CONNECT GROUP
INTEGRATED SUBCONTRACTORS

Annual Report 2009

Working on your success

Investor relations

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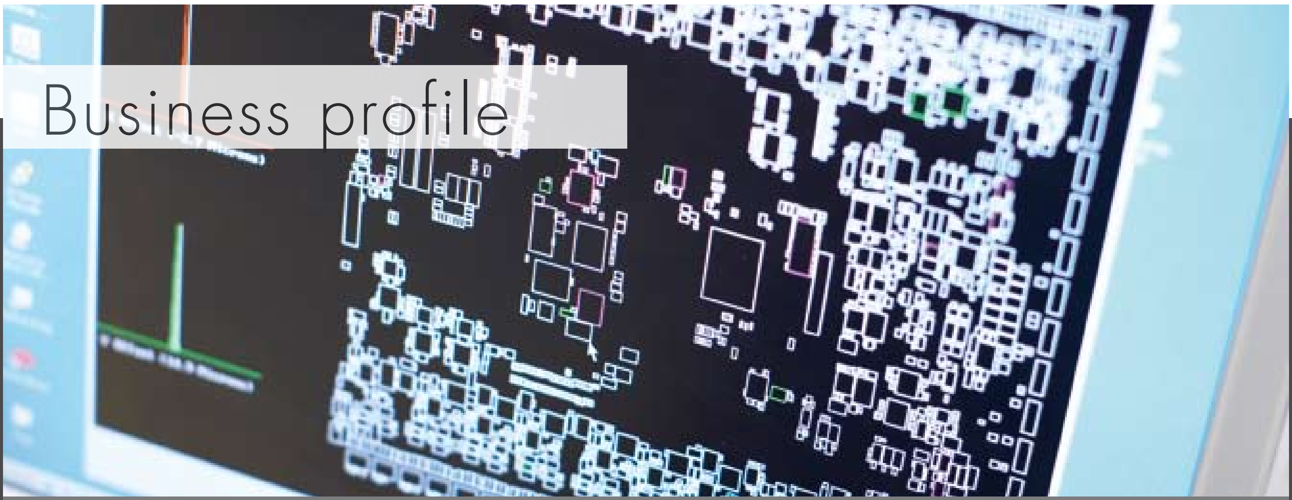


Business profile

With over 20 years' experience, the Connect Group has grown into one of Europe's leading providers of cable, PCB and module assembly services.

Connect Group NV has its operational headquarters in Kampenhout, Belgium.

The 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, France, Germany, UK, the Czech Republic and Romania.

The company was founded in 1987 and its shares have been traded on Euronext Brussels since 2000.

Activities

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

Connect Group customers come from twelve different professional markets, ranging from telecom to green energy to military electronics.

Added value

The Connect Group accompanies customers through the entire product lifecycle, from co-development to production to logistics support. Delivery of added value is central to this process. Front offices in Western European countries serve as knowledge centres, closely linked to customers, both product-wise and geographically. These front offices are supported by production volume at the back offices in the Czech Republic and Romania.

This geographical spread gives customers confidence in the proximity of front office support during the start-up phase, in which engineering support and prototype development feature large. At the production phase, the back-offices in turn offer advantageous pricing and sufficient capacity to guarantee continuity.

Key figures

ANNUAL RESULTS CONNECT GROUP AT 31 DECEMBER (IN EUR 000)

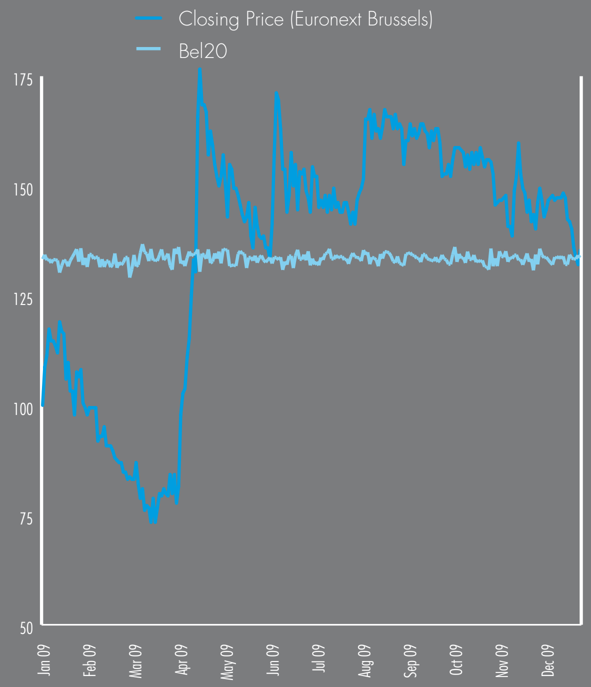
	2009	%	2008	%
Sales	121,255	100.0	165,898	100.0
Cost of sales	(109,056)	(90.0)	(140,650)	(84.8)
Gross profit	12,199	10.0	25,248	15.2
Research and development expenses	(1,234)	(1.0)	(1,407)	(0.9)
General and administrative expenses	(6,402)	(5.3)	(7,958)	(4.8)
Selling expenses	(6,577)	(5.4)	(8,023)	(4.8)
Other income/expense (net)	67	0.1	248	0.2
Profit/(loss) from operations	(1,947)	(1.6)	8,108	4.9
Financial income	871	0.7	2,525	1.5
Financial charges	(2,468)	(2.0)	(5,849)	(3.5)
Profit/(loss) before taxes	(3,544)	(2.9)	4,784	2.9
Income taxes	(21)	0.0	25	0.0
Profit/(loss) for the year from continuing operations	(3,565)	(2.9)	4,809	2.9
Discontinued operations				
Profit/(loss) for the year from discontinued operations	(22,873)	(18.9)	(4,535)	(2.7)
Profit/(loss) for the year	**(26,438)**	**(21.8)**	**274**	**0.2**
Profit attributable to:				
Equity holders of the parent	(26,438)		274	
Minority interest	0		0	
Earnings per share				
Basic earnings per share continuing operations	(0.51)		0.69	
Diluted earnings per share continuing operations	(0.51)		0.69	
Basic earnings per share continuing plus discontinued operations	(3.81)		0.04	
Diluted earnings per share continuing plus discontinued operations	(3.81)		0.04	

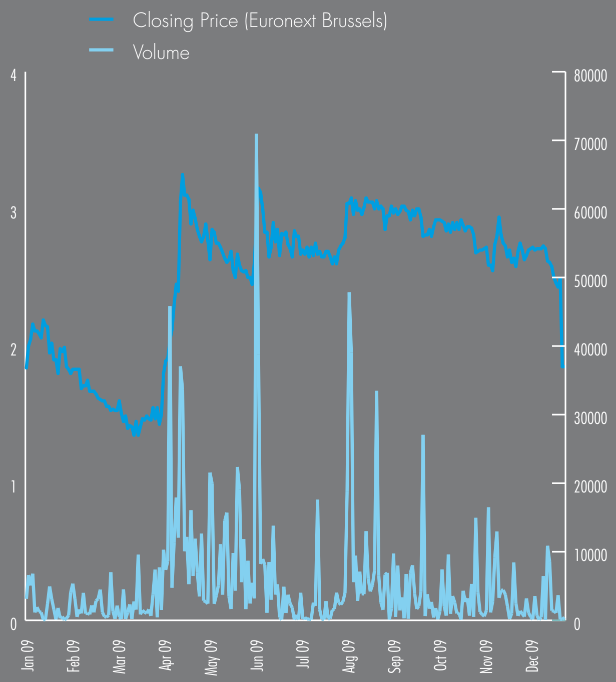
BALANCE SHEET CONNECT GROUP AT 31 DECEMBER (IN EUR 000)

	2009	2008
Intangible fixed assets	816	1,296
Goodwill	4,649	8,935
Property, plant and equipment	16,039	21,161
Deferred tax assets	1,500	1,562
Inventories and contracts in progress	29,540	45,179
Trade receivables	20,195	46,038
Other receivables	376	3,264
Cash, bank deposits and current investments	128	1,807
Other current assets	191	347
Assets classified as held for sale	27,869	0
Total assets	**101,303**	**129,589**
Equity	15,689	42,668
Provisions	2,755	3,712
Deferred tax liability	0	62
Long-term financial debts	2,379	4,867
Bank loans and overdrafts	25,024	31,029
Trade payables	22,323	31,325
Current liabilities	7,264	15,926
Liabilities directly associated with assets classified as held for sale	25,869	0
Total liabilities	**101,303**	**129,589**

STOCK INFORMATION (AT 31 DECEMBER 2009)

Shares	
Highest price	3.25 EUR
Lowest price	1.35 EUR
Average price (accounting average)	2.49 EUR
Price at 31/12/2009	2.49 EUR
Number of shares	6,934,424
Average volume traded per day	5,427
Stock market capitalisation at 31.12.2009	17,266,716





Interview with Erik Dejonghe
Chairman of the Board of Directors

How do you look back as chairman on 2009?

2009 was obviously a very turbulent year for the Connect Group. With the economic crisis and the investments of the last two years in Estonia, Spain and Mexico, the automation business suffered heavy losses, and even went into a negative cash flow situation. The crisis also cut turnover in the contract manufacturing division by 25 to 30%, making 2009 a no-profit year. Fortunately, the contract manufacturing division could generate positive cash flow.

At the end of 2009 it was decided to split off the Factory Automation division

The combination of circumstances made it impossible for the group to continue to invest in the same way as before in both activities, given also that credit markets had become considerably tighter, making the search for funding no easy business. A choice imposed itself. Maintaining both activities would have required us to make structural cutbacks. This would certainly have had adverse effects in the long term. Since the automation activity had the strongest cash need, the Board ultimately decided to sell this business.

What impact did this decision have on group results?

The divesture of the activity led in 2009 to an extraordinary loss of EUR 18.1 million, all costs of the transaction included. It is very important to point out that this is not a cash loss, but is due to the booking out of all the assets and liabilities of the automation business. This means that net assets recorded in the books in an amount of EUR 18 million are changing hands for EUR 2 million. Other accounting effects of the transaction bring the total loss to EUR 18.1 million. This is a major capital loss, but there are two factors that are decisive for it: the EUR 8 million loss recorded by the automation activity in 2009 and the costs still to be incurred to bring the company back to health. The exceptional non-cash loss is a logical consequence of all this.

What does the new group look like?

We are retreating into being a subcontracting company, specializing in contract manufacturing, that is about 30% smaller than IPTE was until now. Given the great importance of the IPTE brand name for the Factory Automation division, we have also chosen to change the group name to Connect Group, which also ties in better with the current market names ‘Connect Systems’ and ‘Connectronics’ of the Contract Manufacturing division.

How do you see 2010?

The Contract Manufacturing division has an excellent track record. The crisis has brought a certain disturbance but nothing has fundamentally changed in the business model. At the strategic level we shall continue to build on the past.

Historically, The Contract Manufacturing division has always been profitable ever since it was founded in 1989, with the exception of 2001 and 2009. There was also a positive cash flow each year. We are therefore confident that we will return to profit in 2010 and generate a positive cash flow, which is very important for reducing the group’s debt position.

Erik Dejonghe, Chairman

Interview with Luc Switten

A new start focused on performance

Connect Group targets efficient contract manufacturing with value added

The Connect Group has split off its Factory Automation division. What does the new Connect Group now consist of?

The Connect Group has indeed retreated back to what was formerly the Contract Manufacturing division, representing approximately 70% of the total turnover of the group. Our main activity is assembling cables, PCBs and finished products, all on a customer-specific basis. The Connect Group is one of the largest Contract Manufacturing players in the Benelux, and a leading EMS supplier at European level.

What changes does this mean for the Connect Group in practice?

The fact that we are now standing on our own two feet does not really change much. It is true that both the economic crisis and the losses we have taken with the sale of the Factory Automation division require us to focus even more sharply on performance and efficiency. In terms of efficiency, a lot has already been done. We have closed our factory in Slovakia and significantly reduced headcounts at our other locations, except at our eastern European operations where headcounts have remained stable or we have even hired additional people. On the other hand, we have resolutely chosen not to make concessions in terms of performance. We have continued to invest in technology, good people and support services to better serve our clients.

What strategic orientations do you see as the main theme for 2010?

For 2010 we want to focus on three areas: customer satisfaction, cost efficiency and integration. Customer satisfaction is perhaps obvious, but it is extremely important in our branch. Of course in the past we already worked hard to have the best quality, price and service, but today we want more than ever to prove to our customers that we merit their trust. Good quality, efficient logistics, proactive communication, and thinking and working with customers to optimize their products and supply chains.

Efficient and well conceived cost management is a second theme that may seem self-evident, but which is currently very topical. The financial and economic crisis calls for extra caution on our part. It is important to state here that the Connect Group is a financially sound company, even after absorbing the losses that accompanied the sale of IPTE Factory Automation. Nevertheless, we want to submit our costs in all areas to additional scrutiny, and make further efforts where possible. All investments are carefully weighed up, we are optimizing our supply chain with our suppliers and tightening the reins left and right. As previously stated, we are opting resolutely for progress and continuing to invest where necessary. On the other hand, the current climate logically does not permit unnecessary financial risks.

Last but not least, we are shooting for integration. The Connect Group is clearly focused in terms of both geography and markets. The market segments in which this focus is expressed include telecommunications, professional electronics, medical technology, automotive, power generation and transportation. We want to strengthen our position in various markets, and for this reason are working on vertical specialization. For example, to work in the railway market you need IRIS (International Railway Industry Standard) certification. This we shall be rolling out at two of our production sites. Entering more deeply into our customers' specialty areas in this way generates horizontal integration. Because the deeper we go into a particular market segment, the broader our customers' demands of us become, enabling us to offer a more extended portfolio of services.

The Connect Group is, for example, one of the few companies certified for class-3 electronics. We produce 'life-critical' applications, including medical and military modules in cleanroom conditions. Here we benefit from the cleanroom facilities we have at our Rijen and Poperinge sites. Such certifications and facilities enable us to cooperate more closely with customers, for example on development projects. This strategy of horizontal and vertical integration enables us to respond perfectly to our customers' future needs.

Will much change for Connect Group customers?

Change: no. But we will be offering them a much wider range of opportunities. Of course, we continue to stick to our basic model of effectively performed contract manufacturing for cables, PCBs and modules. But where possible, close collaboration with the customer in an early stage of development will make us eligible for total projects with higher added value. In the semiconductor and medical technology areas, we have clients that we are already working closely alongside in the development of mechanical modules. From prototype production engineering in Belgium and the Netherlands to mass production in Eastern Europe. Which is why we have further strengthened our engineering and development team of more than one hundred.

This tells the world that we are evolving from a manufacturing company to a technology company that can manufacture well. In this way the entire Connect Group moves up the chain.

How does this evolution impact the competitiveness of the Connect Group?

Through the strategy of moving higher up the chain and widening our geographic and market base, we are able to optimally position the Connect Group for the next economic upturn. This gives us the opportunity to serve more clients but also offer more services to our clients. Where possible, the Connect Group aspires to a position as first-tier supplier in which we are responsible for the entire supply chain, from development to aftersales. By being involved faster and more closely to projects, we can support our customers in areas like design, component selection, test preparation and logistics concepts. In this way we seek the 'perfect product', one that both meets strict customer specifications and offers the best conditions for manufacturability, testing and cost control. Such close cooperation produces long-term relations with our customers and stable growth into the future.

Luc Switten, CEO

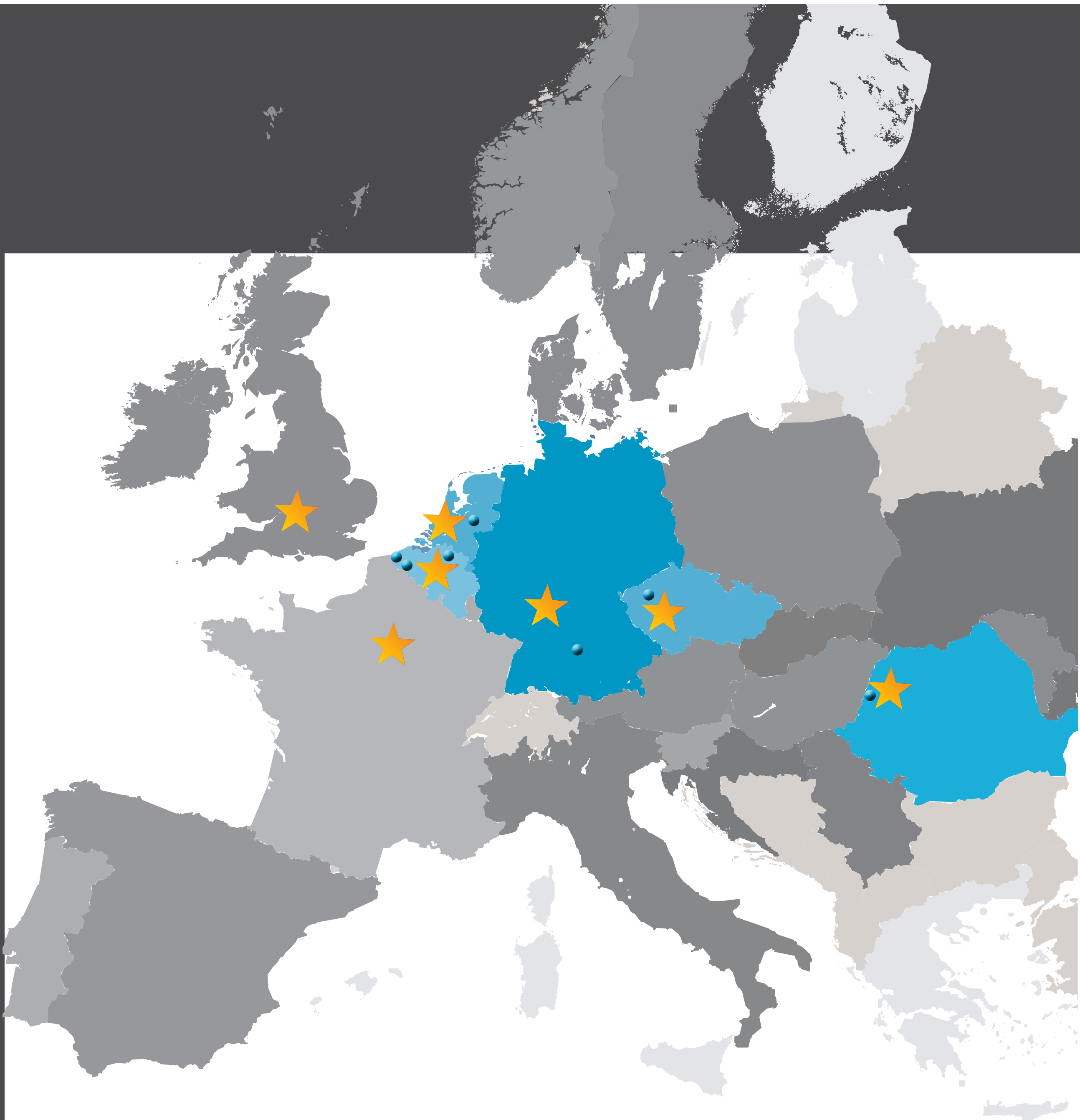
The Connect Group in Europe
European and local

Working on your success

The Connect Group is a European supplier of quality Electronic Manufacturing Services to the professional industry. Our goal is to create added value for our customers with innovative products and services.

European and local – being where our clients need us

The Connect Group has production facilities in Belgium, the Netherlands, Germany, Romania and the Czech Republic. The group serves customers across the European continent from dedicated sales offices for Belgium, the Netherlands, France, the United Kingdom, Germany, the Czech Republic, Romania. A dedicated team supports Connect Group telecom customers across Europe.



