CHARGES AND DEFERRED INCOME	**1,185,472**	**1,249,330**
TOTAL LIABILITIES	**93,582,354**	**101,999,964**

2. INCOME STATEMENT

	2013	2012
I.OPERATING INCOME	**51,116,581**	**70,845,069**
A. Turnover	51,061,724	68,678,937
B. Movement in stocks, finished goods, work and contracts in progress	(498,211)	(18,243)
C. Fixed assets own construction	-	-
D. Other operating income	553,068	2,184,375
II.OPERATING CHARGES	**52,660,803**	**68,438,428**
A. Raw materials, consumables and goods for resale	37,171,457	52,572,669
1. Purchases	35,896,602	52,440,442
2. Movements in stock	1,274,855	132,227
B. Services and other goods	4,041,424	4,140,592
C. Remuneration, social security and pensions	10,354,656	11,195,934
D. Depreciation, write-off formation expenses	814,637	1,199,538
E. Write-off of inventory, receivables	213,460	(848,635)
F. Increase/decrease in prov. for liabil. & charges	(8,836)	113,961
G. Other operating charges	74,006	64,369
H. Operating charges capitalised as reorganization costs	-	-
III.OPERATING PROFIT/(LOSS)	**(1,544,221)**	**2,406,641**
	-	-
IV.FINANCIAL INCOME	**340,696**	**252,577**
A. Income from financial fixed assets	48,001	52,685
B. Income from current assets	-	-
C. Other financial income	292,695	199,892
V.FINANCIAL CHARGES	**1,753,155**	**1,968,673**
A. Interests and other debt charges	1,374,646	1,566,678
B. Increase/decrease in amounts written off on current assets	-	-
C. Other financial charges	378,509	401,995
VI.PROFIT/(LOSS) ON ORDINARY ACT. BEFORE TAXES	**(2,956,680)**	**690,545**
VII.EXTRAORDINARY INCOME	**55,998**	**4,580,355**
A. Adjustments to depreciation of and to other amounts intang. & tangibl. assets	-	-
B. Adjustments to amounts written off financial fixed assets	-	-
C. Adjustments to provisions for extraordinary liabilities and charges	-	-
D. Gain on disposal of fixed assets	55,998	80,355
E. Other extraordinary income	-	4,500,000
VIII.EXTRAORDINARY CHARGES	**-**	**4,500,786**
A. Extraord. deprec. of & extraord. amounts written off form expenses, tang. and intang. assets	-	-
B. Amounts written off financial fixed assets	-	4,500,000
C. Provisions for extraord. liabilities and charges	-	-
D. Loss on disposal of fixed assets	-	-
E. Other extraordinary charges	-	786
F. Extraordinary costs capitalised as restructuring costs	-	-
	-	-
IX.PROFIT (LOSS) FOR THE YEAR BEFORE TAXES	**(2,900,682)**	**770,114**
A. Transfers from deferred taxes	-	-
B. Transfers to deferred taxes	-	-
X.INCOME TAXES	**2,758**	**(38)**
A. Income taxes	2,758	14
B. Adjustment of income taxes and write-back of tax provisions	-	52
XI.PROFIT (LOSS) FOR THE YEAR	**(2,903,440)**	**770,152**
XII.TRANSFER TO UNTAXED RESERVES	**-**	**-**
XIII.PROFIT (LOSS) FOR THE YEAR AVAIL. FOR APPROPRIATION	**(2,903,440)**	**770,152**

APPROPRIATION ACCOUNT

	2013	2012
A. PROFIT/(LOSS) TO BE APPROPRIATED	**(12,059,947)**	**(9,155,807)**
1. Profit/(loss) for the period avalable for appropriation	(2,903,440)	770,152
2. Profit/(loss) brought forward	(9,155,807)	(9,925,959)
B. TRANSFERS FROM CAPITAL AND RESERVES	**-**	**-**
1. From capital and share premium account	-	-
2. From reserves	-	-
C. TRANSFERS TO CAPITAL AND RESERVES	**-**	**-**
1. To capital and share premium account	-	-
2. To legal reserve	-	-
3. To other reserves	-	-
D. RESULT TO BE CARRIED FORWARD		
1. Profit to be carried forward	-	-
2. Loss to be carried forward	(12,059,247)	(9,155,807)
E. SHAREHOLDERS' CONTRIBUTION IN RESPECT OF LOSSES	**-**	**-**
F. DISTRIBUTION OF PROFIT	**-**	**-**
1. Dividends	-	-
2. Directors' emoluments	-	-
3. Other allocations	-	-

2.3 Summary of the valuation rules

1. ASSETS

I. Formation Expenses

Formation expenses are expensed as incurred.

