CONNECT GROUP
INTEGRATED SUBCONTRACTORS

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Regulated information **Press release**

13 February 2013 – Embargo till 6 pm

Connect Group reports annual results 2012

ANNUAL RESULTS :

Sales of EUR 141.6 million compared with EUR 148.2 in 2011.
Profit of kEUR 3,034 compared with kEUR 3,735 in 2011.
The total order book at end-2012 amounted to EUR 77 million (EUR 70.7 million at end-2011).
Total financial debt decreased from EUR 31 million at end-2011 to EUR 20 million at end-2012.

Fall in operating result from continuing operations (before goodwill impairment) from kEUR 5,030 in 2011 to kEUR 1,458 in 2012.
Goodwill impairment of kEUR 1,633 turns net operating result from continuing operations into a kEUR 175 loss.
One-off income of kEUR 4,500 from discontinued operations with the final settlement of the sale of the Automation activity in late 2009.

RESULTS 2ND HALF:

Sales of EUR 61.7 million compared with EUR 65.7 million in 2011.
Profit of kEUR 1,162 compared with kEUR 1,511 in H2 2011.

Operating result (before goodwill impairment) of kEUR -1,289 compared with kEUR 2,273 in H2 2011.
Goodwill impairment of kEUR 1,633, giving a net operating result from continuing operations in H2 of KEUR -2,922.
One-off income from discontinued operations of KEUR 4,500 with the final settlement of the sale of the Automation activity in late 2009.

Management discussion and analysis of the results

Luc Switten (CEO) : After a good 2011, 2012 looked set to be a relatively good year. The order book at end-2011 stood at over EUR 70 million, while the acquisition of Halin Group at the end of 2011 gave us a clear road map for the Dutch market. The general economic situation was somewhat more hesitant but seemed under control. The first six months of 2012 were also as expected. During early summer, however, it became clear that the general fear of economic downturn was bearing increasingly heavily on the economy and on customer behaviour. On the one hand orders were still being placed, on the other we were being frequently asked to postpone deliveries. These two conflicting movements are highly detrimental to our operational management. Production capacities are initially planned on the basis of an order book delivery prognosis. Thus a postponement of the effectively demanded delivery leads to unused production capacity and replanning, both negatively

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affecting results. Deliveries in the last three months of 2012 plummeted, with a very negative impact on the figures for the 2nd half and undoing the positive results of the first half.

Despite these lower year-end figures, we look to 2013 with confidence for several reasons:

- In 2012, we gained several new clients and the order book at end-2012 stood at over EUR 77 million, leading us to assume that 2013 will be up to the mark.
- Customers have given a very positive welcome to our newly introduced TiaS (Technology is a Service) program. Customers are asking to obtain more technology from us. We see a strong demand for this service and have already logged a number of successes with certain customers that strengthen customer loyalty. We are also seeing that new customers view this service as an additional argument to order from us.
- The integration in the Netherlands is now behind us. In less than 1 year we have succeeded in integrating all our facilities in the Netherlands, with 1 facility per location and with the workforce adapted to market demand. This will definitely deliver add value starting in 2013.
- Our focus on specific target markets like Railway and Healthcare is bringing clear results. We have successfully concluded long-term agreement with a number of customers in these sectors, already securing revenue streams out beyond 2013. This is new for our company. In the past we had at best annual contracts and orders. Today we have contracts running over several years. For the sake of clarity, the order book figure contains only the portion of the contracts to be delivered within the year.
- The balance sheet of the group improved significantly. Inventories and receivables were under control and total financial debt decreased from more than EUR 31 million to EUR 20 million.

In summary, we believe that, despite the poorer 2012 year-end figures, Connect Group stands stronger than one year ago. We therefore look to the long-term future of Connect Group with confidence.

Annual figures

Connect Group NV (Euronext Brussels: CONN) reports **annual sales** of EUR 141.6 million compared with EUR 148.2 million in 2011 (down 4.4 percent). The drop in sales occurred mainly in the 2nd half and more specifically in November and December. While order intake (order book at end-2012 of 77 million vs. 70.7 million at end-2011) remained adequate, many customers decided to postpone delivery of already-ordered items to 2013. It is clear that the general economic situation is making many companies more prudent and is leading them to postpone orders as long as possible. All possible measures were immediately taken to adapt the cost structure to the deteriorating market. The personnel structure was modified and inventories ran as low as possible. These structural adjustments initially bring additional costs which weighed on 2012 results. In 2012 Connect Group paid kEUR 989 restructuring costs.