Sales contacts

- Belgium
- The Netherlands
- United Kingdom
- France
- Germany
- Czech Republic
- Romania

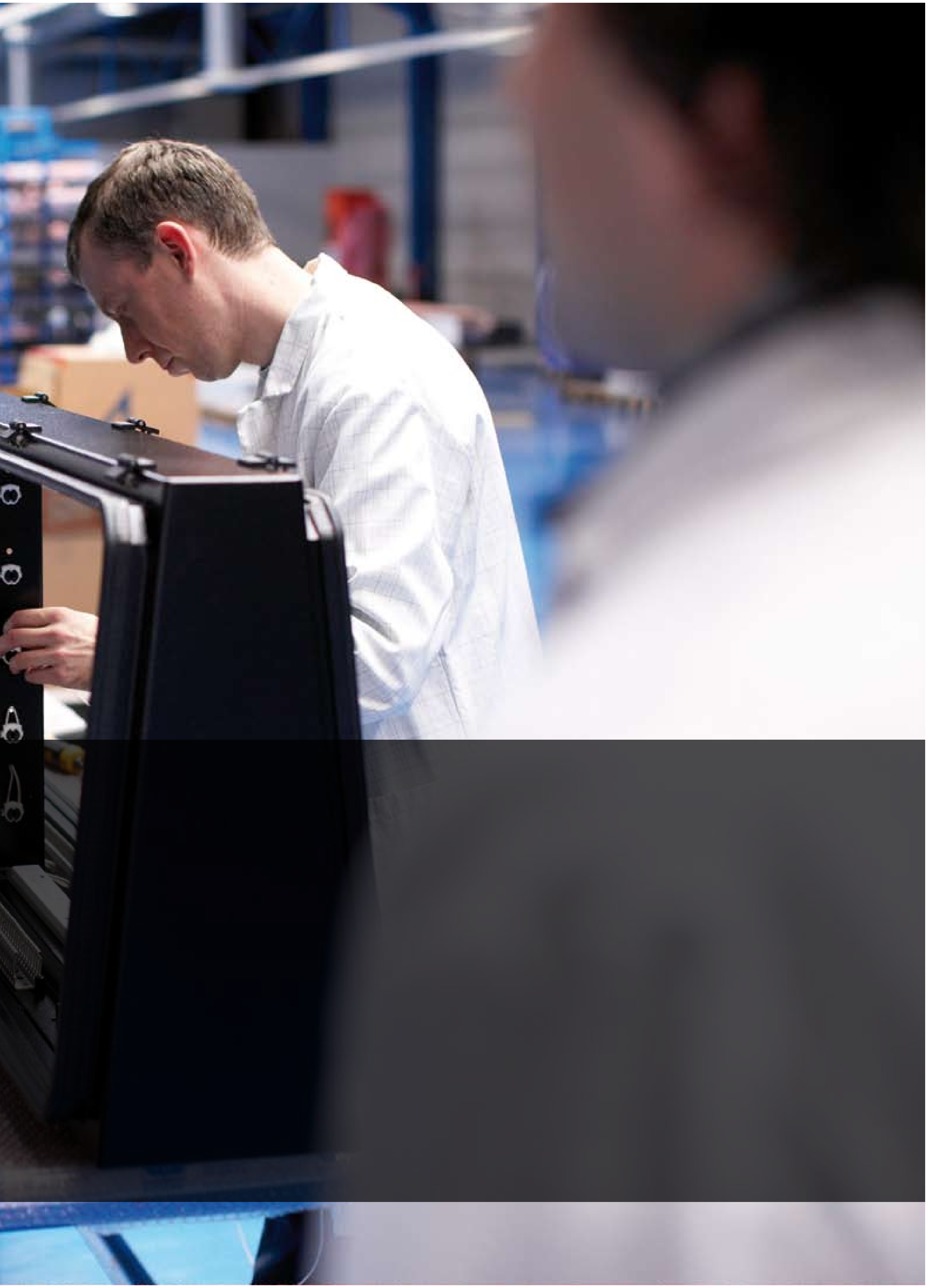
Production sites

- Kampenhout, Belgium
- Ieper, Belgium
- Poperinge, Belgium
- Rijen, the Netherlands
- Frickenhausen, Germany
- Kladno, Czech Republic
- Oradea, Romania

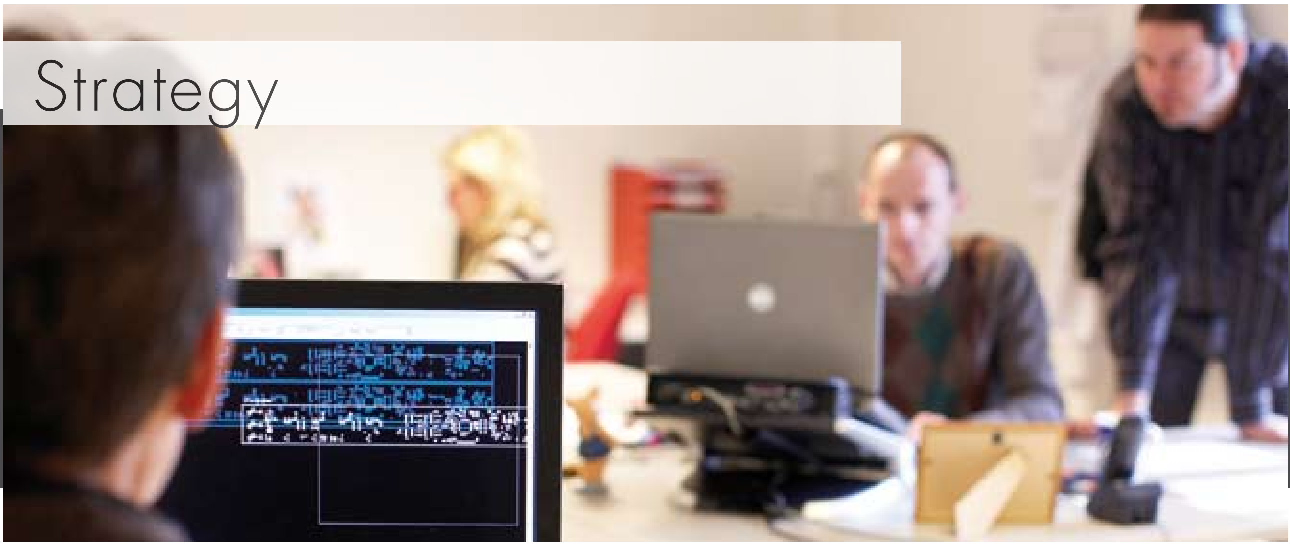
The Connect Group
Integrated Subcontractors

Our mission

‘To continuously improve the success of our customers in the high-end and professional markets throughout Europe, by supplying the best design & manufacturing services over the entire product lifecycle.’



Strategy



The cornerstones of the Connect Group's strategy are a practical business culture and a customer-focused organization.

Quality

We strive to deliver flawless products that exceed customer expectations.

Logistics

An integrated package, backed by our various production units

- Advantageous purchasing agreements
- A wide range of logistic concepts
- Components selected for optimum correlation between purchase and production

Technology

We are constantly looking for innovations to implement every aspect of the latest technologies.

Costs

We seek the best cost of ownership for your products through co-development, engineering, high productivity and centralized purchasing.

Flexibility

- Volume flexibility via a network of production units
- Technology mix
- Multifunctional employees
- Optimal logistic concepts

Our markets


Telecommunications


Professional


Medical

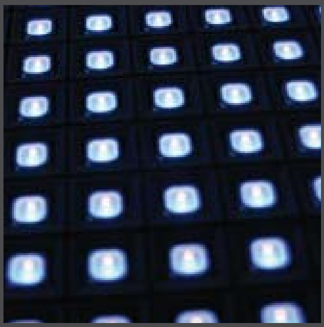

Automotive


Agriculture


Aerospace


Semi-conductors


Military


Visualization


Energy


Transport


Green technologies

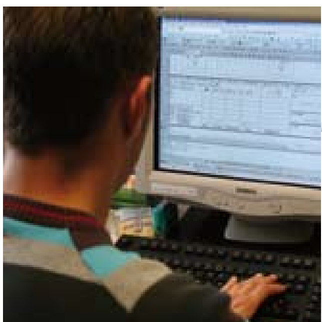
Engineering

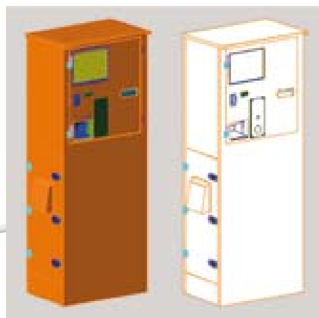
Top-quality products start with good design. Connect Group offers its customers added value with design and engineering services, plus advice on materials and component selection and layout for the assembly of cables, printed circuit boards and modules.

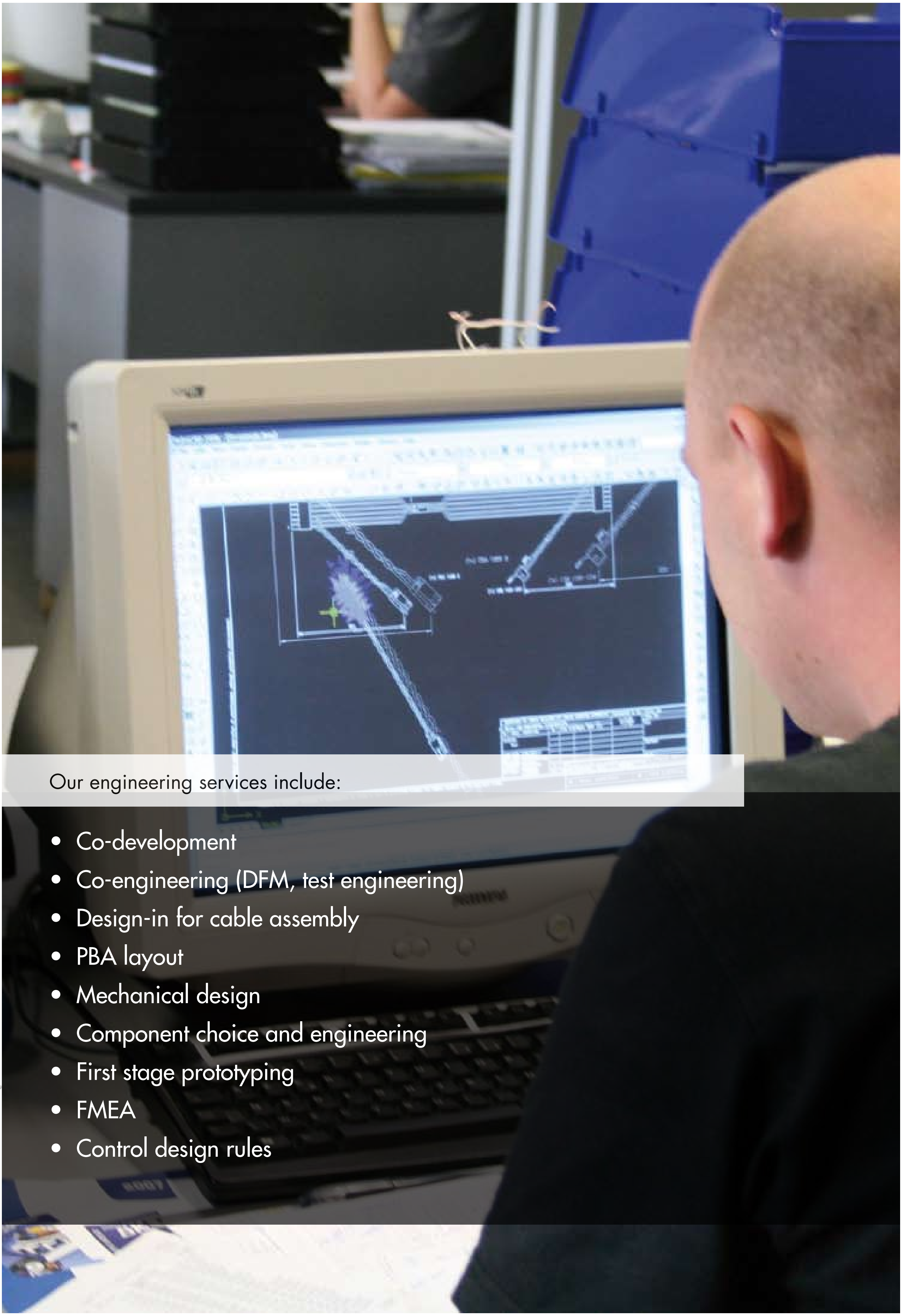
With the extensive expertise our engineers have developed over the past twenty years, the Connect Group is fully qualified to offer customers the specific technical support they are looking for. The sooner we are involved in the development of your project, the higher the added value of our engineering 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. The Connect Group's engineering department functions here as an extension of its customers' own design teams, with open communication, sharing of knowledge and proactively seeking solutions to support our customers' success.

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

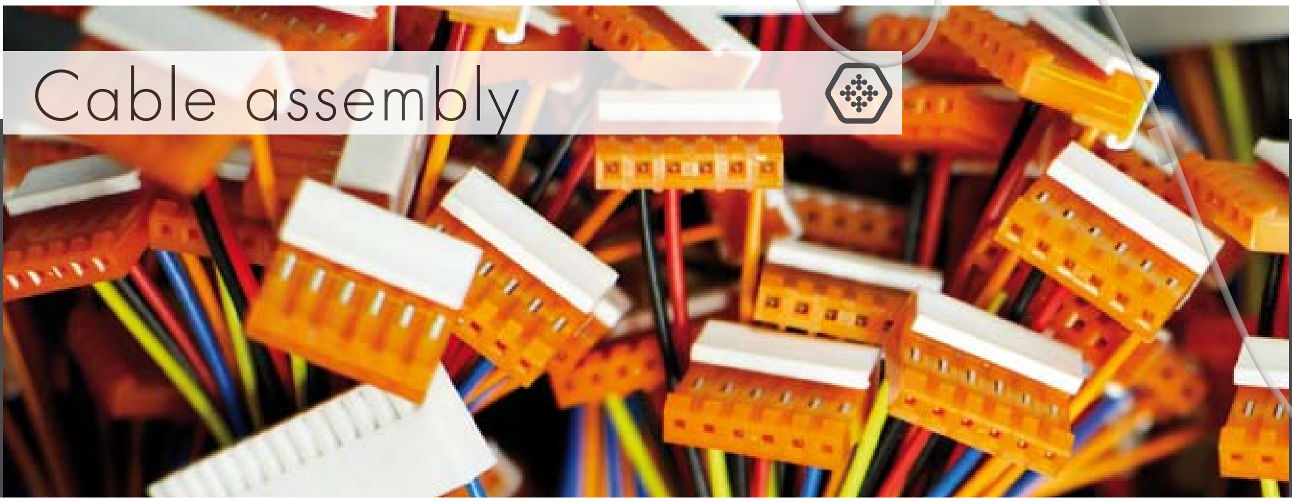






Our engineering services include:

- Co-development
- Co-engineering (DFM, test engineering)
- Design-in for cable assembly
- PBA layout
- Mechanical design
- Component choice and engineering
- First stage prototyping
- FMEA
- Control design rules



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

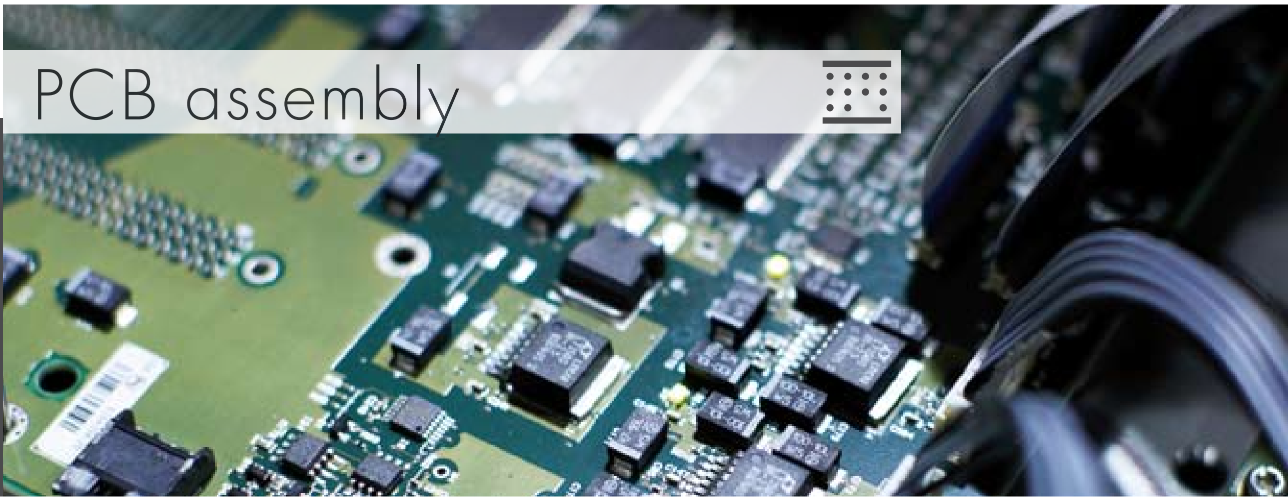
Our cabling services, using copper, coaxial and fibre technologies, provide a comprehensive answer to the interconnection needs of OEM's and equipment installers. Our qualified employees are fully conversant with all frequently occurring signal, power and coaxial cables, including the most complex structures.

For wiring and cabling, the 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.

The Connect Group's cable division is constantly searching for innovations and possibilities to boost 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:

- Automatic cutting, stripping, crimping
- Semi-automatic IDC-crimping
- Labelling, inkjet, hot stamp
- Ultrasonic welding
- Documentation management
- Moulding and potting
- Braiding
- 100% test: continuity, connectivity, functional
- Cleanroom ISO class 8

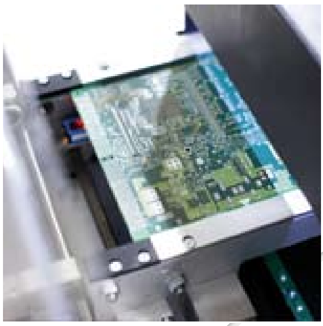


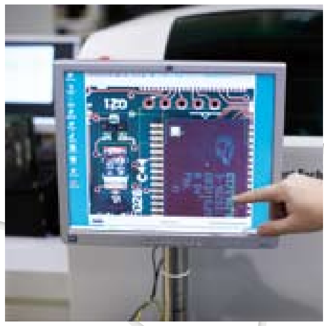
PCB assembly

With five different production sites across Europe, the Connect Group offers fast, cost-effective assembly services for state-of-the-art printed circuit boards. Combining high level technology with a stringent quality programme 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, both for medium-sized and varied or large-scale, simple runs.

Our clients can count on us for full lifecycle electronic manufacturing services, including design, purchasing, new product introduction (NPI), manufacturing, testing and after sales service. Our production facilities offer here an extensive technology mix, including PBA surface mounting (including NPI, µBGA, press fit and die & wire bonding) and through-hole assembly processes. These are further supported by tropicalisation, potting, programming, etc.

For testing, the Connect Group again stands at the top of the supply chain. Besides standard tests (AOI, flying probe, stress testing, etc.), our test engineering department offers 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.

