CONNECT GROUP
INTEGRATED SUBCONTRACTORS

Connect Group NV
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PRESS RELEASE
Regulated information

16 February 2012 – Embargo till 6 pm

Press release: Annual Results for 2011

Connect Group reports good annual results.

Annual results:
Sales of EUR 148.2 million compared to EUR 133.5 million in 2010.
Improved operating result from a loss of kEUR 167 in 2010 to a profit of kEUR 5,030 in 2011.
Net profit of kEUR 3,735 compared to a net loss of kEUR 1,131 in 2010.

4th quarter results:
Sales of EUR 31.5 million compared to EUR 37.2 million in 2010.
Operating profit of kEUR 965 compared to kEUR 341 in 2010.
Net profit of kEUR 690 compared to a net profit of kEUR 309 in 2010.

Management discussion and analysis of the results

Annual figures
Connect Group NV (Euronext Brussels: CONN) reports an annual sales figure of EUR 148.2 million compared to EUR 133.5 million in 2010 (+ 11.0 percent). The gross margin on sales increased from 11.4 percent to 13.9 percent, reflecting better product mix and cost control. R&D, administration and selling expenses remained virtually unchanged.
Other operating income in 2010 consisted primarily of a gain on the sale of a property in Germany.
Other operating expenses in 2011 include a kEUR 1,250 valuation allowance on part of a customer receivable. In 2010, a valuation allowance of kEUR 1,250 had already been recorded on the same customer receivable. The total receivable from this problem customer is therefore reserved against. In the ultimate event of payment by the customer, these reserves will be reversed.
The operating result improved from a loss of kEUR 167 in 2010 to a profit of kEUR 5,030 in 2011 (3.4 percent of sales). As a result of lower interest rates (both the basic interest rate and the bank margin) and a lower average outstandings, the net financial result reduced from an expense of kEUR 2,435 to one of kEUR 1,600 in 2011. The group got its equal in a tax dispute, as a result of which an earlier tax provision of kEUR 305 was no longer needed. This improved the result by kEUR 305.
In this way the profit from the contract manufacturing business (continuing operations) for 2011 was kEUR 3,735 compared to a loss of kEUR 2,626 in 2010.
"After the difficult years of 2009 - and then the sale of Automation in 2010 - and the component shortages, we are pleased with the results of 2011," says CEO Luc Switten. "The sales figure and the net profit of EUR 3.7 million are within expectations".

In 2011, no transactions were executed for the Automation activity that was discontinued in 2009.
In 2010 a profit of kEUR 1,495 was still recorded for the discontinued operation.
This income in 2010 related to reversal of a customer provision (kEUR 1,095) recorded prior to the end of the activity and the reversal of a write-down of kEUR 400 on the receivable against the buyer of the discontinued operation.

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In this way the net group result improved from a loss of kEUR 1,131 to a profit of kEUR 3,735 (2.5 percent of sales).

Quarter

Sales during the 4th quarter decreased from EUR 34.2 million in the third quarter to EUR 31.5 million. Sales for the 4th quarter of 2010 were EUR 37.2 million.
The order book at year-end remained at EUR 70.7 million (unchanged compared to 3rd quarter 2011).
During the 4th quarter of 2011, the group continued the operating integration of SAP at 3 main facilities (Romania, Germany and Belgium-Ieper). This SAP start-up and the associated changes in all operating activities significantly impacted production during the 4th quarter. The switch-over necessitated the stopping of the 3 factories for more than 1 week, with production at a lower level for several weeks in order to ensure quality. We can report that the transition was successful.
This has meant, however, that in the 4th quarter we were unable to deliver the sales requested by customers (estimated 3 to 4 million of delivery arrears). This has directly impacted the 4th quarter results as lower sales immediately result in an absolute lower gross margin and lower profits.
"Despite the temporary negative impact on actual deliveries in the 4th quarter, we are pleased that we have finally taken and completed this important step," says Luc Switten. "With this switch-over, all the print board assembly plants are now operating with SAP and working methods can all be inter-coordinated. This will in future enable us to make major improvements to our working methods and to operate more efficiently. In 2012 we are planning to further optimize the systems at our print board assembly plants. From 2013 we will also be switching the Kampenhout and Rijen facilities and the cable part of the Romanian plant to SAP."