The **gross margin** on sales decreased from 13.9 percent to 11.5 percent, reflecting the product mix. The acquisition of the Halin group increased research and development as well as administration and selling expenses. These various departments were merged at the end of 2012, and the corresponding costs can be expected to decline in 2013.

Other operating expenses included in 2011 a kEUR 1,250 write-off on a customer receivable. In 2012 this customer made partial payments, allowing kEUR 550 of provisions recorded on this item to be

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reversed into 'Other operating income'. If this customer continues to make partial payments in 2013, this will permit the further reversal of provisions of up to EUR 1.2 million. Given this customer's specific situation, the Board of Directors decided to reverse previously recorded provisions only when funds are actually received on account.

The **operating result** from continuing operations before goodwill impairment reduced from a profit of kEUR 5,030 in 2011 to a profit of kEUR 1,458 in 2012.

The Board of Directors has performed an impairment analysis for the entire group and has decided, on the basis of various valuation models, to write off EUR 1,633 of goodwill against income.
In 2011, no transactions were executed in respect of the Automation activity that was discontinued in 2009. In December 2012, a settlement was concluded with the purchasers of the Automation activity in connection with their contractual obligation to pay to Connect Group 50 percent of the adjusted profit of the acquired business for the period 2010-2012. As a result of this settlement, the buyer paid to Connect Group at 28 December 2012 the sum of EUR 4.5 million as final settlement for this contractual obligation and EUR 2 million as payment for the outstanding debt to Connect Group. The EUR 4.5 million was recorded as a result from the discontinued Automation activity.

As a result of lower interest rates and lower average outstandings, the net financial result reduced from kEUR 1,600 in 2011 to kEUR 1,290 in 2012.
In 2011 the group won its case in a dispute with the tax administration, with the result that an earlier tax provision of kEUR 305 was no longer needed. This improved the 2011 performance by kEUR 305.

In this way the net group result from continuing operations (before goodwill impairment) for 2012 was kEUR 167 compared with kEUR 3,735 in 2011.
Group profit fell from kEUR 3,735 to kEUR 3,034.

2nd Half

At EUR 61.7 million, **sales** for the H2 2012 were below expectations. Although the order intake was adequate, many customers decided to postpone already ordered deliveries to 2013. It is clear that the general world economic situation is making many companies prudent and is leading them to postpone orders as long as possible and keep inventories low. This directly impacted the 2nd half results as lower sales immediately produce a lower gross margin in absolute terms and a lower operating result.

The total order book at end-2012 amounted to EUR 77 million (EUR 70.7 million at end-2011).

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Balance sheet

Trade receivables decreased from EUR 25.7 million at end-2011 to EUR 18.8 million at end-2012. This decrease is attributable to the lower sales of the last 2 months of 2012 and good receivables collection at the end of the year.

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

In 2012, EUR 2.5 million of new investments (both replacement and technology investments) were undertaken. EUR 0.7 million of intangible assets were also acquired in the Halin acquisition. With annual depreciation of EUR 3.5 million, this produced a decrease in **tangible and intangible fixed assets** from EUR 11.1 million at end-2011 to EUR 10.7 million at end-2012.

The group's total bank financing capacity in 2012 remained unchanged. The group uses factoring for its receivables, a short-term EUR 10 million credit line and a long-term (5 years) EUR 10 million credit line, repayable in an amount of EUR 2 million per year (with EUR 5 million outstanding at the end of 2012) and a number of smaller bridging loans in conjunction with the Halin acquisition. The **total financial debt** decreased from EUR 31.6 million at end-2011 to EUR 20.9 million at end-2012 with the final concluding of the sale of the Automation activity (impact: EUR 6.5 million) and the improved working capital situation.

Trade payables decreased from EUR 19.8 million to 16.2 million.

The group was in compliance with its bank covenants at the end of 2012.

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:
- 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.
- Currency risk:
  - ✓ The group buys a portion of its components in dollars/yen, the exchange rate risk on which is only partially covered in the selling price.
  - ✓ Production takes place partly in Romania and the Czech Republic: large fluctuations of these currencies against the Euro can impact costs.
  - ✓ Since foreign currency needs cannot be accurately timed, the group does not cover its foreign currency positions.
- The group has a credit agreement with its bankers that includes a minimum solvency ratio covenant, equity and cash flow. The group has complied with its bank covenants at the end of 2012 and expects also to comply with its covenants in 2013.
- Customer insolvency can have a major impact on the results.
- Risk of order postponements, leading to a temporary under-coverage of costs incurred.

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Outlook for 2013

The current economic climate makes it difficult to establish clear expectations for 2013. As a subcontractor, Connect Group is very much dependent on the general evolution of its customers. 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 2013.