II Intangible fixed assets

Intangible fixed assets are valued at acquisition cost. These assets are amortized over the contractual period, if any, or the estimated useful life, using the straight-line method:

Research and Development Costs:	20 %- 33 %
Goodwill:	20 %
Software:	20 %
Brands:	10 %

III. Tangible fixed assets

Tangible fixed assets are valued at acquisition cost or production cost in case of own construction. Tangible fixed assets are depreciated over their estimated useful economic lives using the following:

Annual depreciation rates are:

- Buildings:	5 % straight-line
- Plant, machinery and equipment:	20 % straight-line
- Furniture:	20 % straight-line
- Vehicles:	20 % straight-line
- Computer equipment:	33 % straight-line
- Second-hand equipment:	50-100 % straight-line

Fixed assets under construction:

- Formation expenses related to buildings:	20 % straight-line
- Buildings:	5 % straight-line
- Furniture:	20 % straight-line

IV. Financial fixed assets

Financial fixed assets are valued at acquisition cost. The Board of Directors evaluates with sincerity, prudence and good faith whether impairment is permanent in nature and determines the corresponding write down.

V. Inventories and Work in progress

Raw materials and materials are valued at acquisition cost according to the weighted moving average pricing method. Work in progress and finished goods are valued at construction value (including directs costs). Obsolete or slow-moving inventories are written down if the book value exceeds the net realizable value. The production costs include the costs of raw materials and consumables; direct labour costs and other direct attributable production costs.

VI. Receivables

Receivables are recorded at their face value. They are written down in case their estimated realizable value at closing date is below their book value.

Receivables in foreign currencies are valued at the year-end exchange rates. Exchange gains or losses resulting from the conversion are included in the profit and loss statement.

VII. Cash and cash equivalents

Cash and cash equivalents are recorded at their face value.

2. LIABILITIES

I. Short-term and long-term debts

These debts are recorded at their face value.

Debts in foreign currencies are valued at the year-end exchange rates. Exchange gains or losses resulting from the conversion are included in the profit and loss statement.

II. Provisions for liabilities and charges

At the end of the year, the Board of Directors determines with sincerity, prudence and good faith the provisions necessary to cover risks or potential losses arising from the current period or from the prior periods.

Glossary

PCB:
Printed Circuit Board.

EMS:
Electronic Manufacturing Services, the assembly of electronic parts and devices for third parties.

DFM:
Designed for Manufacturing, optimizing design for easier production.

PBA:
Print Board Assembly, components mounted and soldered on a PCB.

PBA surface mounting:
mounting of electronic components on the surface of a PCB.

FMEA:
Failure Mode and Effect Analysis, a method used for systematic risk analysis and for improving processes and products in various stages of development.

IDC crimping:
insulation-displacement connection technology (cable technology).

Braiding:
A woven protection around a set of cables.

µBGA:
Micro Ball Grid Array, electrical connections are at the bottom of the component.

Press fit:
Electrical connector pressed into the PCB.

Die & wire bonding:
Circuit connections made with very small silicium wires directly onto the PCB.

Tropicalisation:
Coating of PCB to protect against hazardous conditions.

AOI:
Automatic Optical Inspection.

Flying probe:
Electronic testing of PCB's with XY-moving test needles.

UL / CSA:
Safety standard, products and their components are tested to UL's rigorous safety standards with the result that consumers live in a safer environment.

RoHS:
EU directive restricting the use of hazardous substances in electrical and electronic components.

Kanban:
Effective system to control the production process and the supply chain, it detects when an item should be ordered.

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