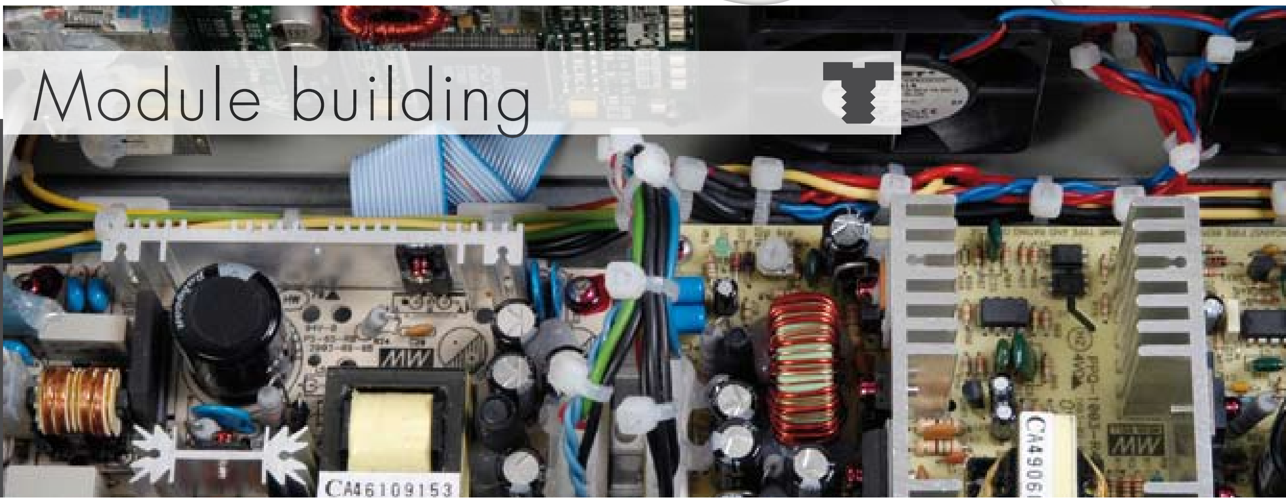




Our PCB assembly department includes:

- SMD placement
- Manual mounting
- Die & wire bonding
- THT
- Selective soldering
- Press Fit
- BGA & µBGA
- High precision coating
- Cleanroom ISO class 7
- FMEA
- Testing & test development
- 100% traceability
  (at component level)

Module building

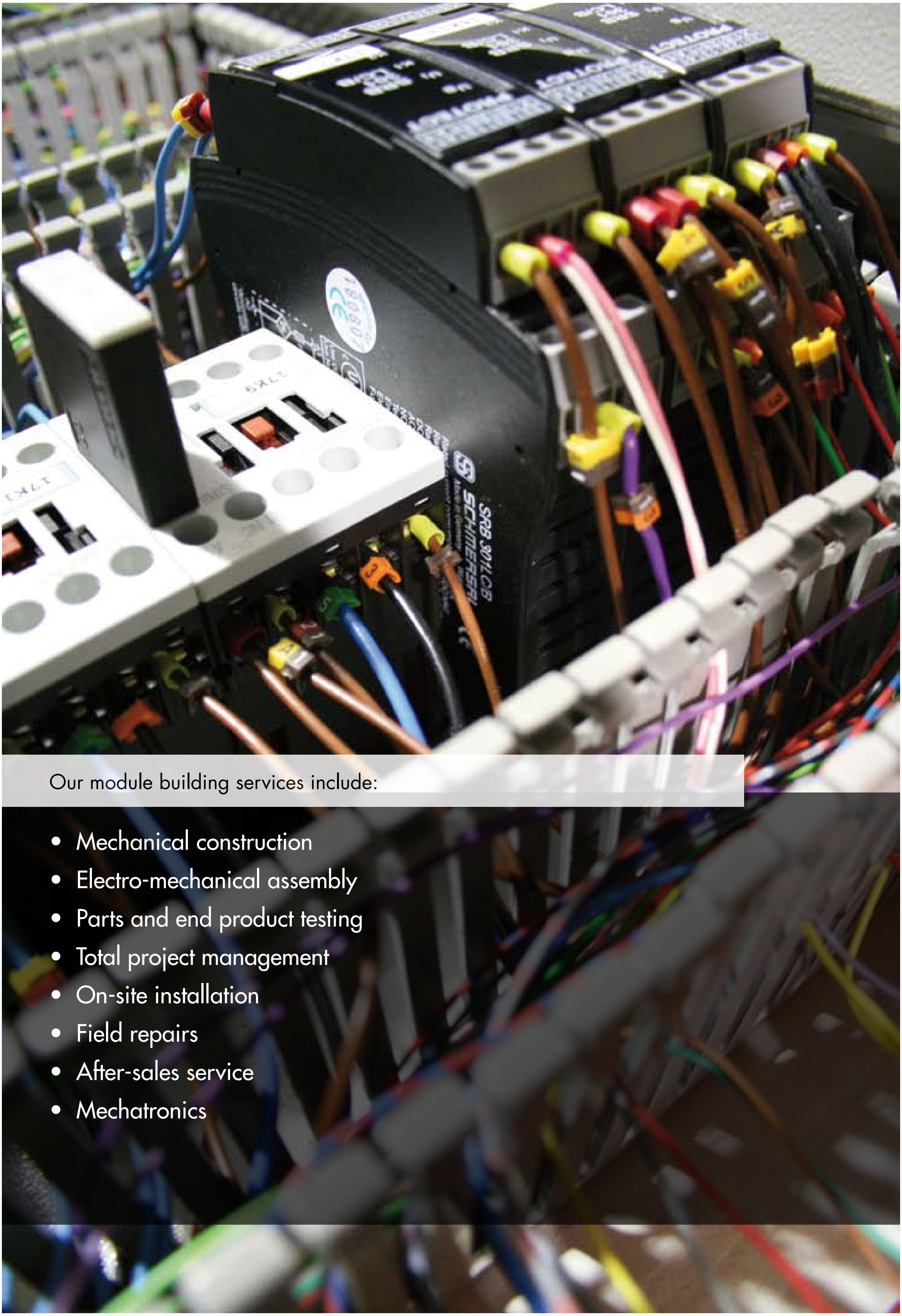


The module building department pools the best of the Connect Group's cabling, electronic and mechanical expertise to offer customers production possibilities ranging from subassemblies to fully-tested finished products. For complex modules, fully wired racks and cabinets, the Connect Group has versatile, 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 customer 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 undertaken on a project basis. Flex-Ops stands for proactive cooperation between the 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:

- Mechanical construction
- Electro-mechanical assembly
- Parts and end product testing
- Total project management
- On-site installation
- Field repairs
- After-sales service
- Mechatronics

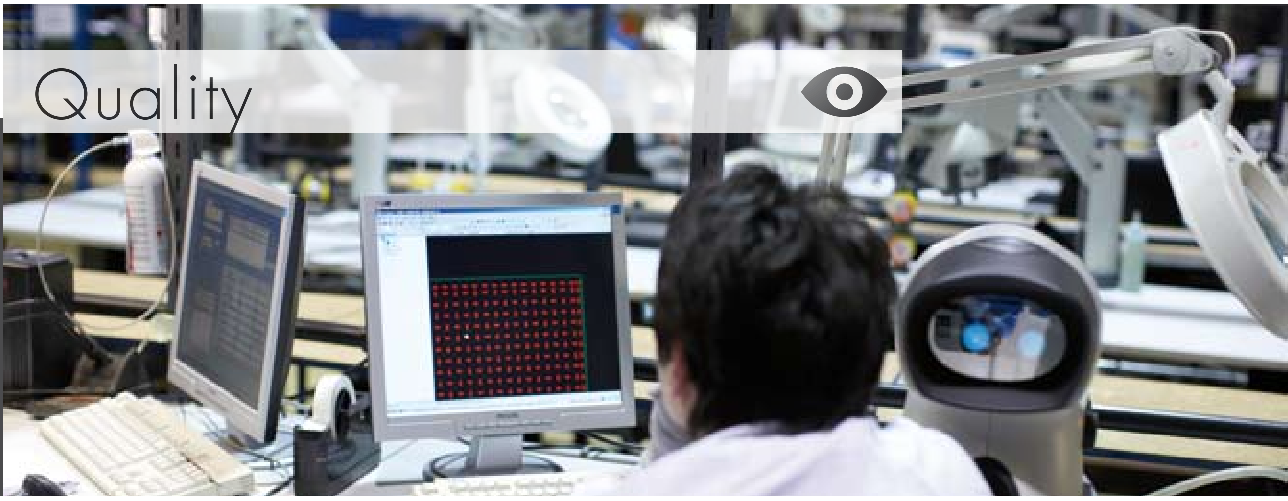
Lifecycle management

The Connect Group supports customers throughout the entire lifecycle of their products. Using our total development-to-aftersales package, customers can reduce costs and focus on their core business. This close collaboration with our customers provides a strong, fast and flexible supply chain, with guaranteed continuity.

- Repair
- Test and replace
- Customer specific logistic concepts
- After sales service
- Supply chain management


7. After Sales Service
1. Design & Engineering
6. Dedicated Logistics
2. New Product Introduction
SPEED
FLEXIBILITY
SUPPLY CHAIN MANAGEMENT
QUALITY
COST
5. Europe-Wide Production
3. Purchasing & Planning
4. Factory & Test Automation

Quality



Our services are backed by a comprehensive quality programme. 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 the 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.

ISO 9001 CERTIFIED VINÇOTTE

ISO 14001 CERTIFIED VINÇOTTE

The Connect Group quality programme:

- ISO 9001:2008
- ISO 14001
- 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)

A reflection on the past

17 years ago in 1992, five people took the initiative to start a new company. A new automation company was born with the target of becoming a leader in its field.

In the period 1992 – 2000 this company was very successful. It doubled its sales figure every year and was profitable.

In 1999, it acquired Connect Systems, a leading subcontractor on the Belgian market, with a size comparable to its own automation business at that time. The acquisition was part of a strategy to balance the business risk of the automation business, given that investment goods companies are highly susceptible to market volatility.

In 2000, the group went public. The success of the past created the momentum for this exiting step. The company was well balanced between an automation business and a contract manufacturing business. The automation part wanted to become a leading world wide automation partner for the electronics industry with a global presence.

The economic crisis in the electronics industry, starting in 2001, abruptly stopped the growth that the automation business had seen since the startup in 1992. Automation nonetheless persisted with its plan to become a leading worldwide automation firm, acquired several automation partners and invested heavily in products and clients. The business, however, became more and more challenging in different ways: price pressure, increasing development risk and the shift of manufacturing to low cost countries. Although the business never became cash positive after 2001, there was still a strong belief that, ultimately, IPTE Automation would become the worldwide automation partner for the electronics industry.

Luckily, contract manufacturing could sustain its growth and create sufficient cash to support both activities, allowing automation to continue the pursuit of its challenging target.

The worldwide economic crisis starting in 2008 and continuing in 2009 forced the IPTE Group to put an end to this strategy. Contract manufacturing for the first time in 8 years could no longer create sufficient cash to support the automation strategy.

This cash shortage and the doubtful economic outlook for 2010 forced the group to take immediate action. After evaluating all the various possible scenarios, it was decided by the Board of Directors to sell the automation business. Two of the main founders of the automation business, Huub Baren and Vladimir Dobosch, expressed their strong belief in the business and proposed to the group the best offer to take it over. The Board accepted this offer in December 2009.

By selling the automation business, the group ended an important 10-year period of being at once both an automation and a contract manufacturing partner for the electronics industry.

Operational results

Only the results of contract manufacturing are discussed below, as the automation business is considered as a discontinued operation and as no longer relevant.

Annual sales decreased by 27 % from EUR 166 million in 2008 to EUR 121 million in 2009. This decrease is fully attributable to the economic recession which started already in 2008 and bottomed out in 2009. Importantly, the company did not lose any major clients, on the contrary, new client contracts were signed.

This dramatic decrease in sales within the space of one year had a major impact on all cost components of the income statement except cost of materials. Although the company had already launched major cost savings plans in 2008, it was impossible to scale back cost savings with the same speed as the fall in sales.

The sales decrease brought with it major production inefficiencies (higher startup times in comparison with production runs), reorganization costs (to adapt the organization to the lower volumes) and a less favorable mix between direct and indirect labour. Average gross margin therefore decreased from 15.2 % in 2008 to 10.4 % in 2009.

Research and development expenses, which in contract manufacturing run at approximately 1 percent of sales volume, were stable.

General and administrative expenses decreased from EUR 7.9 million (4.8 % of sales) to EUR 6.4 million (5.2 % of sales).

Selling expenses decreased from EUR 8.0 million to EUR 6.6 million (-18%), but the continuing fixed component (sales staff salary costs) prevented them from falling as fast as sales (-27%).

Net financial costs were EUR 1.6 million compared to EUR 3.3 million in 2008. Interest costs were lower in 2009 due to lower usage of the credit lines. The company did not suffer the exchange losses that it bore in 2008.

The company recorded an exceptional loss of EUR 22.9 million on the discontinued automation operation. The amount consists of the loss incurred by the automation business during the 9 months in which it was still part of the IPTE Group (EUR 5.8 million), the write down of all assets to the net realizable value (EUR 16.0 million) agreed in the sales contract, and the additional costs attached to this transaction (EUR 2.1 million) .

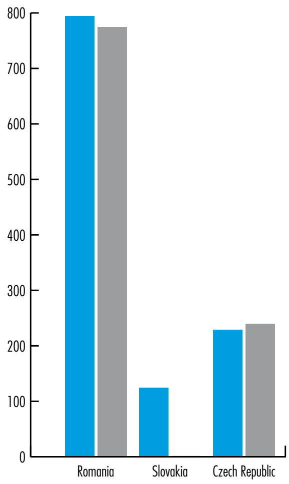
The final outcome is a net loss for the year of EUR 26.4 million compared to a profit of EUR 0.2 million in 2008.

Group shareholders' equity decreased from EUR 42.6 million to EUR 15.6 million. This decrease is the result of the loss of the year (EUR 26.4 million), the minority interest in the result of Platzgummer, which was divested with the automation business (EUR 0.6 million) and some translation effects.

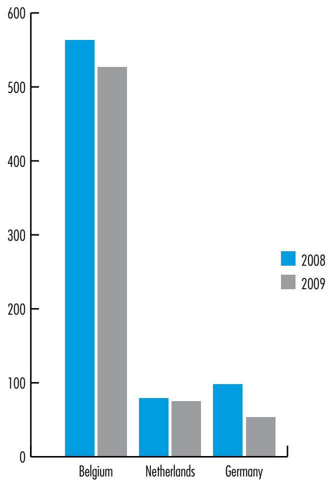
People in partnership

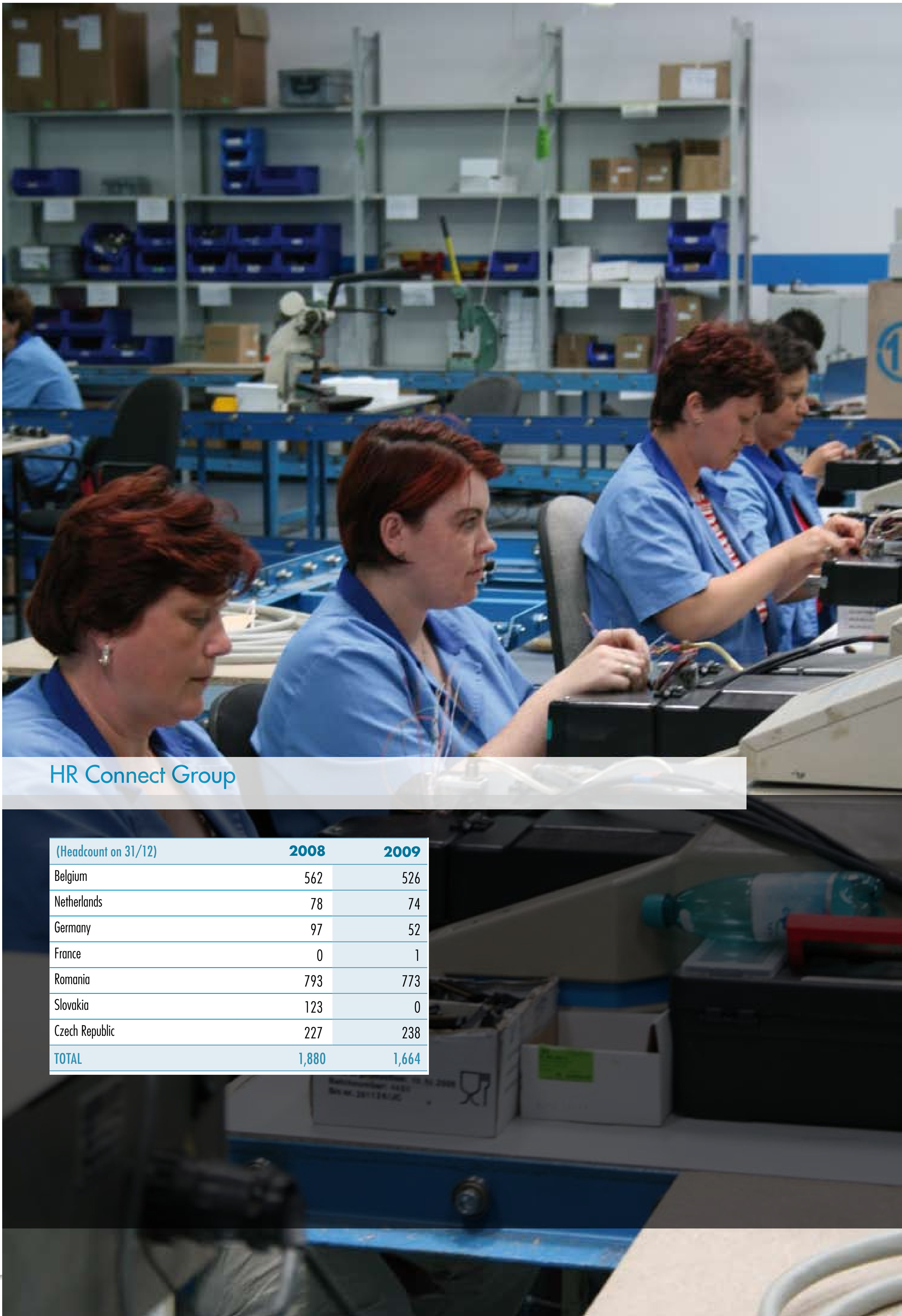
As an EMS provider the Connect Group is totally dependent on the quality and performance of its employees. From buying to selling; whether production, test engineering or administration - each individual is indispensable for implementing our customers' projects.

Eastern Europe



Western Europe





HR Connect Group

(Headcount on 31/12)	2008	2009
Belgium	562	526
Netherlands	78	74
Germany	97	52
France	0	1
Romania	793	773
Slovakia	123	0
Czech Republic	227	238
TOTAL	1,880	1,664

Corporate Governance

Board of Directors

EDJ NV (permanently represented by Mr. Erik Dejonghe)	Chairman, Independent Director (1) (2)
Luc Switten BVBA (permanently represented by Mr. Luc Switten)	Managing Director
Huub Baren BVBA (permanently represented by Mr. Hubert Baren)	Director (1)
Vladimir Dobosch BVBA (permanently represented by Mr. Wolodimir Dobosh)	Director
Stokklinx BVBA (permanently represented by Mr. Guy van Dievoet)	Director (2)
Dominique Moorkens	Independent Director (1)
Immocom NV (permanently represented by Mr. Freddy Daniëls)	Director** (2)
Becap BVBA (permanently represented by Mr. Pierre Serrure)	Independent Director** (1)

Executive Management*

Luc Switten	Managing Director Group
Hugo Ciroux	Chief Financial Officer

* in their own names or via management companies
** representing LRM NV (Limburgse Reconversie Maatschappij)
(1) Member of the Remuneration Committee
(2) Member of the Audit Committee



Composition of the board of directors

The company is managed by a Board of Directors, comprised of a minimum of five directors, who may or may not be shareholders, and who are appointed by the General Meeting of Shareholders.