Significant events in 2012

Integration Halin group

As of January 2012, the Dutch group Halin became fully integrated into Connect Group data. Immediately following the takeover, Connect Group embarked on the integration of Halin. The names of Halin companies were changed to Connect Group and, following a study, it was decided to centralize all Dutch-based Connect Group activities at the Veldhoven premises. The merger process was fully completed in 2012. At first the merger led to certain additional costs and efficiency losses but, from 2013 onwards, integration should result in a stronger commercial and operational entity in the Netherlands, in a position to leverage the Connect Group production plants in Romania and the Czech Republic to keep production costs down.

Final settlement sale Automation division

Annual results 2012 improved by EUR 4.5 million as a result of the "earn-out" clause in the contract of sale concluded in late 2009 for the Automation division. Alongside the fixed selling price of EUR 2 million, this contract also provided for an additional variable portion of the purchase price equal to 50 percent of the division's adjusted accumulated profits for the period 2010 to 2012.
The final settlement and payment, which were due by the end of 2013, took place by 31/12/2012.
All rights and obligations of both parties to this agreement are thus finally settled.

Introduction TiaS-program (‘Technology is a Service’)

End 2012 Connect Group introduced its new program ‘Technology is a Service’ or ‘TiaS’. Under this banner, Connect Group will offer a full range of services to develop products and solutions, and to maintain products and solutions in line with customers' goals, in the most efficient ways possible. The services will be tailored to each customer's needs, and can include managing the manufacturing requirements during the entire lifecycle.
This approach guarantees that each customer always has the right technology required for its products, and can keep them attractive, competitive and relevant in the market,.
Preparing to launch the new TiaS strategy involved a number of internal changes. The company has placed all its technological knowledge and skills into a new technology division, with a team of around 50 employees making every effort to put real power behind the TiaS-approach.

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Connect Group annual results 2012

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 2012.

Condensed consolidated income statement for the 12 months to 31 December 2012 and 31 December 2011

(in 000 Eur)	H 2 2012	%	H 2 2011	%	Year 2012	%	Year 2011	%
Continuing operations								
Sales	**61,720**	**100.0**	**65,703**	**100.0**	**141,638**	**100.0**	**148,231**	**100.0**
Cost of sales	-56,122	-90.9	-56,770	-86.4	-125,421	-88.5	-127,689	-86.1
Gross profit	5,598	9.1	8,933	13.6	16,217	11.5	20,542	13.9
Research and development expenses	-656	-1.1	-587	-0.9	-1,358	-1.0	-1,238	-0.8
General and administrative expenses	-3,294	-5.3	-3,065	-4.7	-6,821	-4.8	-6,387	-4.3
Selling expenses	-3,508	-5.7	-3,120	-4.7	-7,209	-5.1	-6,556	-4.4
Other income	602	1.0	28	0.0	686	0.5	127	0.1
Other expenses	-31	-0.1	84	0.2	-57	0.0	-1,458	-1.0
Operating result from continuing operations before goodwill impairment	-1,289	-2.0	2,273	0.0	1,458	1.0	5,030	3.4
Goodwill impairment	-1,633	-2.6	0	0.0	-1,633	-1.2	0	0.0
Operating result continuing operations	**-2,922**	**-4.7**	**2,273**	**3.5**	**-175**	**-0.1**	**5,030**	**3.4**
Operating result discontinued operations	**4,500**	**7.3**	**0**	**0.0**	**4,500**	**3.2**	**0**	**0**
Financial income	137	0.2	149	0.2	234	0.2	419	0.2
Financial charges	-553	-0.9	-910	-1.4	-1,525	-1.1	-2,019	-1.3
Profit / (loss from operations)	1,162	1.9	1,512	2.3	3,034	2.1	3,430	2.3
Income taxes	0	0.0	-1	0.0	0	0.0	305	0.2
Profit / (loss) continuing operations	**-3,338**	**-5.4**	**1,511**	**2.3**	**-1,466**	**-1.0**	**3,735**	**2.5**
Profit / (loss) discontinued operations	**4,500**	**7.3**	**0**	**0.0**	**4,500**	**3.2**	**0**	**0.0**
Profit / (loss)	**1,162**	**1.9**	**1,511**	**2.3**	**3,034**	**2.1**	**3,735**	**2.5**
Attributable to								
Equityholders of the parent	1,162		1,511		3,034		3,735	
Minorities	0		0		0		0	
Earnings per share								
Basic earnings / (loss) per share continuing operations	-0.30		0.15		-0.14		0.36	
Diluted earnings / (loss) per share continuing operations	-0.30		0.15		-0.14		0.36	
Basic earnings / (loss) per share continuing plus discontinued operations	0.11		0.15		0.29		0.36	
Diluted earnings / (loss) per share continuing plus discontinued operations	0.11		0.15		0.29		0.36	