Balance sheet

Trade receivables decreased from EUR 27.7 million at end-2010 to EUR 25.7 million at end-2011. This decrease is entirely attributable to the lower 4th quarter 2011 sales.
During 2011 initiatives were taken to structurally reduce inventories. As a result inventories decreased from EUR 38 million at end-2010 to EUR 34.4 million at end-2011.
In 2011, EUR 1.3 million of new investments (mainly replacement investments) were undertaken. With annual depreciation of EUR 3.6 million, this produced a decrease in tangible and intangible fixed assets during the year from EUR 13.4 million to EUR 11.1 million.
The group's total bank financing capacity in 2011 remained unchanged. The group uses accounts receivable factoring, a EUR 10 million short-term credit line and a EUR 10 million long-term (5 year) credit line (repayable in EUR 2 million a year installments – EUR 7.5 million outstanding end 2011).
A EUR 5 million subordinated loan put up by several shareholders was converted in early 2011 into capital, thereby decreasing long-term debt by EUR 5 million.
As a result of the improved inventory situation and procurement policy, trade payables decreased from EUR 26.5 million to 19.9 million.
The group was in compliance with its bank covenants at the end of 2011.

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An analysis of the company's risk management can be found in the annual report and is available on the internet (www.connectgroup.com).

The most significant risks for the company are:

1. The production is completeley dependent on the availability of all components at the moment that production starts up. If component availability slows down, sales too will be delayed.
2. Currency risk:
   a. The group buys a portion of its components in dollars/yen, the exchange rate risk on which is only partially covered in the selling price.
   b. Production takes place partly in Romania and the Czech Republic: large fluctuations of these currencies against the Euro can impact costs.
   c. Since foreign currency needs cannot be accurately timed, the group does not cover its foreign currency positions.
3. The group has a credit agreement with its bankers that includes a minimum solvency ratio covenant, equity and cash flow. For year-end the group obtained a waiver for not meeting the established solvency ratio from its bankers.
4. Customer insolvency can have a major impact on the results

Outlook for 2012

The current economic climate makes it difficult to establish clear expectations for 2012. As a subcontractor, Connect Group is very much dependent on the general evolution of its customers and cannot itself force volume increases. On the one hand, Connect Group is strongly positive about its position with its customers and its acquiring of new customers. On the other hand, the general economic outlook is cloudy, with expectations of zero general economic growth for 2012 for Belgium.
The order book is growing despite the caution that we observe among our customers.

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Significant events in 2011

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

As a result of this conversion the shareholders' structure is as follows:

Shareholder name	Number declared	%
Huub Baren BVBA	2,166,155	21.05 %
QuaeroQ cvba	2,120,781	20.61 %
LRM NV	1,870,786	18.18 %
Luc Switten	426,369	4.14 %
Other below the reporting threshold	3,705,933	36.02 %
Total	**10,290,024**	**100 %**

Change in compostion of the Board of Directors
As part of the change in shareholderstructure, Erik Dejonghe and Huub Baren resigned from the Board of Directors and 3 new directors were appointed. These appointments were approved at an Extraordinary General Meeting, held on 8 August 2011, as follows:

- o Adprimum bvba, permanently represented by Robert Van Hoofstat;
- o Mentofacturing bvba, permanently represented by Willy Hendrickx; and
- o Peter Watteeuw.

These appointments will expire at the Annual General Meeting of 28 April 2015.

Dominique Moorkens was appointed as new Chairman of the Board.