In 2009, the Board of Directors was made up by the following members:

- EDJ NV, represented by Mr. Erik Dejonghe (appointed on 28 April 2009 for a six-year term). Chairman of the Board of Directors. Independent Director.
- Luc Switten BVBA, represented by Mr. Luc Switten (appointed on 16 April 2004 for a six-year term). Managing Director.
- Huub Baren BVBA, represented by Mr. Huub Baren (appointed on 26 April 2005 for a six-year term). Director. Dominant shareholder holding 31,24 % of the shares.
- Vladimir Dobosch BVBA, represented by Mr. Vladimir Dobosch (appointed on 16 April 2004 for a six-year term).
- Stokklinx BVBA, represented by Mr. Guy van Dievoet (appointed on 26 April 2005 for a six-year term). Director.
- Mr Dominique Moorkens (appointed on 25 April 2006 for a six-year term). Independent Director.
- Immocom NV, represented by Mr. Freddy Daniëls (appointed on 29 April 2008 for a six-year term). Director representing LRM NV (dominant shareholder).
- Becap BVBA, represented by Mr. Pierre Serrure (appointed on 24 April 2007 for a six year term). Independent Director.

Each director may be dismissed by the General Meeting at any time. Retiring or retired Directors may be reappointed. Any Board member may resign by written notification to the Board of Directors. There must be at least two independent directors.

Operation of the board of directors

In 2009 the Board of Directors met on 19/01, 16/02, 23/03, 31/03, 28/04, 22/06, 10/08, 14/09, 09/11, 20/12 and 21/12. Items on the agenda included the approval of financial data such as the Group Operating Reports and the group accounts, sales figures, quarterly reporting and budget monitoring, monitoring of subsidiaries, consolidated results, review and appraisal of strategic directions, acquisitions and evaluation of investments.

The Board of Directors can deliberate and come to decisions only if a majority of its members, including at least one independent director, attend the meeting or are represented. Where the first meeting fails to meet the required quorum, the Board of Directors may legally deliberate and make decisions during a following meeting with the same agenda, irrespective of whether the required quorum is present or not.

In the event of a tie, the director chairing the meeting gives the casting vote. The executive management must provide the Board of Directors on a monthly basis with a group management report and group accounts, sales statistics and an interim financial report (income statement and balance sheet). On a quarterly basis it must also

provide a complete interim financial report (income statement, balance sheet, detailed budget monitoring, ratio analysis), which is made public. The information provided to the Board must include regularly updated information on current acquisition projects. Each director may ask approval to seek independent professional advice at the company's expense at any time.

Committees formed by the board of directors

Audit Committee

The Audit Committee has the task of reporting to and advising the Board of Directors. The Audit Committee supervises the company's accounting operations and financial reporting. It verifies that there are sufficient internal controls and, in collaboration with the statutory auditors, it inquires into accountancy issues, including the assessment. The committee meets at least twice a year to review the half-yearly statements and the draft of the consolidated and individual annual accounts.

Remuneration Committee

The Remuneration Committee is made up of non-executive directors, at least one of whom is required by the by-laws to be an independent director. One of the Remuneration Committee's responsibilities is to ensure that members of staff are remunerated fairly and appropriately in relation to their contribution to the performance and prosperity of the company. The committee also makes recommendations to the Board of Directors on remuneration-related matters. The Board of Directors may assign certain tasks to the Remuneration Committee. The Remuneration Committee met once in 2009.
In 2010 the Board of Directors will examine the need for new committees and establish any that it deems necessary.

Executive management

Mr. Luc Switten has been appointed Managing Director in charge of daily management. He is supported by the Chief Financial Officer (together they are the Executive Management). The Executive Management meets monthly and its responsibilities include the preparation of the meetings of the Board of Directors and the supervision of daily management. The remuneration of the Executive Management amounts in total to € 0.5 million.

Appropriation policy

The company does not pursue any strictly defined dividend policy. The Connect Group wants to conserve cash resources and remain flexible enough to take advantage of opportunities for internal and external expansion. For this reason no dividend will again be declared for the 2009 financial year.

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:

- not deal in Connect Group shares during the two months prior to publication of annual results;
- not deal in Connect Group shares during the 21 days prior to publication of quarterly results;
- not sell shares within six months of purchase;
- inform the CFO of all intended operations before undertaking them.

Declaration regarding the information given in this annual report 2009

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 the are faced with.

Luc Switten, CEO
Hugo Ciroux, CFO

Contents

1. CONSOLIDATED FINANCIAL STATEMENTS

1.1 Independent Auditor's Report

To the shareholders
As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comments.

Unqualified audit opinion on the consolidated financial statements with explanatory paragraph
We have audited the accompanying 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. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2009, 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. The consolidated balance sheet shows total assets of 101.303 (000) EUR and the consolidated income statement shows a consolidated loss (group share) for the year then ended of 26.438 (000) EUR.

The financial statements of one significant entity included in the scope of consolidation which represent total assets of 5.260 (000) EUR and a total loss of 1.567 (000) EUR has been audited by another auditor. Our opinion on the accompanying consolidated financial statements, insofar as it relates to the amounts contributed by this entity, is based upon the report of this other auditor.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we have considered 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. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained, together with the reports of other auditors on which we have relied, provides a reasonable basis for our opinion.

In our opinion, and based upon the reports of other auditors, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2009, and of its results and its cash flows for the year then ended, in accordance with International

Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

Although the group incurred a consolidated loss (group share) for the year ended per 31 December 2009 of 26.438 (000) EUR, the financial statements have been drafted using the going concern principle. This assumption is only justified to the extent that the group will be able to keep sufficient credit lines, will be able to realize its business plan and will be able to strengthen its balance sheet structure by issuing a subordinated convertible bond in a minimum amount of 2.000 (000) EUR.

Without modifying the above unqualified opinion, we draw your attention to the directors' report and to note 1.3.5 to the financial statements, in which the board of directors, in accordance with Belgian legal requirements justifies the application of the going concern principle. No adjustments have been recorded with respect to the valuation or the classification of certain balance sheet items, which would be required, should the group no longer be able to continue its operations.

Additional comments

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comments which do not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

- We draw your attention to note 1.3.5 critical accounting judgements and key sources of estimation uncertainty of the consolidated financial statements, which also describes the impairment analysis on intangible assets, tangible assets and goodwill, and the sensitivities and the assumptions that are relevant therein. The realization of the in note 1.3.5 mentioned business plan is essential to support the carrying value of the intangible assets, tangible assets and goodwill.

Diegem, 30 March 2010
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 Balance Sheets as of 31 December

CONNECT GROUP NV	2009	2008
Assets		
Current assets:		
Cash and cash equivalents (notes 1.3.7.a)	128,246	1,807,341
Trade receivables (notes 1.3.7.b)	20,195,275	46,038,121
Other receivables (notes 1.3.7.c)	375,927	3,262,989
Inventories (notes 1.3.7.d)	29,540,419	45,179,020
Other current assets	190,577	345,098
Assets classified as held for sale (notes 1.3.7.y)	27,869,222	-
Total current assets	78,299,666	96,632,569
Non-current assets:		
Other receivables	-	2,338
Deferred tax assets (notes 1.3.7.n)	1,500,000	1,562,000
Property, plant and equipment (notes 1.3.7.e)	16,038,510	21,161,124
Intangible assets (notes 1.3.7.f)	816,069	1,295,507
Goodwill (notes 1.3.7.g)	4,648,712	8,935,345
Total non-current assets	23,003,291	32,956,314
Total assets	101,302,957	129,588,883
Liabilities and equity		
Current liabilities:		
Bank loans and overdrafts (notes 1.3.7.i)	25,023,631	31,028,991
Current portion of long-term debt (notes 1.3.7.j)	1,108,718	1,536,664
Trade payables	22,322,741	31,324,831
Accrued expenses, payroll and related taxes and deferred income (notes 1.3.7.h)	6,148,036	10,710,525
Provisions (notes 1.3.7.k)	2,755,229	3,711,804
Other current liabilities (notes 1.3.7.l)	7,301	3,678,862
Liabilities directly associated with assets classified as held for sale (notes 1.3.7.y)	25,869,222	-
Total current liabilities	83,234,878	81,991,677
Non-current liabilities:		
Long-term debt less current portion (notes 1.3.7.j)	2,379,404	4,866,832
Deferred tax liability (notes 1.3.7.n)	-	62,000
Total non-current liabilities	2,379,404	4,928,832
Equity (notes 1.3.7.m)		
Shareholders' capital	429,934	429,934
Legal reserve	42,993	42,993
Share premium	37,214,276	37,214,276
Retained earnings	4,172,308	3,898,111
Current year's profit/(loss)	(26,437,847)	274,197
Cumulative translation adjustment	267,011	251,450
Equity attributable to equity holders of the parent	15,688,675	42,110,961
Minority interests	-	557,413
Total equity	15,688,675	42,668,374
Total liabilities and equity	101,302,957	129,588,883

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

Consolidated Income Statements for the 12 month period ending 31 December (in EUR)

CONNECT GROUP NV (*)	2009	2008
Continuing operations		
Sales	121,254,759	165,897,641
Cost of sales (notes 1.3.7.o)	(109,056,329)	(140,649,712)
Gross Profit	12,198,430	25,247,929
Research and development expenses (notes 1.3.7.p)	(1,233,896)	(1,406,991)
General and administrative expenses (notes 1.3.7.q)	(6,401,544)	(7,958,328)
Selling expenses (notes 1.3.7.r)	(6,577,414)	(8,022,392)
Other income (expense) net	67,103	247,832
Profit/(loss) from operations	(1,947,321)	8,108,050
Financial income (notes 1.3.7.u)	870,645	2,525,148
Financial charges (notes 1.3.7.u)	(2,467,318)	(5,848,858)
Profit/(loss) before taxes	(3,543,994)	4,784,340
Income taxes (notes 1.3.7.v)	(21,046)	25,074
Profit/(loss) for the year from continuing operations	(3,565,040)	4,809,414
Discontinued operations		
Profit for the year from discontinued operations (notes 1.3.7.y)	(22,872,807)	(4,535,217)
Profit for the year	(26,437,847)	274,197
Profit attributable to:		
Equity holders of the parent	(26,437,847)	274,197
Minority interest (notes 1.3.7.m)	-	-
Earnings per share		
Basic earnings per share continuing operations (note 1.3.7.w)	-0.51	0.69
Diluted earnings per share continuing operations (note 1.3.7.w)	-0.51	0.69
Basic earnings per share continuing plus discontinued operations (notes 1.3.7.w)	-3.81	0.04
Diluted earnings per share continuing plus discontinued operations (notes 1.3.7.w)	-3.81	0.04

Consolidated statement of Comprehensive Income (in EUR)

Profit / (loss) of the year	(26,437,847)	274,197
Other comprehensive income		
Exchange differences on translating foreign operations	15,561	181,286
Total comprehensive income for the year	(26,422,286)	455,483
Total comprehensive income attributable to:		
Equity holders of the parent	(26,422,286)	455,483
Minority interest (notes 1.3.7.m)	-	-

(*) As a result of the sale of the automation activity in December 2009, the consolidated income statements for 2009 and 2008 have been restated on the basis of IFRS 5 non-current assets held for sale and discontinued operations, in order to allow for comparison between both years. As such, the results of the automation activity are presented on a single line as profit and loss from discontinued operations.

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	Attributable to equity holders of the parent	Minority interests	Total
31/12/2007	6,934,424	429,934	42,993	37,214,276	3,898,111	70,164	41,655,478	-	41,655,478
Net result of the year					274,197		274,197	166,849	441,046
Other comprehensive income						181,286	181,286		181,286
Total comprehensive income					274,197	181,286	455,483	166,849	622,332
Minority share of acquired Platzgummer								390,564	390,564
31/12/2008	6,934,424	429,934	42,993	37,214,276	4,172,308	251,450	42,110,961	557,413	42,668,374
Net result of the year					(26,437,847)		(26,437,847)		(26,437,847)
Other comprehensive income						15,561	15,561		15,561
Total comprehensive income					(26,437,847)	15,561	(26,422,286)		(26,422,286)
Minorities related to discontinued operations								(557,413)	(557,413)
31/12/2009	6,934,424	429,934	42,993	37,214,276	(22,265,539)	267,011	15,688,675	-	15,688,675

Consolidated Cash Flow Statements for the 12 month period ending 31 December (in EUR)

CONNECT GROUP NV	2009	2008
Profit/(loss) from operations continued operations		
Adjustments for:		
Amortization goodwill/negative goodwill	-	-
Allowance for doubtful receivables and obsolete stock	1,021,111	300,000
Depreciation and amortization	4,009,560	4,181,647
Provisions	2,299,911	181,983
Operating profit before changes in working capital continued operations	5,383,261	12,771,680
Inventories	3,705,451	4,384,466
Trade receivables	6,907,735	4,538,119
Trade payables	(364,457)	(9,440,046)
Accrued expenses, payroll and related taxes and deferred income	(511,003)	(520,302)
Other receivables	23,459	(2,225,170)
Other current assets	(645)	(149,261)
Other payables	(244,592)	(597,816)
Cash flow from operating activities continued operations	14,899,209	8,761,670
Taxes	(21,046)	25,074
Exchange differences	(4,718)	(805,727)
Interests / Financial charges	(1,600,793)	(2,518,765)
Other	(54,666)	
Net cash from/(used in) operating activities continued operations	13,217,986	5,462,252
Net cash from/(used in) operating activities discontinued operations (1.3.7.y)	(5,019,878)	920,726
Cash flows from investing activities continued business		
Investments in intangible assets	(90,943)	(1,115,907)
Investments in property, plant and equipment	(3,530,427)	(7,048,582)
Gain/(loss) on the sale of property, plant and equipment	44,674	-
Interest received	8,836	782
Cash flows used in investing activities continued operations	(3,567,860)	(8,163,707)
Cash flows used in investing activities discontinued operations	(285,300)	(5,514,146)
Cash flows from financing activities		
Proceeds/(repayments) from long-term debts	(2,487,428)	236,577
Proceeds/(repayments) from current portion of long-term debt	(427,945)	72,011
Proceeds/(repayments) from bank loans and overdrafts	(6,005,359)	5,379,436
Proceeds from discontinued operation	2,896,689	-
Net cash provided by financing activities	(6,024,043)	5,688,024
Monetary (loss)/gain on cash and cash equivalents		
Increase/(decrease) in cash and cash equivalents	(1,679,095)	(1,606,851)
Cash and cash equivalents at the beginning of the period	1,807,341	3,414,192
Cash and cash equivalents at the end of the period	128,246	1,807,341

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

1.3 Notes to the Consolidated Financial Statements of Connect Group

1.3.1. General

Connect Group NV (formerly IPTE NV) is a limited liability company incorporated under Belgian law, with subsidiaries in Belgium (ConnectSystems NV, ConnectSystems International NV, Connectronics NV and Connect Systems Holding NV), the Netherlands (Connect Systems Nederland BV), France (IPTE RF SARL, And-Elec SAS, Antest SARL, Prodel Automation SARL and Prodel Technologies SA), Germany (IPTE GmbH, Platzgummer GmbH and Connectronics GmbH), Portugal (IPTE Iberia – Automaçao Industrial LDA), Romania (Connectronics Romania SRL), Czech Republic (Connectronics sro), Singapore (IPTE Asia Pacific PTE LTD, IPTE ASIA Holdings PTE LTD), the United Kingdom (IPTE (UK) LTD), Sweden (IPTE Nordic AB), the United States of America (ITE Enterprises Inc., IPTE America LLC and Prodel USA), China (IPTE Industrial Automation (Shanghai) Co. LTD), Finland (IPTE Nordic Oy), Estonia (IPTE Automation Oü) and Spain (IPTE Spain S.L.U.). The company develops and produces test and production equipment for the electronics industry (automation business) and is a subcontractor for the electronics industry (contract manufacturing business).

With the sale of the automation activity in December 2009, going forward the company's business will be contract manufacturing, with its subsidiaries in Belgium (ConnectSystems NV, ConnectSystems International NV, Connectronics NV and Connect Systems Holding NV), the Netherlands (Connect Systems Nederland BV), Germany (Connectronics GmbH), Romania (Connectronics Romania SRL) and Czech Republic (Connectronics sro). The change of name from IPTE NV to Connect Group NV was formally approved at the Extraordinary General Shareholders Meeting of 2 March 2010.

The number of employees of contract manufacturing (continuing operations) at year end 2009 amounted to 1,664 compared to 1,880 at the end of 2008.

The registered office address of the Group is located at Geleenlaan 5, 3600 Genk, Belgium. The financial statements were authorized for issue by the Board of Directors subsequent to their meeting held on 29 March 2010 in Genk.

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

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparation of the group's financial statements for the year ended 31 December 2008, except for the impact of the adoption of the standards described below which became effective as of 1 January 2009.

IAS 1 (revised)
Presentation of financial statements

Effective from 1 January 2009 onwards, the revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Connect Group has elected to present two statements: an income statement and a statement of comprehensive income.

IFRS 8 Operating Segments

Effective from 1 January 2009 onwards, this standard replaces IAS 14 Segment Reporting. It requires Connect Group's external segment reporting to be based on its internal reporting to its "chief operating decision maker", which makes decisions on the allocation of resources and assesses the performance of the reportable segments. Apart from not presenting the discontinued segment "Factory Automation" the application of this new standard did not have an effect on how the company presents its segments. As a result of the discontinued segment "Factory Automation", the company has currently only one operating segment "Contract Manufacturing". IFRS 8 is a disclosure standard, as such this standard did not affect the financial position and performance of the Group.

IAS 23 Borrowing Costs – amended

In March 2007, the IASB issued amendments to IAS 23, Borrowing Costs. The main change from the previous version is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The cost of an asset will in the future include all costs incurred in getting it ready for use or sale. Connect Group prospectively adopted the amendment as of 1 January 2009 with no material effect on its financial result or financial position.

Other Standards and Interpretations that became applicable for 2009 with no effect on the financial statements

- IFRS 1 First-time Adoption of International Financial Reporting Standards (applicable for accounting years beginning on or after 1 January 2009)

- Improvements to IFRS (2007-2008) (normally applicable for accounting years beginning on or after 1 January 2009)

- Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements (normally prospective application for annual periods beginning on or after 1 January 2009)

- Amendment to IFRS 2 Vesting Conditions and Cancellations (applicable for annual periods beginning on or after 1 January 2009)

- Amendment to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments (applicable for accounting years beginning on or after 1 January 2009)

- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable financial instruments and obligations arising on liquidation (annual periods beginning on or after 1 January 2009)

- IFRIC 13 Customer Loyalty Programmes (applicable for accounting years beginning on or after 1 July 2008)

- IFRIC 15 Agreements for the construction of real estate (applicable for accounting years beginning on or after 1 January 2009)

- IFRIC 16 Hedges of a net investment in a foreign operation (applicable for accounting years beginning on or after 1 October 2008)

- IFRIC 18 Transfers of Assets from Customers (applicable for Transfers received on or after 1 July 2009)

- Amendment to IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement (applicable for accounting years ending on or after 30 June 2009)

Standards and Interpretations issued that are not yet effective

- IFRS 3 Business Combinations (applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). This Standard replaces IFRS 3 Business Combinations as issued in 2004
- IFRS 9 Financial Instruments (applicable for annual periods beginning on or after 1 January 2013)
- Improvements to IFRS (2008-2009) (normally applicable for accounting years beginning on or after 1 January 2010)
- Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards – Additional exemptions (applicable for annual periods beginning on or after 1 January 2010)
- Amendment to IFRS 2 Share-based Payment (applicable for annual periods beginning on or after 1 January 2010)
- Amendment to IAS 24 Related Party Disclosures (applicable for annual periods beginning on or after 1 January 2011). This Standard supersedes IAS 24 Related Party Disclosures as issued in 2003
- Amendment to IAS 27 Consolidated and Separate Financial Statements (applicable for annual periods beginning on or after 1 July 2009). This Standard amends IAS 27 Consolidated and Separate Financial Statements (revised 2003)
- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (applicable for annual periods beginning on or after 1 February 2010)
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (applicable for annual periods beginning on or after 1 July 2009)
- IFRIC 17 Distributions of Non-cash Assets to Owners (applicable for accounting years beginning on or after 1 July 2009)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual periods beginning on or after 1 July 2010)
- Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement (applicable for annual periods beginning on or after 1 January 2011)

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.

1.3.4. Summary of principal accounting policies

a. Basis of consolidation

Subsidiaries
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.
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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.
The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the remaining difference after reassessment is recognised directly in the income statement.

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.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The Group applies a policy of treating transactions with minority interest as transactions with equity owners of the Group. For purchases from minority interest, the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interest are also recorded in equity.

Consequently, in case of an increase in ownership for an entity which was already controlled by the Group, the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded against equity.

b. 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.

List of subsidiaries as of 31 December

Entity	2009	2008
Connect Group NV (previously known as Integrated Production and Test Engineering NV)		
Continued operations		
Connect Systems Holding NV	100	100
ConnectSystems NV	100	100
Connectronics NV	100	100
Connect Systems Nederland BV	100	100
ConnectSystems International NV	100	100
Connectronics Romania SRL	100	100
Connectronics GmbH	100	100
Connectronics sro	100	100
Discontinued operations		
Integrated Production and Test Engineering (UK) LTD	100	100
Integrated Production and Test Engineering GmbH	100	100
Integrated Production and Test Engineering Asia Pacific PTE LTD	100	100
Integrated Production and Test Engineering Nordic AB	100	100
Integrated Test Engineering Enterprises Inc.	100	100
Integrated Production and Test Engineering America LLC	100	100
IPTE RF SA	100	100
And-Elec SAS	100	100
Antest SARL	100	100
IPTE ASIA Holdings PTE LTD	100	100
IPTE Industrial Automation (Shanghai) Co. LTD	100	100
Prodel Automation SARL	100	100
Prodel Technologies SA	100	100
Prodel USA Inc.	100	100
IPTE Iberia – Automaçao Industrial LDA	100	100
IPTE Nordic Oy	100	100
Platzgummer GmbH	80	80
IPTE Automation Oü	100	100
IPTE Spain S.L.U.	100	100

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 balance sheet 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
In consolidation, the assets and liabilities of the Group companies, using a different functional currency then the Euro, are expressed in Euro using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified in equity and transferred to the Group's "Cumulative translation adjustment". Such translation differences are recognised 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	SEK/ EUR	USD/ EUR	CNY/ EUR	RON/ EUR	SKK/ EUR
31 Dec 2009	1.126	0.495	0.098	0.694	0.101	0.236	N/A
31 Dec 2008	1.049	0.499	0.092	0.719	0.105	0.249	0.033

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

Year	GBP/ EUR	SGD/ EUR	SEK/ EUR	USD/ EUR	CNY/ EUR	RON/ EUR	SKK/ EUR
2009	1.118	0.498	0.093	0.727	0.107	0.236	N/A
2008	1.256	0.480	0.104	0.680	0.097	0.272	0.032

c. 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.

d. Goodwill

Goodwill arises when the cost of a business combination at the date of acquisition is in excess of the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The cash-generating unit(s) to which the goodwill is allocated to is tested for impairment annually, and whenever there is an indication that it may be impaired, by comparing its carrying amount with its recoverable amount. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

In case the fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess remaining after reassessment is recognised immediately into profit and loss.

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

<u>Finance leases</u>
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 balance sheet 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 an asset requiring a long preparation were not included in the cost of this asset but were expensed as incurred in prior years.

As of 2009, 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 tangible and intangible assets excluding goodwill

At each balance sheet 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 comprises 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

Trade receivables
Trade 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. 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.

Investments
Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

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 cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings
Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is

recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

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

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Treasury shares
Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented as a change in equity. No gain or loss is recognized in the income statement on the sale, issuance, or cancellation of treasury shares. Consideration received on the sale of own shares is presented in the financial statements as a change in equity.

Derivative financial instruments
The Group uses sometimes derivative financial instruments to manage its exposure to the 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 provide effective economic hedges under the Group's risk management policies, and 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 minimize 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 USD, GBP and SGD. The Group uses sometimes derivatives to manage part of its exposure to the USD (see note 1.3.7. ac).

- Credit risks:

  The Group has policies in place to monitor the credit risks on customers. Except for one customer, who represents 34 % of revenue in 2009, no significant concentration of risk exists. Customers are closely monitored (see note 1.3.7 ac and note 1.3.7 b).

- Liquidity risks:

  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.i.

- Interest rate risk:

  The Group does not use 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 1 and 3 % interest.

(*) EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization = Operating result + amortization + 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 balance sheet when:
(a) there is a present obligation (legal or constructive) as a result of a past event;
(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
(c) 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 balance sheet 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.

Warranty
The Group recognizes the estimated liability to repair or replace its products still under warranty at the balance sheet date. This provision is calculated based on the past history of the level of repairs and replacements.

Onerous contracts
The Group recognizes 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.

Revenue from projects
Revenue from projects is recognised by reference to the stage of completion when the outcome of a transaction involving the project can be estimated reliably. When the outcome of the transaction involving the project cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. In the period in which it is expected that the benefits to be derived from the project are less than the unavoidable costs of meeting the obligations under the project, the entire amount of the estimated ultimate loss is charged against income.

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.

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 balance sheet 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. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet 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

For management purposes the Group has been organized in the past on a worldwide basis into 2 major operating businesses: the "Factory Automation" business and the "Contract Manufacturing" business. The divisions were the basis upon which the Group reported its primary segment information.
As the group disposed of the automation business end 2009 and reported the activity in 2009 as discontinued operation, only one segment remains. Financial information on business and geographical segments is presented in 1.3.7.z.

1.3.5. Critical accounting judgements and key sources of estimation uncertainty

Going concern

The Board of Directors reviewed the preparation of the financial statements under the going concern principle given the fact that:

- The automation activity was sold in December 2009, which will allow the company to fully concentrate on its core (i.e. the continuing) business, contract manufacturing;
- A subordinated convertible bond in a minimum amount of EUR 2 million and a maximum amount of EUR 5 million will be issued in order to strengthen the weakened equity position of the company;
- The group has agreed with its bankers sufficient credit lines to cover the 2010 budgeted financing needs; the bankers have expressed their intention to continue supporting the group;
- The budget 2010 that was prepared in 2009 shows a profit and a positive cash flow for the continuing operations.

The financial crisis, followed by the economic crisis, clearly had an impact on the electronics sector in which the company operates. Already in the course of 2008 declining sales led the company to decide to undertake restructuring in all parts of the organization in readiness for a difficult year 2009. During the first months of 2009, the company experienced a stronger sales decline than foreseen during the budget preparation. The contract manufacturing division could retain a positive cash flow but the automation division became strong loss making resulting in a significant negative cash flow. To stop the negative cash flow generated by the automation division, the company decided to sell its automation activity in the fourth quarter of 2009 as it could no longer guarantee the financing of these losses. This transaction resulted in a significant one-off loss of EUR 18,1 million, taking into account the related transaction costs. The major capital loss resulting from this transaction is justified by the company based on the following decisive factors: a loss of EUR 5,8 million on 9 months business is recorded in 2009 by the automation activity and significant costs would need to be incurred for measures to put the company back on a sound footing.

It is the board of director's opinion that the sale of the automation business will allow the company to fully concentrate on the core (continuing) business once the market begins to revive. Staffing within contract manufacturing was reduced by more than 200 permanent employees (out of a total of 1,880 at the end of 2008). Per 30 June 2009 the company met its bank covenants whereas this was no longer the case at the end of 2009 due to the loss realized on the sale of the automation activity. As a result of this sales transaction, the financial institutions no longer requested compliance with bank covenants per 31 December 2009 given the fact that the equity decreased to EUR 15,7 million. The group prepared a 3 year financial budget for its bankers. Based on this budget, new credit lines and financing terms were agreed with the bankers. New covenants will again become applicable per 31 December 2010 (see also 1.3.7.i). Under these circumstances, the Board of Directors believes that the preparation of the financial statements under the going concern principle is justified.

Impairment of goodwill, intangible and tangible fixed assets

An impairment analysis of goodwill, intangible and tangible fixed assets has been performed on the level of the cash generating units.

In accordance with IFRS, impairment – if any – is to be recorded between the carrying amount of intangible assets, tangible assets and goodwill, and the higher of the value in use or the fair value of the carrying amount. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.
Within the Group, 5 cash generating units have been defined in the past. Based on the organizational structure in front and back offices, the entire Contract Manufacturing business was defined as a first cash generating unit whereas within Factory Automation several cash generating units were identified based on the business model. Platzgummer and And-Elec/Antest were 2 separate cash generating units as they are each operating independently within the Factory Automation segment. Estonia was recently acquired in 2008 and was not yet integrated in the Group. Based on this reasoning, this was considered to be the fourth cash generating unit. The remaining entities within Factory Automation were dependent on each other within their day to day operations and were as such considered to be the fifth cash generation unit (i.e. Other Automation). With the sale of the automation activity in December 2009, only Contract Manufacturing remains as cash generating at the end of 2009.

The automation business was sold as a whole without identifying individual prices for the different cash generating units. Consequently, all existing goodwill on the automation cash generating units of the automation business was sold as part of the business.
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 financial budgets approved by the directors covering a three-year period, and a post-tax discount rate of 8,7% per annum. Cash flows beyond that three-year period have been extrapolated using a

steady 2% per annum growth rate. This growth rate does not exceed the long-term average growth rate for this type of industry.
The key assumptions used in the value in use calculations are as follows:

- Growth reflected over the three-year period;
- EBTIDA margin;
- Discount rate.

The value in use exceeds the carrying amount of the cash generating unit with EUR 9,5 million (headroom). The value in use would equal the carrying amount of the cash generating unit if the projected EBITDA margin is 0,6% lower or the post-tax discount rate amounts to 11,5% or the annual projected turnover levels would be 9,5% lower.

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. While a change in the estimates used could have a material impact on the calculation of the fair values and trigger an impairment charge, the company is not aware of any reasonably possible change in a key assumption used that would cause a business unit's carrying amount to exceed its recoverable amount.

1.3.6. Changes in organization

Acquisitions and disposals

On 1 January 2008, the company acquired 80 % of the shares of Platzgummer GmbH for EUR 3,591,024. This acquisition was financed with short term bank loans. The business is fully integrated into the company's automation business starting 1 January 2008. We refer to note 1.3.7.x for additional information related to this business combination. The remaining 20 % would be acquired by January 2011.

On 31 July 2008, the company acquired 100 % of the shares of TAF3 for EUR 617,102. This acquisition was financed with short term bank loans. The business is integrated into the company's automation business starting 1 August 2008. For more information, we refer to note 1.3.7.x.

The most important event of 2009 was the sale of the automation activity in December 2009. After negotiations with various interested parties, the company accepted an offer in December 2009 from Huub Baren, the company's founder, and Vladimir Dobosch, to acquire the entire automation business. For more information, we refer to note 1.3.7.y.

1.3.7. Notes

a. Cash and cash equivalents

	2009	2008
Cash at bank and on hand	128,246	1,737,341
Cash equivalents	-	70,000
Total	128,246	1,807,341

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash.

A part of the company's cash balance as of 31 December 2008 served as guarantee for straight loans and short-term commercial loans taken up with commercial banks. The restricted cash balance amounted to respectively approximately EUR 70,000 in 2008. This restricted cash balance was related to an entity within the Factory Automation business, which was sold in 2009, and as such is no longer applicable per end of December 2009.

b. Trade receivables - net

	2009	2008
Trade receivables	21,028,233	47,070,235
Allowance for doubtful accounts	(832,958)	(1,032,114)
Trade receivables (net)	20,195,275	46,038,121

The average credit period on sales is 58 days in 2009 and 61 days for the continued operations and 91 days for the discontinued operations in 2008. 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. 10 customers account for approximately 63 % and 55 % respectively of the Group net sales of the continued operations in 2009 and 2008. 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 60% of the Group's trade accounts receivable at 31 December 2009 whereas this was 43% at 31 December 2008.

Aging of receivables:

2009	Receivables not impaired	Impaired receivables	Total gross receivables
Current (not passed due)	18,285,421	-	18,285,421
1-30	1,153,676	174,125	1,327,801
31-60	27,275	-	27,275
61-90	224,333	73,345	297,678
91-180	504,570	546,825	1,051,395
>180	-	38,663	38,663
Total	20,195,275	(832,958)	21,028,233

2008	Receivables not impaired	Impaired receivables	Total gross receivables
Current (not passed due)	39,787,647	-	39,787,647
1-30	3,563,872	-	3,563,872
31-60	1,437,567	-	1,437,567
61-90	509,572	-	509,572
91-180	667,217	752,278	1,419,495
>180	72,246	279,836	352,082
Total	46,038,121	1,032,114	47,070,235

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

Allowance for doubtful accounts:

Balance at 31 December 2007	869,473
New impairment losses recognised on receivables	213,115
Amounts written off (used) during the year	(2,145)
Amounts reversed during the year	(48,329)
Balance at 31 December 2008	1,032,114
New impairment losses recognised on receivables	330,698
Amounts written off (used) during the year	(162,455)
Amounts reversed during the year	(29,057)
Allowance for doubtful accounts related to discontinued operations	(338,342)
Balance at 31 December 2009	832,958

Total impairments (new and amounts reversed) of the continued operations recorded in the profit and loss statement amount EUR 301,641 and are recorded in the profit and loss statement as cost of sales.

c. Other receivables

	2009	2008
VAT receivables	132,867	810,459
Income tax receivables	16,998	1,863,885
Personnel	-	32,986
Insurance	-	4,970
Deferrals and accruals	181,086	511,394
Other	44,976	39,295
Net	375,927	3,262,989

d. Inventories

In a contract manufacturing business model, inventories are purchased based upon customer firm 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.

	2009	2008
Raw materials and supplies, at cost	28,141,344	38,164,015
Work in progress, at cost	4,694,718	8,594,516
Finished goods, at cost	1,519,880	6,350,215
Goods purchased for resale	-	36,325
Contracts in progress	-	3,643,903
Reserve for obsolete inventories	(4,815,523)	(11,609,954)
Net	29,540,419	45,179,020

e. Property, plant and equipment

	Land and buildings	Machinery and equipment	Furniture and vehicles	Fixed asset under construction	Total
Year ended December 2009					
Acquisition value:					
Beginning of the period	16,488,225	25,281,867	6,920,577	375,916	49,066,585
Transfer to disposal group held for sale	(7,573,551)	(3,529,525)	(3,841,534)	-	(14,944,610)
Additions of the year	116,449	1,681,844	338,164	2,304,153	4,440,610
Acquisitions through business Combination	-	-	-	-	-
Retirements	(78,159)	(2,133,109)	(363,731)	(14,182)	(2,589,181)
Transfers	-	224,309	-	(224,309)	-
CTA	1,236	49,554	1,118	-	51,908
End of the period	8,954,200	21,574,940	3,054,594	2,441,578	36,025,312
Accumulated depreciation:					
Beginning of the period	7,597,856	15,167,533	5,140,072	-	27,905,461
Transfer to disposal group held for sale	(4,661,786)	(2,163,586)	(3,212,560)	-	(10,037,932)
Additions of the year	411,183	2,954,714	380,313	-	3,746,210
Retirements	(15,027)	(1,433,804)	(259,114)	-	(1,707,945)
Transfers	-	-	-	-	-
CTA	183	80,184	641	-	81,008
End of the period	3,332,409	14,605,041	2,049,352	-	19,986,802
Net book value at December 2009	5,621,791	6,969,899	1,005,242	2,441,578	16,038,510

	Land and buildings	Machinery and equipment	Furniture and vehicles	Fixed asset under construction	Total
Year ended December 2008					
Acquisition value:					
Beginning of the period	12,924,116	21,401,003	6,780,749	388,349	41,494,217
Additions of the year	3,606,236	4,024,969	1,007,686	375,916	9,014,807
Acquisitions through business Combinations	-	86,560	108,107	12,764	207,431
Retirements	(159,517)	(686,223)	(868,674)	-	(1,714,414)
Transfers	66,862	424,616	(97,640)	(393,838)	-
CTA	50,528	30,942	(9,651)	(7,275)	64,544
End of the period	16,488,225	25,281,867	6,920,577	375,916	49,066,585
Accumulated depreciation:					
Beginning of the period	7,128,656	11,940,630	5,322,987	-	24,392,273
Additions of the year	645,932	3,786,027	659,949	-	5,091,908
Retirements	(159,517)	(426,325)	(785,856)	-	(1,371,698)
Transfers	-	41,066	(41,066)	-	-
CTA	(17,215)	(173,865)	(15,942)	-	(207,022)
End of the period	7,597,856	15,167,533	5,140,072	-	27,905,461
Net book value at December 2008	8,890,369	10,114,334	1,780,505	375,916	21,161,124

The gross carrying amount of all items that are fully depreciated but still in active use is EUR 11,230,962 per 31 December 2009. Per year end 2008 the gross carrying amount of such items was EUR 15,823,340.

The company has financial leases for a total amount of EUR 929,393 mainly related to machinery and equipment per end of 2009. At year end 2008, the company had financial leases for a total amount of EUR 1,689,260.

There are mortgages (see note h) on the buildings of Connect Systems NV and Connectronics NV. These buildings have a book value of EUR 3,592,560.

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

f. Intangible fixed assets

	Development cost	Licenses	Other	Total
Year ended December 2009				
Acquisition value:				
Beginning of the period	884,010	2,705,473	289,060	3,878,543
Transfer to disposal group held for sale	(884,010)	(1,386,432)	(289,060)	(2,559,502)
Additions of the year	-	71,296	-	71,296
Acquisitions through business Combinations	-	-	-	-
Retirements	-	(67,978)	-	(67,978)
Transfers	-	-	-	-
CTA	-	320	-	320
End of the period	-	1,322,679	-	1,322,679
Accumulated amortization:				
Beginning of the period	874,660	1,475,432	232,944	2,583,036
Transfer to disposal group held for sale	(874,660)	(1,144,866)	(232,944)	(2,252,470)
Additions of the year	-	263,350	-	263,350
Retirements		(67,971)		(67,971)
Transfers	-	-	-	-
CTA	-	(19,335)	-	(19,335)
End of the period	-	506,610	-	506,610
Net book value December 2009	-	816,069	-	816,069

	Development cost	Licenses	Other	Total
Year ended December 2008				
Acquisition value:				
Beginning of the period	866,493	1,331,239	327,507	2,525,239
Additions of the year	4,290	1,217,344	8,163	1,229,797
Acquisitions through business Combinations	10,014	60,183	-	70,197
Transfers	-	46,615	(46,615)	-
CTA	3,213	50,092	5	53,310
End of the period	884,010	2,705,473	289,060	3,878,543
Accumulated amortization:				
Beginning of the period	866,493	1,158,040	246,304	2,270,837
Additions of the year	4,954	286,060	2,011	293,025
Transfers	-	15,374	(15,374)	-
CTA	3,213	15,958	3	19,174
End of the period	874,660	1,475,432	232,944	2,583,036
Net book value December 2008	9,350	1,230,041	56,116	1,295,507

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

g. 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 2009 and 2008 is as follows:

	Acquisition value	Amortization	Net carrying amount
Goodwill on 31 Dec 2007	11,298,111	(5,355,550)	5,942,561
Goodwill from new acquisitions	2,992,784		2,992,784
Goodwill on 31 Dec 2008	14,290,895	(5,355,550)	8,935,345
Goodwill related to discontinued operations	(4,937,945)	651,312	(4,286,633)
Goodwill on 31 Dec 2009	9,352,950	(4,704,238)	4,648,712

The net goodwill as of 31 December 2007 is for EUR 4,648,712 allocated to the Connect Systems business and for EUR 1,293,849 to the AndElec/Antest business, part of Factory Automation.

The goodwill from new acquisitions in 2008 amounts to EUR 2,992,784 in total. EUR 2,028,767 relates to the acquisition of Platzgummer GmbH and EUR 964,017 relates to the acquisition of TAF3 (i.e. IPTE Automation Oü).