Announcement acquisition of Halin
On 16 December 2011, the shareholders of Halin Group at Veldhoven (Netherlands) and Connect Group announced that they have reached agreement for Connect Group to acquire 100 percent of the shares of Halin Group. The transfer of the shares and the closing took place at 6 January 2012.
The acquisition price is set at a maximum of kEUR 1,100, but can be kEUR 250 lower is a number of conditions are not fulfilled.
Halin Group consists of 4 companies: Halin Group BV, Halin Electronics BV, Halin Industrial Solutions BV and Halin Communication Technology BV. Halin Communication Technology BV is not included in the takeover.
Just like Connect Group, Halin Group is an electronics - mechatronics subcontractor, operating primarily on the Dutch market. The Halin Group employs around 120 people at Veldhoven, Netherlands, and has an annual turnover of around EUR 20 million. Major references for Halin include Philips and Axon Digital Design.

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1. Connect Group annual results 2011

The statutory auditor has confirmed that its auditing work, which is fundamentally complete, has not revealed the need for any significant corrections to the accounting information contained in the press release in respect of the consolidated financial statements for the year ending on 31 December 2011.

1.1 Condensed consolidated income statement for the 12 months to 31 December 2011 and 31 December 2010

(in 000 Eur)	Q4 2011	%	Q4 2010	%	Year 2011	%	Year 2010	%
Continuing operations								
Sales	**31,472**	**100.0**	**37,171**	**100.0**	**148,231**	**100.0**	**133,464**	**100.0**
Cost of sales	-27,179	-86.4	-31,629	-85.1	-127,689	-86.1	-118,184	-88.6
Gross profit	4,293	13.6	5,542	14.9	20,542	13.9	15,280	11.4
Research and development expenses	-295	-0.9	-336	-0.9	-1,238	-0.8	-1,292	-1.0
General and administrative expenses	-1,533	-4.9	-1,483	-4.0	-6,387	-4.3	-6,154	-4.6
Selling expenses	-1,597	-5.1	-1,745	-4.7	-6,556	-4.4	-6,688	-4.9
Other income	89	0.3	11	0.0	127	0.1	388	0.3
Other expenses	-15	0.0	-1,648	-4.4	-1,458	-1.0	-1,701	-1.3
Operating result	**965**	**3.1**	**341**	**0.9**	**5,030**	**3.4**	**-167**	**-0.1**
Financial income	131	0.4	61	0.2	419	0.2	95	0.1
Financial charges	-406	-1.3	-488	-1.3	-2,019	-1.3	-2,530	-1.9
Profit / (loss from operations)	690	2.2	-86	-0.2	3,430	2.3	-2,603	-1.9
Income taxes	0	0.0	-5	0.0	305	0.2	-24	0.1
Profit / (loss) from continuing operations	690	2.2	-91	-0.2	3,735	2.5	-2,626	-2.0
Discontinued operations								
Profit/(loss) from discontinued operations	0	0.0	400	1.1	0	0	1,495	1.2
Profit / (loss)	**690**	**2.2**	**309**	**0.8**	**3,735**	**2.5**	**-1,131**	**-0.8**
Attributable to								
Equityholders of the parent	690		309		3,735		-1,131	
Minorities	0		0		0		0	
Earnings per share								
Basic earnings / (loss) per share continuing operations	0.07		-0.01		0.36		-0.38	
Diluted earnings / (loss) per share continuing operations	0.07		-0.01		0.36		-0.38	
Basic earnings / (loss) per share continuing plus discontinued operations	0.07		0.04		0.36		-0.16	
Diluted earnings / (loss) per share continuing plus discontinued operations	0.07		0.04		0.36		-0.16	

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Condensed consolidated statement of comprehensive income

(in ooo Eur)	Q4 2011	Q4 2010	2011	2010
Profit / (loss)	**690**	**309**	**3,735**	**-1,131**
Other comprehensive income				
Exchange differences on translating foreign operations	-107	71	58	-237
Minority interest in discontinued activity	-	-	-	-
Total comprehensive income	**583**	**380**	**3.793**	**-1.368**
Total comprehensive income attributable to:				
Equity holders of the parent	583	380	3,793	-1,368
Minority interest	-	-	-	-

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1.2 Condensed consolidated balance sheet at 31 December 2011 and 31 December 2010

(in 000 Euro)	31 December 2011	31 December 2010
Assets		
Current assets:		
Cash and cash equivalents	743	79
Trade receivables	25,710	27,744
Other receivables	737	606
Inventories	34,390	38,045
Other current assets	109	153
Other current assets	**61,689**	**66,627**
Non-current:		
Other receivables from sale of discontinued activity	2,000	1,900
Deferred tax assets	1,500	1,500
Property, plant and equipment	9,614	11,250
Intangible assets	1,528	2,156
Goodwill	4,649	4,649
Total non-current assets	**19,291**	**21,455**
TOTAL ASSETS	**80,980**	**88,082**
Liabilities and equity		
Current liabilities:		
Bank loans and overdrafts	22,958	21,459
Current portion of long-term debt	2,438	3,784
Trade payables	19,868	26,471
Accrued expenses, payroll and related taxes and deferred income	5,886	7,417
Provisions	185	479
Income taxes	-	304
Other current liabilities	196	1
Total current liabilities	**51,531**	**59,915**
Non-current liabilities:		
Long-term debt less current portion	6,250	13,201
Derivative debt	-	645
Total non-current liabilities	**6,250**	**13,846**
Equity attributable to equity holders of the parent	**23,199**	**14,321**
TOTAL LIABILITIES AND EQUITY	**80,980**	**88,082**

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1.3 Condensed consolidated statement of changes in equity

(in 000 Eur)	Number of shares out-standing	Capital	Legal reserve	Share pre-mium	Profit/ (loss) carried forward	Cumulative translation adjustment	Attributable to equity holders of the parent	Minority interests	Total
31/12/2009	**6,934,424**	**430**	**43**	**37,214**	**-22,265**	**267**	**15,689**	**-**	**15,689**
Net result					-1,131		-1,131		-1,131
Other comprehensive income						-237	-237		-237
Total compre-hensive income					-1,131	-237	-1,368		-1,368
31/12/2010	**6,934,424**	**430**	**43**	**37,214**	**-23,396**	**30**	**14,321**	**-**	**14,321**

(in 000 Eur)	Number of shares out-standing	Capital	Legal reserve	Share pre-mium	Profit/ (loss) carried forward	Cumulative translation adjustment	Attributable to equity holders of the parent	Minority interests	Total
31/12/2010	**6,934,424**	**430**	**43**	**37,214**	**-23,396**	**30**	**14,321**	**-**	**14,321**
Net result					3,735		3,735	0	3,735
Other comprehensive income				85		58	143		143
Capital increase	3,355,600	208		4,792			5,000		5,000
31/12/2011	**10,290,024**	**638**	**43**	**42,091**	**-19,661**	**88**	**23,199**	**0**	**23,199**

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1.4 Condensed consolidated cash flow table for the year ended 31 December

(in 000 Eur)	2011	2010
Profit/(loss)	**5,030**	**-167**
Adjustments for:		
Amortization goodwill/negative goodwill	-	-313
Allowance for doubtful receivables and obsolete stock	2,175	1,312
Depreciation and amortization	3,567	4,024
Provisions	-19	-159
Operating profit before changes in working capital	**10,753**	**4,697**
Inventories	2,943	-8,448
Trade receivables	571	-8,917
Trade payables	-6,602	4,878
Accrued expenses, payroll and related taxes and deferred income	-1,835	1,573
Other receivables	-	-
Other current assets	-188	-709
Other payables	224	62
Cash flow from operating activities	**5,866**	**-6,864**
Taxes	-	-24
Exchange differences	-117	-528
Interests / Financial charges	-1,669	-1,952
Other	143	-237
Net cash from/(used in) operating activities continued operations	**4,223**	**-9,605**
Net cash from/(used in) operating activities discontinued operations	**-**	**-4**
Cash flow from investing activities continued operations		
Investments in intangible assets	-29	-221
Investments in property, plant and equipment	-1,274	-1,360
Gain/(loss) on the sale of property, plant and equipment	-	521
Interest received	186	44
Cash flows from (used in) investing activities continued operations	**-1,117**	**-1,016**
Cash flows from (used in) investing activities discontinued operations	**-**	**-**
Cash flows from financing activities		
Proceeds/(repayments) from long-term debts	-2,595	11,466
Proceeds/(repayments) from current portion of long-term debt	-1,346	2,675
Proceeds/(repayments) from bank loans and overdrafts	1,499	-3,564
Increase in discontinued operations	**-**	**-**
Net cash provided by financing activities	**-2,442**	**10,577**
Changes in translation differences	-	-
Increase/(decrease) in cash and cash equivalents	**664**	**-49**
Cash and cash equivalents at the beginning of the period	79	128
Cash and cash equivalents at the end of the period	743	79