Per 31 December 2009 and 2008 the total goodwill can be allocated to the cash generating units defined here below as follows:

	2009	2008
Contract Manufacturing	4,648,712	4,648,712
And-Elec/Antest	-	1,293,849
Platzgummer	-	2,028,767
Estonia	-	964,017
Total	4,648,712	8,935,345

All goodwill related to the Automation acquisitions (Andelec / Platzgummer/ Estonia) are transferred to the buyer of the automation business.

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

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

	2009	2008
Vacation pay accruals	2,120,796	3,510,601
Other social debt	2,370,626	4,138,401
VAT debt	345,322	522,513
Income taxes	256,698	796,214
Withholding taxes	-	2,747
Accrued interests	115,832	156,938
Deferred income	421,017	966,402
Accrued expenses on projects	114,345	5,971
Other	403,400	610,738
Total	6,148,036	10,710,525

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

i. Current bank loans and overdrafts

	2009	2008
Secured	25,023,631	31,028,991

As of 31 December 2009 the company has credit lines for a total amount of EUR 38 million at different Belgian commercial banks and no credit lines at foreign banks. Per 31 December 2008 the company still had credit lines for a total of EUR 45 million at these Belgian commercial banks. In addition, the group has a credit facility for bank guarantees amounting to EUR 1,1 million at its disposal at the end of 2009 whereas at the end of 2008 this amounted to EUR 3 million.

Per end of 2009 EUR 25,023,631 and per end of 2008 EUR 31,028,991 of the credit lines at the Belgian commercial banks were used. Furthermore, the credit facility for bank guarantees were used to their full extent in 2009 and 2008.

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. This bankers margin amounted to 2 % end 2008 and was 3 % in 2009.

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

With the sale of the automation activity, new credit letters were issued in March 2010 by all financial institutions. Based on these letters, following guarantees have been given by the company:

- Mortgage on the buildings of Connectronics NV (Ieper) and Connect Systems 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 Connectronics NV (Ieper) and Connect Systems NV (Kampenhout) each for EUR 965,000 at one financial institution, EUR 1,375,000 at two other financial institutions and EUR 250,000 at a forth financial institution;
- Pledge on the commercial funds of Connect Group NV, Connect Systems NV, Connect Systems International NV and Connectronics NV for a total value of EUR 11,000,000 at one financial institution and EUR 5,500,000 at two other financial institutions;
- Pledge on the commercial funds of Connect Group NV, Connect Systems NV, Connect Systems International NV and Connectronics NV for a total value of 8,800,000 at one financial institution, EUR 9,350,000 at two other financial institutions and EUR 3,300,000 at a forth financial institution.

All financial institutions obtained following guarantees in parity with their credit lines:
- A 'Zessionsvertrag' on Connectronics GmbH;
- A pledge on the inventories of Connectronics GmbH;
- A pledge on the receivables and the inventories of Connect Systems Nederland BV.

According to these credit letters, the following 2010 bank covenants need to be respected on a consolidated level:
a) A solvency ratio(*) of minimum 20 % as of 31 December 2010.
b) The consolidated cash flow(**) over the last 4 quarters needs to be positive on average.

Per 30 June 2009, the company met its 2009 bank covenants whereas this was no longer the case at the end of 2009 due to the loss realized on the sale of the automation activity. As a result of this sale, the financial institutions waived compliance with the 2009 bank covenants per 31 December 2009 given the significant loss on the transaction and the fact that the equity decreased to EUR 16 million. As of 31 December 2010, the company will need to comply again with a solvency ratio of 20 %, needs to have a tangible equity of EUR 14 million and the leverage ratio (net financial debts / EBITDA) may not exceed 4. Based on the budget for 2010 and the issuance of a subordinated convertible bond of minimum EUR 2 million (see 1.3.7.m), management expects just 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. As of 31 December 2011 and following years, the solvency ratio should at least be 25 % and the leverage ratio may not exceed 3. Ultimately by 1 May 2010, the company will need to have strengthened the balance sheet structure by issuing a subordinated convertible bond in a minimum amount of EUR 2 million.

Per 31 December 2008 the minimum solvency ratio of 25 % was reached whereas the minimum solvency ratio of 30 % requested by one financial institution was not met. For this covenant a waiver was obtained and credit facilities remained available upon the condition that the solvency ratio would remain at least 25 % and again 30 % as of 31 December 2009. The second covenant was met per 31 December 2008.

(*) 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

j. Long-term debt

	2009	2008
Secured debt	3,488,122	6,403,496
* Bank loans	1,592,627	3,672,380
* Finance lease liabilities	1,895,495	2,731,116
Unsecured debt	-	-
* Subordinated loan	-	-
Total long term debt	3,488,122	6,403,496
Less current maturities	(1,108,718)	(1,536,664)
Long term portion	2,379,404	4,866,832

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.

2009			
	Bankloans Repayment	Bankloans Interest payments	Total
2011	290,161	19,558	309,719
2012	263,718	15,206	278,924
2013	150,000	11,250	161,250
2014	150,000	9,000	159,000
2015	150,000	6,750	156,750
Beyond 2015	300,000	4,500	304,500

	Finance lease payments	Finance lease interest payment	Total
2011	805,783	41,501	847,284
2012	269,742	3,792	273,534
2013	-	-	-
2014	-	-	-
2015	-	-	-
Beyond 2015	-	-	-

2008			
	Bankloans Repayment	Bankloans Interest payments	Total
2010	632,352	158,333	790,685
2011	518,916	125,466	644,382
2012	470,461	97,043	567,504
2013	363,564	69,735	433,299
2014	363,562	47,306	410,868
Beyond 2014	575,912	106,294	682,206

	Finance lease payments	Finance lease interest payment	Total
2010	807,277	91,491	898,768
2011	809,559	41,726	851,285
2012	325,229	3,792	329,021
2013	-	-	-
2014	-	-	-
Beyond 2014	-	-	-

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 0.5 % and 1.5 %. There is no material 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 Connectronics NV (Ieper) and Connect Systems NV (Kampenhout). For further information, we refer to note 1.3.7.i.

k. Provisions

	Warranty	Restructuring	Other	Total
Balance at 31 December 2007	386,551	-	1,629,833	2,016,384
Acquired from third parties	50,000	-	822,196	872,196
New provisions recorded in 2008	376,663	8,263	2,834,949	3,219,875
Provisions used in 2008	(290,721)	-	(1,753,945)	(2,044,666)
Provisions reversed in 2008	(95,829)	-	(256,156)	(351,985)
Balance at 31 December 2008	426,664	8,263	3,276,877	3,711,804
Acquired from third parties	-	-	-	-
New provisions recorded in 2009	-	-	2,515,501	2,515,501
Provisions used in 2009	-	-	-	-
Provisions reversed in 2009	-	-	(215,590)	(215,590)
Provisions related to discontinued operations	(426,664)	(8,263)	(2,821,559)	(3,256,486)
Balance at 31 December 2009	-	-	2,755,229	2,755,229

Provisions have been presented as current liabilities as of 31 December 2009 and 2008 as the costs are expected to be incurred in the next accounting year.

Warranty provisions

The company and its affiliated companies within factory automation grant a warranty of 1 year on products and projects sold. For expected warranty claims the company had set up a total reserve of EUR 426,664 as of 31 December 2008. This estimate was based on historical warranty costs and based on the assumption that warranty costs would remain at the same level. Over the last years the company did not incur any significant warranty claims. With the sale of the automation activity, no warranty provision is included anymore per year end 2009.

Other provisions

Other provisions should cover risks and contractual commitments existing at balance sheet date,
amongst others relating to completed projects (i.e. related to discontinued operations). This estimate is based on a project analysis basis. With the sale of the automation activity in December 2009, provisions related to completed projects are no longer applicable going forward.

The other provisions recorded in 2009, amounting EUR 2,5 million in total, mainly result from the sale of the automation activity. We refer to note 1.3.7.y. for a detail of the other provisions.

l. Other liabilities

	2009	2008
Advances received on contracts in progress	-	3,585,729
Fair value of financial instruments	-	-
Other	7,301	93,133
Net	7,301	3,678,862

With the sale of the automation activity, the other liabilities decreased significantly compared to 2008 as a major part of these other liabilities as of December 2008 related to advances received on contracts in progress within the factory automation business.

m. Shareholders' equity and rights attached to the shares

As of 31 December 2009 the common stock consisted of 6,934,424 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.

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.

During 2008, the Group's strategy was to maintain the debt-to-adjusted capital ratio, in order to secure access to finance at a reasonable cost.

The debt-to-adjusted-capital ratios at 31 December 2009 and 2008 were as follows:

	2009	2008
Total financial debt	28,511,753	37,432,487
Less cash and cash equivalents	(128,246)	(1,807,341)
Net financial debt	28,383,507	35,625,146
Total equity	15,688,675	42,668,374
Add subordinated loan	-	-
Adjusted capital	15,688,675	42,668,374
Net financial debt to adjusted capital ratio	1.81	0.83

The company will strengthen the balance sheet structure in 2010 by issuing a subordinated convertible bond in a minimum amount of EUR 2 million and a maximum amount of EUR 5 million. The following conditions will apply: suspension of general preferential rights, a minimum investment of EUR 50,000; a term of 6 years, an interest rate of 6 % payable semi annually, and a twice yearly conversion option (following publication of annual and half yearly figures). The bonds will be convertible at the lower of (I) 70 % of the average highest independent bid price for a share, in the central order book of Euronext, over the last 30 trading days preceding the date of exercise and (II) EUR 2. A number of shareholders have already pledged an amount of at least EUR 2 million.

n. Deferred taxes

Components of deferred tax assets and liabilities are as follows:

	Balance at December 2009	Taxes in result of 2009	Balance discontinued operations	Balance at December 2008	Taxes in result of 2008
Deferred tax assets	1,790,000	16,692	(1,273,322)	3,046,630	593,703
- Research costs	-	-	-	-	-
- Tangible fixed assets	1,000	(154,033)	(8,000)	163,033	163,033
- Inventories	-	-	-	-	(38,360)
- Losses consolidated Companies carry forward	1,065,000	119,322	(1,116,322)	2,062,000	(15,465)
- Notional interest deduction carry forward	724,000	114,000	-	610,000	390,000
- Other provisions	-	(62,597)	(149,000)	211,597	94,495
Deferred tax liabilities	(290,000)	(16,692)	1,273,322	(1,546,630)	(593,703)
- Tangible fixed assets	(161,000)	12,454	125,000	(298,454)	54,642
- Inventories	(129,000)	(29,146)	1,126,000	(1,225,854)	(626,023)
- Other	-	-	22,322	(22,322)	(22,322)
Net deferred income tax expense/(income)	-			-	-
Net deferred tax assets	1,500,000	-	(62,000)	1,562,000	-
Net deferred tax liabilities	-	-	62,000	(62,000)	-

Deferred taxes arises in the following circumstances:
- Intangible fixed 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.

The Group has unrecognized tax losses of EUR 37,000,000 and EUR 25,017,000 respectively at 31 December 2009 and 2008 with no expiry date resulting in tax assets not recognized for EUR 11,100,000 and EUR 7,505,000 as at 31 December 2009 and 2008.

Temporary differences on investments in subsidiaries (undistributed earnings) were approximately EUR 29,697,000 and EUR 48,669,000 at respectively 31 December 2009 and 2008. Since it is the intention of the company to indefinitely reinvest these earnings, no deferred tax liability has been provided.

o. Cost of sales

	2009	2008
Purchases of material	76,831,704	103,888,293
Personnel expenses	24,075,759	28,265,600
Depreciation/amortization	3,768,273	3,930,227
Repair and maintenance	714,840	984,505
Other	3,665,753	3,581,087
Total	109,056,329	140,649,712

p. Research and development expenses

	2009	2008
Personnel expenses	989,415	1,161,600
Depreciation/amortization	80,176	83,622
Other	164,305	161,769
Total	1,233,896	1,406,991

q. General and administrative expenses

	2009	2008
Personnel expenses	3,613,498	4,588,461
Depreciation/amortization	80,935	84,174
Professional and Directors fees	1,568,493	2,109,160
Other	1,138,618	1,176,533
Total	6,401,544	7,958,328

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.

r. Selling expenses

	2009	2008
Personnel expenses	4,617,268	5,420,800
Representation and travel expenses	577,070	569,612
Publicity	92,662	439,464
Depreciation/amortization	80,176	83,622
Transportation costs	477,797	723,682
Fairs, exhibitions and other	732,441	785,212
Total	6,577,414	8,022,392

s. Personnel expenses and average number of employees

	2009	2008
Wages and salaries	30,855,164	36,359,900
Insurance	585,639	618,462
Other	1,855,137	2,458,099
Total	33,295,940	39,436,461

The average number of employees of contract manufacturing (continuing operations) in 2009 amounted to 1,670 compared to 1,976 in 2008. This decrease in the average number of employees in 2009 as compared to 2008 can be attributed to restructuring measures taken by the group in order to compensate the effects of the economic downturn.

Defined contribution plans
The company provides defined contribution plans for some employees. The plan provides for contributions ranging from 2 % to 8 % 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 414,861 and EUR 431,746 as of 31 December 2009 and 2008.

t. Depreciation charges and amortization

	2009	2008
Property, plant and equipment	3,746,210	4,011,309
Cost of sales	3,504,923	3,759,891
General and administration costs	80,935	84,174
Selling expenses	80,176	83,622
Research and development costs	80,176	83,622
Intangible fixed assets	263,350	170,336
Cost of sales	263,350	170,336
Total depreciation charges	4,009,560	4,181 ,645

u. Financial results

	2009	2008
Interest income	8,838	782
Exchange differences	826,291	2,501,145
Other	35,516	23,221
Total financial income	870,645	2,525,148
Interest charges	1,566,167	2,256,043
Bank charges	70,142	91,852
Exchange differences	831,009	3,306,872
Change in fair value derivatives financial instruments	-	194,091
Total financial charges	2,467,318	5,848,858
Net financial results	(1,596,673)	(3,323,710)

In 2007 the Group accounted for the change in fair value of its US Dollar hedge option contracts based on the market to market valuation of these contracts as of year end. A loss amounting to EUR 194.091 has been realized in 2008 on the contracts agreed upon in 2007. As of the end of 2008 the group has no such outstanding derivative contracts anymore.

v. 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.

	2009	2008
Income taxes of the current year	6,834	12,876
Income taxes of the prior year	(27,880)	12,198
Deferred tax expense/(income)	-	-
Total	(21,046)	25,074

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

	2009	2008
Profit/(loss) before taxes	(26,416,801)	249,123
Effect of companies reporting losses	28,115,529	4,269,000
Use of tax losses to offset current year's profits	-	(1,107,500)
Notional interest deduction	(1,679,202)	(1,837,642)
Non taxable income/expenses	-	(1,536,192)
Taxable profit	19,526	36,789
Income taxes	6,834	12,876
In %	35 %	35 %

The deferred taxes recognized in the balance sheet are the result of timing differences in the recognition of income and expenses in the annual report on one hand and the fiscal books on the other hand.

w. 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.

	2009	2008
Net profit/(loss) available for distribution continuing operations	(3,565,040)	4,809,414
Net profit/(loss) available for distribution continuing plus discontinued operations	(26,437,847)	274,197
Weighted average number of shares – basic	6,934,424	6,934,424
Earnings per share – basis/net profit available for distribution continuing operations	-0.51	0.69
Earnings per share – basic/net profit available for distribution continuing plus discontinued operations	-3.81	0.04
Weighted average number of shares – diluted	6,934,424	6,934,424
Earnings per share - diluted/net profit available for distribution continuing operations	-0.51	0.69
Earnings per share - diluted/net profit available for distribution continuing plus discontinued operations	-3.81	0.04

x. Business Combinations

On 1 January 2008 the company acquired 80 % of the shares of Platzgummer GmbH, a German company located in Karlsfeld and active in the automation sector. In accordance with IFRS 3.67 we provide you with the following information in relation to this business combination:

(a) In addition to the acquisition of the 80 % shares, the company received a call option to acquire the remaining 20 % of the shares in January 2011 from the previous owners of Platzgummer. In return, the previous owners received a put option to sell the remaining 20 % to the company in January 2011. The call and put option have exactly the same conditions. Both options are transferred to the new owner as part of the transfer of the automation business.

(b) The price for 100 % of the shares amounted to EUR 4,5 mio. The company paid 80 % of this amount for 80 % of the shares. The concluded put and call options are based on the same price.

(c) The net assets which were recognized as of the acquisition date of 1 January 2008 are detailed as follows:

Net assets	2008
Receivables	1,046,072
Inventories	1,058,348
Property, plant and equipment	85,872
Intangible fixed assets	10,014
Other current assets	70,107
Cash at bank	763,751
Total assets	3,034,164
Accounts payable and accrued expenses	(1,081,342)
Fair value of net assets	1,952,822
Fair value of the acquired (net) assets (80 %)	1,562,257
Cost of the acquisition (80 %)	3,591,024
Goodwill paid	2,028,767
Cash acquired during the acquisition	763,751
Net cash disposed on acquisition	2,827,273

(d) Platzgummer GmbH contributed EUR 12,062 (000) to sales and EUR 684 (000) to the profit for the period between the date of the acquisition (i.e. 1 January 2008) and 31 December 2008. This contribution to the sales and the result of 2008 is not included in the restated income statement of 2008 as Platzgummer GmbH is part of the automation activity that is sold in 2009.

On 31 July 2008, the company acquired 100 % of the shares of TAF 3 (renamed to IPTE Automation Oü) a company located in Estonia and active in the automation sector. The acquisition cost for 100 % of the shares amounted to EUR 617,102. The net assets which were recognized as of the acquisition date of 31 July 2008 are detailed as follows:

Acquired net assets	2008
Receivables	2,730
Inventories	28,122
Property, plant and equipment	121,559
Intangible fixed assets	60,183
Other current assets	106,767
Total assets acquired	319,361
Accounts payable and accrued expenses	(666,276)
Fair value of net assets acquired	(346,915)
Cost of the acquisition	617,102
Goodwill paid	964,017
Cash acquired during the acquisition	-
Net cash disposed on acquisition	617,102

(a) IPTE Automation Oü contributed EUR 549 (000) to sales and a loss of EUR 326 (000) to the profit for the period between the date of the acquisition and 31 December 2008. This contribution to the sales and the result of 2008 is not included in the restated income statement of 2008 as IPTE Automation Oü is part of the automation activity that is sold in 2009.

(b) If the acquisition had been completed on 1 January 2008, total group sales for the year 2008 would have been EUR 231,346 (000), and the profit for the year 2008 would have been EUR 178 (000) (for both the continuing and the discontinued operations). The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been contemplated on 1 January 2008, nor is it intended to be a projection of future results.

y. Disposal group held for sale

The board of directors analyzed the group structure and strategy in 2009 and noticed that given the economic crises and the large investments that were done in Estonia, Spain and Mexico the automation business suffers large losses. Moreover there is a negative cash flow for this division. Also the turnover of the other division, contract manufacturing, decreased due to the economic downturn with about 27%. Seen this situation the board of directors concluded that the investment strategy needed to be revised and that restructuring measures needed to be taken. Various scenarios for the automation business were developed and feasibility of each was reviewed. Finally, as all business plans to continue the automation business required to much unavailable cash, the decision was taken to sell the business.

After negotiations with various interested parties, the company accepted an offer in December 2009 from Huub Baren, the company's founder, and Vladimir Dobosch, to acquire the entire automation business.

It was agreed that the sale of this business had economic effect on 1 October 2009. This implies that all effects (including the results and the cash movements) as of this date shall be for the account of the purchaser. Settlement will be done through a price correction at closing date (2 March 2010).

The automation division is being sold for a fixed amount of EUR 2 million and a variable amount equal to 50% of the accumulated profits of the division until 31 December 2012 (earn-out). In case the business will be sold by the purchaser to a third party before 31 December 2010, no earn-out needs to be paid. Payment of the lump sum may be deferred until 31 December 2013 at the latest. As of 1 October 2011, an interest equal to the Euribor (3 months) increased with 1% is payable on the remaining part of the lump sum.

The contract also contains a clause whereby the company will participate in any possible capital gain (sales price higher than lump sum) realized by the purchaser of the automation activity, should it sell the activity with a profit to a third party within the next 2 years (50 % in year 1 , 25 % in year 2).

Given the fact that the purchaser has a thorough knowledge about the discontinued operations, no warranty is given by the seller related to the sale of this business.

Included in the deal are the intellectual property rights, the land and buildings, the shares, the agreements and receivables and debts, the personnel and the permits related to the automation business. These are integrally transferred to the purchaser.

To guarantee the payment obligations the company is taking a pledge on 700,000 Connect Group NV shares held by the purchasers. The company is also given a call option on these shares at an exercise price of (i) EUR 2.86 per share in the event that the highest independent bid price for the share in the central order book of Euronext Brussels is higher or equal to EUR 2.86 or (ii) equal to the highest independent bid for the share in the central order book of Euronext Brussels in the event that this is less than EUR 2.86.
Due to the agreed sales of the automation business (discontinued operations), the company is confronted per 31 December 2009 with a loss of about EUR 18,177,263.

This loss can be split up as follow:
- Loss on the sales of the net assets of the discontinued operations EUR 16,000,000
- Possible loss related to a receivable(*) sold as part of the business EUR 950,000
- Discounting of the long term receivable on the purchaser of the business EUR 605,763
- Transaction costs (legal advice, lawyer fees, etc) EUR 621,500

(*) As part of the business, the balance sheet includes a receivable of EUR 2,9 million on an Australian customer. This receivable relates to the final payment on a project completed but in September 2009, the customer filed for Chapter 11 under Australian legislation. Seller and buyer of the business contractually agreed that for a maximum of EUR 950.000, the seller would refund the buyer in case the receivable was not collected by the buyer. As the collection of the receivable is doubtful, full provision for the risk was provided.

The loss of EUR 16,000,000 is caused by the fact that the net asset value of the automation business amounted to EUR 18,000,000 per 1 October 2009 whereas only EUR 2,000,000 was obtained as sales price. This large discrepancy can be declared by the fact that the automation business is loss making for several years (EUR 4,7 million and EUR 4,6 million before financing cost in respectively 2009 and 2008), the estimated additional cash needed to restructure the business and the economic outlook for the business. Different alternatives have been investigated and independent parties have expressed their interest in the business and prepared an offer. The offer accepted by the Board of Directors was the less negative.

An overview of the result of the year from discontinued operations can be found below.

Analysis of result for the year from discontinued operations

Discontinued operations	2009	2008
Sales	56,200,209	66,147,078
Other gains	1,043,574	1,194,564
Expenses	(63,806,447)	(71,414,979)
Loss before tax	(6,562,664)	(4,073,337)
Attributable income tax expense	23,003	(295,031)
Minority interest	(333,146)	(166,849)
Gain/(loss) on remeasurement to fair value less costs to sell	-	-
Gain/(loss) on disposal of operation	(16,000,000)	-
Attributable income tax expense	-	-
Profit for the year from discontinued operations	(22,872,807)	(4,535,217)

The total loss of the year of EUR 22,872,807 can be split up between the operational loss for the first 9 months of 2009 being EUR 4,695,544, the transaction loss of EUR 16.000.000 and the additional costs on the transaction of EUR 2,177,263.

	2009
Profit/(loss) from operations discontinued operations	(22,031,609)
Adjustments for:	
Amortization goodwill/negative goodwill	-
Allowance for doubtful receivables and obsolete stock	432,000
Depreciation and amortization	1,240,195
Provisions	14,521,027
Operating profit before changes in working capital discontinued operations	(5,838,387)
Working capital changes discontinued operations	1,316,751
Cash flow from operating activities discontinued operations	
Taxes	23,003
Net Financial	(531,054)
Other	9,809
Net cash from/(used in) operating activities discontinued operations	(5,019,878)

Assets classified as held for sales

The major classes of assets and liabilities of the discontinued business per 31/12/2009 are as follows:

Discontinued operations	2009
Assets	
Intangible assets	-
Goodwill	-
Material fixed assets	-
Other current assets	134,815
Inventories	7,535,539
Trade Receivables	17,309,598
Deferrals and accruals	838,301
Cash and bank balances	2,050,969
Assets classified as held for sale	*27,869,222*
Liabilities	
Other liabilities	890,539
Provisions	1,777,513
Long-term debt	1,089,308
Current portion long term debt	285,349
Bank loans and overdrafts	3,573,000
Trade payables	7,222,863
Other amounts payable	3,576,249
Liabilities directly associated with assets classified as held for sale	*18,414,821*
Write down of the business to net realizable value	7,454,401
Net assets of discontinued business classified as held for sale	2,000,000

Adjustment of disposal group held for sale to fair value less cost to sell

IFRS 5 requires a disposal group held for sale to be measured at the lower of its carrying amount or its fair value less cost to sell. Any adjustment to be made in applying this principle shall be allocated to the non-current assets of the disposal group that are within the scope of the measurement requirements of this Standard and first to reduce the carrying amount of goodwill and then, to the other assets of the disposal group pro rata on the basis of the carrying amount of each asset in the disposal group. However, this Standard does not discuss the possibility that the carrying amount of scoped-in non-current assets may be less than the amount by which a disposal group's carrying amount exceeds its fair value less cost to sell.

This issue was raised already to IFRIC and forwarded by them to the IASB in July 2009. In its December 2009 meeting, the IASB decided not to add a project to its current agenda to address this issue.
In the absence of any guidance from IFRIC and the IASB on this issue, management decided to respect the overall principle of IFRS 5 that a disposal group held for sale shall be measured at the lower of its carrying amount or fair value less cost to sell, but to present the adjustment to fair value less cost sell of the disposal group in excess of the carrying amount of scoped-in non-current assets, as a separate liability.

z. Segment reporting

Segment information is prepared on the following bases:

A. Business segments

The activities of the Group have been organized in the past on a worldwide basis into 2 major operating businesses: the "Factory Automation" business and the "Contract Manufacturing" business.

With the sale of the automation activity in December 2009 only one segment, Contract Manufacturing, remains and as such, only segment reporting based on business segments is presented here for 2008.

As a result of the sale of the automation activity, the consolidated income statements for 2009 and 2008 have been restated on the basis of IFRS 5 non-current assets held for sale and discontinued operations, in order to allow for comparison between both years. As such, the results of the automation activity are presented on a single line as profit and loss from discontinued operations. The segment reporting based on business segments has not been restated.
The income statement for the Factory Automation segment is as follows (before amortization of goodwill):

	2008	In %
Sales	66,147,078	100
Cost of sales	(49,555,206)	(74.9)
Gross margin	16,591,872	25.1
Research and development expenses	(8,849,081)	(13.3)
General and administrative expenses	(6,547,136)	(9.9)
Selling expenses	(5,670,656)	(8.6)
Other income (expense) net	468,182	0.7
Operating income (before amortization of goodwill)	(4,006,819)	(6.1)

The income statement for the Contract Manufacturing segment is as follows (before amortization of goodwill):

	2008	In %
Sales	165,897,641	100
Cost of sales	(140,631,268)	(84.8)
Gross margin	25,266,373	15.2
Research and development expenses	(1,701,156)	(1.0)
General and administrative expenses	(7,898,802)	(4.8)
Selling expenses	(7,981,974)	(4.8)
Other income (expense) net	56,592	0.1
Operating income (before amortization of goodwill)	7,741,033	4.7

Reconciliation to consolidated result:

	2008
Operating loss Factory Automation	(4,006,819)
Operating income Contract Manufacturing	7,741,033
Financial income (expense)	(3,023,210)
Loss on sale of investment	-
Other (net)	-
Income taxes	(269,958)
Amortization of goodwill	-
Factory Automation	-
Contract Manufacturing	-
Minorities	(166,849)
Consolidated result	274,197

Depreciation and amortization charges are as follows:

	2008
Factory Automation	1,203,837
Contract Manufacturing	4,181,096

Capital expenditure is as follows:

	2008
Factory Automation	2,039,031
Contract Manufacturing	8,205,573

Intersegment sales:

	2008
External sales Automation	65,898,380
Intersegment sales Automation	248,698
External sales Contract Manufacturing	165,334,980
Intersegment sales Contract Manufacturing	562,661
Eliminations	(811,355)
Total sales	231,233,364

Intersegment sales are charged at prevailing market prices.

The balance sheet per segment as of 31 December 2008 is as follows:

	2008	
	Factory Automation	Contract Manufacturing
Assets		
Current assets:		
Cash and bank deposits	1,571,653	235,688
Trade receivables	18,380,675	27,657,446
Other receivables	2,909,903	353,091
Inventories	11,585,165	33,593,856
Other current assets	144,387	200,063
Total current assets	34,591,783	62,040,144
Other receivables	2,338	-
Deferred taxes – assets	1,562,000	-
Financial fixed assets	66,356,876	-
Tangible fixed assets	4,906,829	16,254,294
Intangible fixed assets	307,032	988,475
Goodwill	4,286,633	287,854
Intercompany receivables	687,652	38,300,207
Total assets	112,701,143	117,870,974

Liabilities and equity		
Short-term debts		
Bank debts	19,346,553	11,682,438
Current portion of amounts payable after more than one year	473,547	1,063,117
Trade debts	9,128,809	22,196,027
Accrued charges, deferred income, remunerations and taxes	4,059,529	6,651,532
Other debts	3,673,790	4,531
Provisions	3,429,169	282,635
Total short-term debts	40,111,397	41,880,280
Amounts payable after more than one year	1,397,901	3,468,931
Deferred taxes – liabilities	62,000	-
Equity	32,272,225	71,834,111
Minorities	557,413	-
Intercompany payables	38,300,207	687,652
Total liabilities	112,701,143	117,870,974

Reconciliation to consolidated equity:

	2008
Equity Factory Automation	32,272,225
Equity Contract Manufacturing	71,834,111
Elimination cross participation	(61,995,375)
Equity attributable to equity of the parent	42,110,961

Reconciliation of total assets:

	2008
Assets Factory Automation	112,701,143
Assets Contract Manufacturing	117,870,974
Elimination intercompany receivables and payables	(38,987,859)
Elimination participation	(61,995,375)
Total assets	129,588,883

B. Geographical segments

Only for the continuing operations a split up in geographical segments was made.
The activities are conducted predominantly in Europe. The geographical spread (in % of sales by destination) is as follows:

	2009	2008
Belgium	67	59
The Netherlands	8	14
Germany	9	14
Other Europe	16	13
Total	100	100

C. Information about major customers

The company has one customer counting for 34 % of its sales in 2009 and 23 % in 2008. 10 customers account for approximately 63 % and 55 % respectively of the Group net sales of the continued operations in 2009 and 2008. 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 60% of the Group's trade accounts receivable at 31 December 2009 whereas this was 43 % at 31 December 2008.

AA. 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.

AB. Structure shareholders' equity

Shareholders' Equity (at 31/12/2009)			
Origin Name	Number Issued	Declared total	%
Equity	6,934,424	4,349,303	62.72 %
Warrants	182,850	0	0 %
Total	7,117,274	4,349,303	61.07 %

Shareholder Name	Number Declared (*)	%
Huub Baren BVBA	2,166,155	31.24 %
LRM	1,250,000	18.03 %
Het Beste Brood	242,512	3.50 %
Gaston Moonen	244,582	3.53 %
Luc Switten	258,589	3.73 %
Wolodimir Dobosch	187,465	2,70 %
Total	4,349,303	62.72 %

(*) Shareholders holding 3% or more need to declare their interests.

AC. FINANCIAL INSTRUMENTS

(I) Categories of financial instrument

	2009	2008
Loans and receivables		
Cash and cash equivalents	128,246	1,807,341
Trade receivables	20,195,275	46,038,121
Total Loans and receivables	20,323,521	47,845,462
Financial liabilities		
Financial liablities at amortized cost		
Bank loans and overdrafts	25,023,631	31,028,991
Long term debt (incl. ST)	3,488,122	6,403,496
Accrued interest	115,832	156,938
Trade payables	22,322,741	31,324,831
Total Financial liabilities at amortized cost	50,950,326	68,914,256
Non Hedging financial derivatives		
Fair value of financial instruments	-	-
Total Non Hedging financial instruments	-	-

The Group does not have quoted financial instruments.

(II) 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 USD exchange risks by using derivative financial instruments to manage these risk exposures.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(III) 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 arise. Exchange rate exposures are sometimes managed within approved policy parameters utilising foreign currency option 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 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:

	2009	2008
Assets		
GBP	-	-
USD	4,246	5,093,235
EUR	1,247,814	489,622
CZK	22,053	-
Liabilities		
GBP	9,797	191,532
SGD	1,900	18,348
SEK	-	12,460
EUR	8,077,831	13,958,581
JPY	7,980,515	2,955,753
USD	5,080,048	2,684,331

Foreign currency sensitivity analysis

The Group is mainly exposed to the USD.

The Group's business is more than 95 percent a EUR sales business. Purchasing of material is partially US Dollar driven. In 2009, the company purchased materials for approximately 19 million US Dollar (16 percent of sales). These purchases are mainly for the subcontracting business (electronic components). The impact on future financial statements of a 10 percent 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.
US Dollar / EUR exchange fluctuations may be volatile in both directions but gradually moving in one direction or US Dollar / EUR exchange fluctuations may be steadily moving in one direction.

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 percentile 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. For a 10 % weakening of the EUR against the USD, there would be an equal and opposite impact on the profit and the balances below would be negative.

Currency impact USD	2009	2008
	EUR	EUR
Profit or loss	320,309	105,119

The Group's sensitivity to the USD has increased over the last years due to the increased purchases in USD.

Foreign currency option contracts

To offset the US Dollar risk, the company concluded in 2007 US Dollar hedge contracts based on the estimated Dollar requirements for 2008. In total, for 20,460,000 US Dollars option contracts were signed with Belgian commercial banks, equally spread over the year. Conditions of these contracts were exchange rates EUR / USD of 1.40 – 1.50, knock-in of 1.50 and strike of 1.40. The group also had forward contracts to buy US Dollar 3,000,000 at rates between 1.3923 and 1.3964. At the end of 2007, the company recorded a financial loss of EUR 601,123 based on the market to market valuation of these contracts.

Per 31 December 2009 and 2008 the group has no such outstanding derivative contracts. A loss amounting to EUR 194.091 has been realized in 2008 on the contracts agreed upon in 2007.

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 group has no outstanding interest swap or hedging contracts. The effect on the financial statements of a 1% change in interest rate amounts to approximately EUR 290,000 based on the total outstanding financial debt of EUR 29 million at the end of 2009. For 2008 a 1% change in interest rate would have amounted to approximately EUR 370.000. A sensitivity in interest rates would not impact equity.

(IV) Credit risk management

Credit risk refers to the risk that a counterparty 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:

	2009	2008
Deposits and receivables		
Cash and cash equivalents	128,246	1,807,341
Trade receivables	20,195,275	46,038,121
TOTAL Deposits and receivables	20,323,521	47,845,462

The main focus for credit risk management relates to trade receivables (see note 1.3.7 b) for an amount of EUR 20,195,275 and EUR 46,038,121 as at 31 December 2009 and 2008 respectively.

The company has one customer counting for 34 % of its business. 10 customers count for 63 % 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.

(v) Liquidity risk management

The company secured at its bankers credit lines of EUR 38 million for working capital needs (see note 1.3.7. i). In 2009, on average EUR 28 million of these lines were used (74 percent) (on average EUR 30 million or 67 % in 2008). The credit lines are in principal renewable every year. We refer to note 1.3.7 j. 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.

2009	Financial liabilities at amortized cost
Current	48,962,907
2011	1,157,003
2012	552,458
2013	161,250
2014	159,000
2015	156,750
Beyond 2015	304,500

2008	Financial liabilities at amortized cost
Current	65,503,697
2010	1,689,453
2011	1,495,667
2012	896,524
2013	433,299
2014	410,868
Beyond 2014	682,206

AD. COMMITMENTS

The company has no material commitments.

AE. RELATED PARTY TRANSACTIONS

The company purchased EUR 2,175,057 in the course of 2008 from PMS 724 GmbH. The shares of PMS 724 GmbH are owned for 100 % by a shareholder of Connect Group NV who is also a member of the Board of directors. The purchases mainly relate to parts for machinery. The Board of Directors discussed the nature and character of these purchases and concluded that they were contracted in the normal course of business and that they were contracted at arm's length conditions. PMS 724 GmbH no longer is a related party due to the sale of the automation business in 2009 as it is fully related to the discontinued operations.

The most important event of 2009, being the sale of the automation activity in December 2009, was concluded with a related party. After negotiations with various interested parties, the company accepted an offer in December 2009 from Huub Baren, the company's founder, a shareholder and a member of the board of directors of this company, and Vladimir Dobosch. All requirements in accordance with the Corporate Law and with respect to this transaction were complied with.

Board of Directors and Management
The total amount of emoluments to the members of the Board of Directors and management amount to EUR 915,000 (continuing operations) in 2009 and EUR 1,443,000 (continuing and discontinued operations) in 2008. The total amount of shares held by the members of the Board of Directors amounted to 4,104,721 in 2009 and 2008.
The total amount of warrants held by members of the Board of Directors amounted to 0 in 2009 and 2008.

AF. 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)	2009
Agreed fee	173,405

Non Attest fees (consolidated level)	2009
Tax advice	104,156
Other attest services	32,195
Legal missions	-
Acquisition Due diligence services (which are outside the scope of the 1 to 1 rule)	-
Total non attest fees	136,351

AG. Operational lease commitments

		Lease Start Date	Lease End Date	Review Date	Annual Rent	Area (square meters)
Continued operations						
Belgium	Connectronics NV Rozendaalstraat 14, 8900 Ieper	01/01/2003	Annually renewable for 1 year	31/12/2006	22,654	813
	Connectronics, Division of IPTE NV Frankrijklaan 22, 8970 Poperinge	01/01/2007	31/12/2015	-	178,800	4,257
	Connectronics, Division of IPTE NV Frankrijklaan 18, 8970 Poperinge	01/01/2007	31/12/2015	-	47,822	1,107
	Connectronics, Division of IPTE NV Vlaanderenlaan 2, 8970 Poperinge	01/01/2004	31/05/2009	-	18,184	615
Germany	Connectronics GmbH Siemensstr. 11, 72636 Frickenhausen	01/11/2000	31/12/2010	31/12/2009	239,078	4,320
Romania	Connectronics Romania SRL Soseaua Borsului 40, 3700 Oradea	01/04/2004	31/12/2007	-	300,000	16,000
Czech Republic	Connectronics sro, Billundska 2756 272 01 Kladno	01/01/2007	Annually renewable	-	221,952	5,284
Discontinued operations						
Belgium	IPTE NV Beernem, division IPTE	01/11/2006	30/10/2015	3 year 6 months notice	27,600	600
Germany	IPTE Germany GmbH Schleifweg 14, 90562 Heroldsberg	01/04/2005	31/03/2015	31/03/2014	334,948	3,524
	Platzgummer GmbH Dieselstrasse 21, 85757 Karlsfeld	25/03/1992	Annually renewable	9 months notice	157,078	1,416
Estonia	IPTE Automation OÜ Laki 12, 10621 Tallinn	01/02/2009	31/01/2012	As from 01/02/2011 termination option by IPTE with 6 months notice	64,164	996
Portugal	IPTE Iberia -Automaçao Industrial LDA Rua de Moçambique, Lote 27-323 3880-106 Ovar	01/07/2004	indefinite	3 months notice	30,000	2,000
Spain	IPTE Spain S.L.U Polígon Industrial La Roureda, C/ Colombia, 3 43204 Reus	01/12/2008	01/12/2023	Annually renewable	96,000	350
China	IPTE Industrial Automation (Shanghai) Co. LTD Building C, No 88, Lane 3509, South Hongmei Road, Shanghai	01/05/2006	30/04/2009	3 months notice	30,480	1,200

2. INDIVIDUAL FINANCIAL STATEMENTS

In accordance with article 105 of the Company Law, this annual report includes the directors' report 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 Report Board of Directors

As required by legal and regulatory provisions, we are pleased to report to you on the activities of our company during the past financial year and to present the unconsolidated accounts, closed on 31 December 2009, for your approval.