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2. Notes to the condensed financial statements

2.1 Information about the company

Connect Group

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

Update financial calendar

Annual General Meeting 2012	24 April 2012
Announcement 1st quarter results 2012:	10 May 2012
Announcement half-year results of 2012:	9 August 2012
Announcement 3rd quarter results 2012:	8 November 2012

Investor Relations

Luc Switten	CEO
Hugo Ciroux	CFO

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2.2 Declaration of conformity

These condensed consolidated financial statements together with the notes for the year ended 31 December 2011 have been audited.

The condensed consolidated financial statements for the year ended 31 December 2011 comprise the financial statements of the company and its subsidiaries (hereinafter referred to collectively as the "Group").

These condensed consolidated financial statements were approved for publication by the Board of Directors on 13 February 2012.

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2.3 Seasonality

Seasonality is limited (reduced deliveries during the annual holiday period (July-August)).

2.4 Changes in accounting policies and presentation rules

The accounting policies adopted in preparing the condensed consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the period ended 31 December 2010.

Compared to the consolidated financial statements at 31 December 2010, the following new Standards and Interpretations now apply. These changes do not impact the Group's financial position and results:

- Improvements to IFRS (2009-2010) (normally applicable for annual periods beginning on or after 1 January 2011)
- Amendment to IFRS 1 *First Time Adoption of International Financial Reporting Standards – IFRS 7 exemptions* (applicable for annual periods beginning on or after 1 July 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.
- Amendments to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (applicable for annual periods beginning on or after 1 February 2010)
- 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)

2.5 Segment reporting

Following the divesture of the automation activity the group now consists solely of the contract manufacturing activity, with no further segmentation.

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2.6 Related party transactions

On 2 March 2010 the automation activity was finally sold to its former founders, Huub Baren and Vladimir Dobosch. Messrs Huub Baren and Vladimir Dobosch are shareholders of Connect Group and were both at the time of the sale directors of Connect Group. Mr Dobosch ceased being a director of Connect Group after the concluding of the transaction. In this transaction, all conditions of company law were respected.
As a result of this transaction, the company still has a gross receivable of EUR 2,000,000 against a company controlled by Huub Baren.

Connect Group had sales of EUR 547,233 in 2010 and of EUR 133,157 in 2011 to the Electronic Network group. Mr Huub Baren, a director and shareholder of Connect Group, is also the main shareholder in the Electronic Network group. These sales are sales in the normal course of operations. The Board of Directors has analysed the nature and character of these sales and concluded that they can be regarded as normal business transactions at market conditions.
On 12 December 2011, Mr Baren resigned from the Board of Directors and is therefore no longer a related party.

3. Declaration of responsible persons

The undersigned declare that:
- The condensed financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, financial condition and results of the issuing company and of the companies included in the consolidation;
- the annual report gives a true and fair overview of the important events and major related party transactions that occurred during the financial year and their impact on the condensed financial statements, together with a description of the principal risks and uncertainties with which these companies are confronted.

Luc Switten. CEO
Hugo Ciroux. CFO