1. Capital and ownership of the shares

The issued capital amounted to EUR 429,934.29, represented by 6,934,424 shares without nominal value. All shares are fully paid-in.

2. Activities

Connect Group NV is active in the surface mounting, testing and delivery of production machinery for the electronics industry.

3. Commentary on the annual accounts

Financial situation at 31 December 2009

Connect Group NV, closes the year with an operating income of EUR 73.8 million compared with EUR 93.3 million in 2008. This decrease of 21% is due to the economical crisis which started at the end of 2008 and continued through 2009. This operating income is made up of EUR 20.1 million (2008: EUR 24.2 million) in turnover from the automation activities and EUR 53.7 million (2008: EUR 69.1 million) in turnover from the contract manufacturing activities.

Connect Group NV ended the year with a net loss of EUR 14.7 million, compared with a loss of EUR 4.1 million in 2008.

The loss of EUR 14.7 million breaks down as follows:

	2009	2008
Net result from automation	(1,214,619.80)	(11,784,817.01)
Net result from contract manufacturing	3,562,654.55	7,628,502.81
Loss from sale of automation activities	(17,070,000.00)	0.00
Total loss	(14,721,965.25)	(4,156,314.20)

Due to recurring losses, the company decided to sell the automation activities. The company signed the sales contract with the purchaser on 21 December 2009. The sale became effective on 2 March 2010. For this reason the financial statements as at 31 December 2009 still contain the full balance sheet and income statement of the sold assets and all the effects following on from the sale are recorded as a provision. The complete automation business (all assets and liabilities and all automation subsidiaries) was sold at the end of 2009 for EUR 2 million. As a result of that sale, a one-time loss of EUR 18,1 million was booked against the 2009 result.

The figures above show that the company has always been profitable in the past years without the automation activities. It is therefore the opinion of the Board of Directors that the sale was necessary in order to restore the future profitability of the company and it looks with confidence to the future.

Shareholders' equity (after distribution of profit) amounts to EUR 29,970,040,77. This is a decrease of EUR 14,727,503.25 compared with last year. This decrease is explained by the movements in capital grants (EUR -5,538) and the loss for the year carried forward (EUR -14,721,965.25).

All amounts in EUR	31/12/2008	Capital increase	Capital grants	Profi/(loss) carried forward	31/12/2009
Capital	429,934.29	0.00	0.00	0.00	429,934.29
Share premium account	38,052,641.81	0.00	0.00	0.00	38,052,641.81
Legal reserve	42,993.00	0.00	0.00	0.00	42,993.00
Profit/(loss) carried forward	6,126,497.92	0.00	0.00	(14,721,965.25)	(8,595,467.33)
Capital grants	45,477.00	0.00	(5,538.00)	0.00	39,939.00
Total shareholders' equity	44,697,544.02	0.00	(-5,538.00)	(14,721,965.25)	29,970,040.77

The Board of Directors has analyzed the risks and uncertainties with which the enterprise is confronted. The Board of Directors is of the opinion that no specific risks and uncertainties need to be reported other than the operating risks that are inherent in the macro-economic climate and the risks for which provisions have been made in the books or which are reported elsewhere in the annual report.

Appropriation of the result

The Board of Directors proposes that the loss for the financial year (EUR -14,721,965.25) plus the profit brought forward from the previous year (EUR 6,126,497.92) be appropriated as follows:

Loss carried forward	(8,595,467.33)

After the appropriation of the result the shareholders' equity per December 31st 2009 is composed as follows:

Capital	429,934.29
Share premium account	38,052,641.81
Legal reserve	42,993
Capital grant	39,939
Loss carried forward	(8,595,467.33)
Total shareholders' equity	29,970,040.77

Going concern

The Board of Directors has evaluated the preparation of the annual account in accordance with the principle of going concern:

- With the sale of the automation activities, the cash drain of those activities was stopped permanently. The company will concentrate on its contract manufacturing activities, which have always been profitable in the past.

- The Board of Directors will authorise the issue of a subordinate convertible loan for a minimum amount of EUR 2 million and a maximum of EUR 5 million in order to strengthen the weakened equity position. The terms of that subordinated loan are: elimination of the general preemptive right, a minimum deposit of EUR 50,000, a duration of 6 years, an interest rate of 6 per cent payable semi-annually and a conversion opportunity twice per year (following the announcement of annual and half-yearly figures). The obligations may be converted at the lowest of the following two amounts: (I) 70% of the average highest independent bid price for a share of Connect Group, in the central order book of Euronext over the 30 trading days prior to the day on which the conversion right was exercised and (II) EUR 2.

- The group has concluded a financing agreement with its bankers by which sufficient lines of credit will be provided to be able to meet the financial requirement budgeted for 2010. The financial institutions have expressed their intention to continue to support the group;

- The budget for 2010, prepared in 2009, shows a profit and a positive cash flow for the continuing activities.

At the start of the year, expectations for 2009 were unclear. The start of the financial crisis followed by the economic crisis clearly had a greater than average impact on the electronics sector in which Connect Group operates. The contract manufacturing activities were nevertheless able to generate a positive cash flow. The automation division, on the other hand, suffered heavy losses, which resulted in a significant negative cash flow. To bring a halt to that negative cash flow, the company decided to sell the automation activities in the fourth quarter of 2009. The market expectations for 2010 remain uncertain. The company has undertaken a wide range of activities to ensure its long-term health.

It is the board of director's opinion that the sale of the automation business will allow the company to fully concentrate on the (continuing) contract manufacturing business. Per 30 June 2009 the company met its bank covenants whereas this was no longer the case at the end of 2009 due to the loss realized on the sale of the automation activity. As a result of this sales transaction, the financial institutions no longer requested compliance with bank covenants per 31 December 2009. The group prepared a 3 year financial budget for its bankers. Based on this budget, new credit lines and financing terms were agreed with the bankers. New covenants will again become applicable per 31 December 2010.

In view of those circumstances, the Board of Directors believes that preparing the annual account in accordance with the principle of going concern is justified.

4. Announcements

Important events during the financial year

With the sale of the automation activity in December 2009, going forward the company's business will be contract manufacturing, with its subsidiaries in Belgium (Connect Systems NV, Connect Systems International NV, Connectronics NV and Connect Systems Holding NV), the Netherlands (Connect Systems Nederland BV), Germany (Connectronics GmbH), Romania (Connectronics Romania SRL) en Czech Republic (Connectronics sro). The change of name from IPTE NV to Connect Group NV was formally approved at the Extraordinary General Shareholders Meeting of 2 March 2010.

Important events after the closing of the financial year

With the exception of the approval of the sale of the Automation division by the Board of Directors and the Extraordinary General Meeting of Shareholders, as discussed above, there have been no major events since 31 December 2009 that could have a significant impact on the development of the company.

Branches

The enterprise has facilities at Poperinge (surface mounting activity), Genk and Beernem (automation). The branches in Genk and Beernem were sold as part of the automation activities.

Financial risk management

Fluctuations in market prices, exchange rate differences on sales and purchases and inter-company loans are risks inherent to the company's activity. The company is seeking constantly to minimize the financial risks inherent in its activities. At the end of the accounting year the company did not have any hedging contracts outstanding. The receivables and payables in foreign currencies are recorded at the year end rate in the accounts.

Research and development

The company constantly undertakes research and development to strengthen and guarantee its future market position.

Notification pursuant to Section 523 and 524 of the Companies Code

The procedure prescribed by Section 524 of the Companies Code (W.Venn) was applied due to the fact that the Board of Directors had to make a decision with respect to the potential sale of the business activities comprising the Factory Automation division of IPTE NV, including the Automation subsidiaries to IPTE Factory Automation NV (the purchasing company).

Huub Baren BVBA retains 30.23% of the shares of IPTE NV and is therefore the largest shareholder. Mr Wolodimir Dobosch retains 3.71% of the shares of IPTE NV. With the exception of the holdings of LRM NV, the other shares were sold publicly. Huub Baren BVBA therefore has control of IPTE NV. That explains why Huub Baren BVBA can be considered as an 'affiliated company' within the meaning of Section 11 W.Venn.

Huub Baren BVBA and Vladimir Dobosch BVBA jointly hold 100 per cent of the shares of the purchasing company. That explains why IPTE Factory Automation NV can also be considered as an 'affiliated company' within the meaning of Section 11 W.Venn.

The statutory auditor has *inter alia* taken cognizance of:

- the recommendation of the committee of independent directors of 20 December 2009, in which the following became apparent: "the committee of independent directors has investigated all pertinent facts in collaboration with the independent expert. In particular, the terms of the proposed transaction as described in the recommendation of the independent expert were studied and considered in light of the company interest. In view of the above, it is the judgement of the committee of independent directors that the nature of the decisions concerned are not such that they would cause detriment to the company and, in view of the policy of the company, is apparently illegal and the company will not suffer a disadvantage as a result of those decisions"

- the minutes of the meeting of the Board of Directors held on 20 December 2009. Those minutes show that: "The Board of Directors has taken cognizance of the proposal from Bavaria Automation GmbH to purchase Factory Automation. Inasmuch as the proposal of Messrs Baren and Dobosch was financially more interesting than the proposal of Bavaria Automation GmbH (due partly to the economic transfer of the division on 1 October 2009, which was not the case in the Bavaria Automation GmbH offer, so that, in the case of the Bavaria Automation GmbH offer, the losses of the last quarter would still fall on the Company), it was decided to proceed on the basis of the proposal of Messrs Baren and Dobosch."

The statutory auditor has not identified any elements that would cause him to decide that the information contained in the recommendation of the committee is not correct.

The transaction with respect to the automation activities, as described above, arose in accordance with the procedures as prescribed in Section 524 of the Companies Code.

The report of the committee of independent directors, the recommendation of the independent expert (VMB Bedrijfsrevisoren) appointed by the committee of independent directors and the minutes of the meeting of the Board of Directors state that there are no facts that "indicate that the transaction would not be in the interest of the company or that direct or indirect benefits would arise that are apparently illegal for the shareholder involved with the transaction."

As to the application of article 523 of the Companies Code, the Board of Directors has added the minutes of the meeting concerned to the annual report. Herewith the Board of Directors clarifies the nature of the transaction and justifies the decision that was taken. The financial consequences for the company are also mentioned in the minutes.

Announcement pursuant to articles 95 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 where the rights of control are not exercised directly by 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 and not reelected directors 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 2 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 judgement;
   - 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 judgement; 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.

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 24 April 2008 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 693,442 shares and the buying in shall take place at a price not higher than EUR 16 per share.

This authorization shall be valid for a period of no more than 18 months.

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 leat one member of the Audit Committee is independent and is an expert in audit and accounting.

Genk, 29 March 2010

2.2 Condensed financial statements (in 000 EUR)

1. BALANCE SHEET		
	2009	2008
ASSETS		
FIXED ASSETS	73,740	87,518
	0	0
I. FORMATION EXPENSES		
II. INTANGIBLE ASSETS	700	952
III. TANGIBLE ASSETS	4,527	4,069
A. Land & buildings	1,109	1,229
B. Plant, macchinery & equipment	1,396	2,264
C. Furniture and vehicles	208	300
D. Leasing and other similar rights	57	261
E. Other tangible assets	0	0
F. Assets under construction and advance payments	1,757	14
IV. FINANCIAL ASSETS	68,514	82,498
A. Affiliated enterprises	68,464	82,448
1.Participating interests	67,315	72,778
2.Amounts receivable	1,149	9,670
B. Other enterprises linked by particip. interests	0	0
1.Participating interests	0	0
2.Amounts receivable	0	0
C. Other financial assets	50	50
1.Shares	0	0
2.Amounts receivable and cash guarantees	50	50
CURRENT ASSETS	37,397	44,181
V. AMOUNTS RECEIVABLE AFTER MORE THAN ONE YEAR	0	0
A. Trade debtors	0	0
B. Other amounts receivable	0	0
VI. STOCKS AND CONTRACTS IN PROGRESS	6,869	23,077
A. Stocks	6,207	11,365
1.Raw materials and consumables	4,324	5,596
2.Work in progress	1,199	3,014
3.Finished goods	684	2,754
4.Goods purchased for resale	0	0
5.Immovable property acquired or constructed for resale	0	0
6.Advance payments	0	0
B. Contracts in progress	662	11,712
VII. AMOUNTS RECEIVABLE WITHIN ONE YEAR	30,311	20,936
A. Trade debtors	21,672	14,619
B. Other amounts receivable	8,639	6,317
VIII. INVESTMENTS	0	0
A. Own shares	0	0
B. Other investments and deposits	0	0
IX. CASH AT BANK AND IN HAND	80	45
X. DEFERRED CHARGES AND ACCRUED INCOME	136	124
TOTAL ASSETS	111,137	131,699

LIABILITIES		
	2009	2008
CAPITAL AND RESERVES	29,970	44,698
I. CAPITAL	430	430
A. Issued capital	430	430
B. Uncalled capital	0	0
II. SHARE PREMIUM ACCOUNT	38,053	38,053
III. REVALUATION SURPLUS	0	0
IV. RESERVES	43	43
A. Legal reserves	43	43
B. Reserves not available for distribution	0	0
1. In respect of own shares held	0	0
2. Other	0	0
C. Untaxed reserves	0	0
D. Reserves available for distribution	0	0
V. PROFIT/(LOSS) CARRIED FORWARD	(8,595)	6,126
VI. INVESTMENT GRANTS	40	45
PROVISIONS AND DEFERRED TAXATION	1,630	1,446
VII. A. PROVISION FOR LIABILITIES AND CHARGES	1,609	1,422
1. Pension and similar obligations	179	100
2. Taxation	0	0
3. Major repairs and maintenance	0	0
4. Other liabilities and charges	1,430	1,322
B. DEFERRED TAXATION	21	23
CREDITORS	79,537	85,556
VIII. AMOUNTS PAYABLE AFTER MORE THAN ONE YEAR	36,373	36,831
A. Financial debts	36,373	36,831
1. Subordinated loans	0	0
2. Unsubordinated debentures	0	0
3. Leasing and other similar obligations	211	440
4. Credit institutions	712	965
5. Ohter loans	35,450	35,426
B.Trade debts	0	0
1. Suppliers	0	0
2. Bills of exchange payable	0	0
C. Advances received on contracts in progress	0	0
D. Other amounts payable	0	0
IX. AMOUNTS PAYABLE WITHIN ONE YEAR	41,664	48,293
A. Current portion of amounts payable after more than one year	501	558
B. Financial debt	21,419	18,501
1. Credit institutions	18,884	15,800
2. Other loans	2,535	2,701
C. Trade debts	10,097	9,333
1. Suppliers	10,097	9,333
2. Bills of exchang payable	0	0
D. Advances received on contracts in progress	6,583	16,549
E. Taxes, remuneration and social security	3,028	3,313
1. Taxes	618	705
2. Remuneration and social security	2,410	2,609
F. Other amounts payable	36	39
X. ACCRUED CHARGES AND DEFERRED INCOME	1,500	432
TOTAL LIABILITIES	111,137	131,699

2. INCOME STATEMENT

	2009	2008
I.OPERATING INCOME	73,790	93,355
A. Turnover	100,367	88,334
B. Variations in stock of finished goods, work and contracts in progress	(29,491)	1,061
C. Own construction capitalised	115	144
D. Other operating income	2,799	3,817
II.OPERATING CHARGES	(75,885)	(85,968)
A. Raw materials, consumables and goods for resale	50,273	59,532
1. Purchases	66,204	53,989
2. Movements in stock	(15,931)	5,543
B. Services and other goods	5,728	9,474
C. Remuneration, social security costs and pensions	15,626	16,122
D. Depreciation, write off formation expenses, intangible and tangible fixed assets	1,328	1,321
E. Write off of inventory, contracts in progress and trade debtors	2,677	(1,238)
F. Increase/decrease in prov. for liabil. & charges	187	709
G. Other operating charges	66	48
H. Operating charges capitalised as reorganization costs	0	0
III.OPERATING PROFIT/(LOSS)	(2,095)	7,387
IV.FINANCIAL INCOME	3,617	1,973
A. Income from financial fixed assets	2,239	2
B. Income from current assets	742	914
C. Other financial income	637	1,056
V.FINANCIAL CHARGES	(3,516)	(4,426)
A. Interests and other debt charges	2,519	2,816
B. Increase/decrease in amounts written off on current assets	0	0
C. Other financial charges	997	1,609
VI.PROFIT/(LOSS) ON ORDINARY ACT. BEFORE TAXES	(1,994)	4,934
VII.EXTRAORDINARY INCOME	683	1
A. Adjustments to depreciation of and to other amounts intang. & tangibl. assets	0	0
B. Adjustments to amounts written off financial fixed assets	0	0
C. Adjustments to provisions for extraordinary liabilities and charges	0	0
D. Gain on disposal of fixed assets	18	1
E. Other extraordinary income	665	0
VIII.EXTRAORDINARY CHARGES	(13,413)	(9,094)
A. Extraord. deprec. of & extraord. amounts written off form expenses, tang. and intang. fixed assets	367	0
B. Amounts written off financial fixed assets	13,043	9,094
C. Provisions for extraord. liabilities and charges	0	0
D. Loss on disposal of fixed assets	3	0
E. Other extraordinary charges	0	0
F. Extraordinary costs capitalised as reorganization costs	0	0
IX.PROFIT (LOSS) FOR THE YEAR BEFORE TAXES	(14,724)	(4,158)
A. Transfers from deferred taxes	3	3
B. Transfers to deferred taxes	0	0
X.INCOME TAXES	(1)	(1)
A. Income taxes	1	1
B. Adjustment of income taxes and write-back of tax provisions	0	0
XI.PROFIT (LOSS) FOR THE YEAR	(14,722)	(4,156)
XII.TRANSFER TO/FROM UNTAXED RESERVES	0	0
XIII.PROFIT (LOSS) FOR THE YEAR AVAIL. FOR APPROPRIATION	(14,722)	(4,156)

APPROPRIATION ACCOUNT

	2009	2008
A. PROFIT/(LOSS) TO BE APPROPRIATED	(8,595)	(6,126)
1. Profit/(loss) for the period avalable for appropriation	(14,722)	(4,156)
2. Profit/(loss) brought forward	6,126	10,283
B. TRANSFERS FROM CAPITAL AND RESERVES	0	0
1. From capital and share premium account	0	0
2. From reserves	0	0
C. TRANSFERS TO CAPITAL AND RESERVES	0	0
1. To capital and share premium account	0	0
2. To legal reserve	0	0
3. To other reserves	0	0
D. RESULT TO BE CARRIED FORWARD		
1. Profit to be carried forward	(8,595)	0
2. Loss to be carried forward	0	6,126
E. SHAREHOLDERS' CONTRIBUTION IN RESPECT OF LOSSES	0	0
F. DISTRIBUTION OF PROFIT	0	0
1. Dividends	0	0
2. Directors' emoluments	0	0
3. Other allocations	0	0

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 % double-declining
- Plant, machinery and equipment:	20 % straight-line
- Furniture:	20 % straight-line
- Vehicles:	25 % straight-line
- Computer equipment:	33 % straight-line
- Second-hand equipment:	50-100 % 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 direct costs). Obsolete or slow-moving inventories are written down if the book value exceeds the net realizable value. The results of work in progress for projects are recognized in accordance to the percentage of completion method. Losses on projects are recognized immediately. 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.

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