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Condensed consolidated statement of comprehensive income

(in ooo Eur)	**2012**	**2011**
Profit / (loss)	**3,034**	**3,735**
Other comprehensive income		
Exchange differences on translating foreign operations	-20	58
Minority interest in discontinued activity	-	-
Total comprehensive income	**3,014**	**3,793**
Total comprehensive income attributable to:		
Equity holders of the parent	3,014	3,793
Minority interest	-	-

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Condensed consolidated balance sheet at 31 December 2012 and 31 December 2011

(in 000 Euro)	31 December 2012	31 December 2011
Assets		
Current assets:		
Cash and cash equivalents	1,089	743
Trade receivables	18,785	25,710
Other receivables	906	737
Inventories	33,525	34,390
Other current assets	100	109
Other current assets	**54,405**	**61,689**
Non-current:		
Other receivables from sale of discontinued activity	-	2,000
Deferred tax assets	1,500	1,500
Property, plant and equipment	9,868	9,614
Intangible assets	909	1,528
Goodwill	4,549	4,649
Total non-current assets	**16,826**	**19,291**
TOTAL ASSETS	**71,231**	**80,980**
Liabilities and equity		
Current liabilities:		
Bank loans and overdrafts	13,201	22,958
Current portion of long-term debt	2,264	2,438
Trade payables	16,210	19,868
Accrued expenses, payroll and related taxes and deferred income	6,634	5,886
Provisions	327	185
Income taxes	-	-
Other current liabilities	904	196
Total current liabilities	**39,540**	**51,531**
Non-current liabilities:		
Long-term debt less current portion	5,478	6,250
Total non-current liabilities	**5,478**	**6,250**
Equity attributable to equity holders of the parent	**26,213**	**23,199**
TOTAL LIABILITIES AND EQUITY	**71,231**	**80,980**

Condensed consolidated statement of changes in equity

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

(in 000 Eur)	Number of outstanding shares	Capital	Legal reserve	Share premium	Profit/ (loss) carried forward	Cumulative translation adjustment	Attributable to equity holders of the parent
31/12/2011	**10,290,024**	**638**	**43**	**42,091**	**-19,661**	**88**	**23,199**
Net result					3,034		3,034
Other comprehensive income						-20	
31/12/2012	**10,290,024**	**638**	**43**	**42,091**	**-16,627**	**68**	**26,213**

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Condensed consolidated cash flow table for the year ended 31 December

(in 000 Eur)	2012	2011
Profit/(loss)	**-175**	**5,030**
Adjustments for:		
Amortization goodwill/negative goodwill	1,633	-
Allowance for doubtful receivables and obsolete stock	-13	2,175
Depreciation and amortization	3,526	3,567
Provisions	117	-19
Operating profit before changes in working capital	**5,088**	**10,753**
Inventories	3,773	2,943
Trade receivables	10,394	571
Trade payables	-6,090	-6,602
Accrued expenses, payroll and related taxes and deferred income	-237	-1,835
Other current assets	-61	-188
Other payables	79	224
Cash flow from operating activities	**12,946**	**5,866**
Exchange differences	-177	-117
Interests	-1,184	-1,364
Financial charges	-	-305
Other	-21	-154
Net cash from/(used in) operating activities continuing operations	**11,564**	**4,223**
Net cash from/(used in) operating activities discontinued operations	**6,500**	**-**
Cash flow from investing activities continued operations		
Investments in intangible assets	-19	-29
Investments in property, plant and equipment	-2,471	-1,274
Gain/(loss) on the sale of property, plant and equipment	71	-
Interest received	-373	186
Cash flows from (used in) investing activities continuing operations	**-2,792**	**-1,117**
Cash flows from financing activities		
Proceeds/(repayments) from long-term debts	-1,792	-2,595
Proceeds/(repayments) from current portion of long-term debt	-288	-1,346
Proceeds/(repayments) from bank loans and overdrafts	-12,844	1,499
Net cash provided by financing activities	**-14,924**	**-2,442**
Increase/(decrease) in cash and cash equivalents	**346**	**664**
Cash and cash equivalents at the beginning of the period	743	79
Cash and cash equivalents at the end of the period	1,089	743

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Notes to the condensed financial statements

Information about the company

Connect Group

Connect Group offers cost-effective, high quality production services to the professional industry, Activities include the production of cables and cable trees, PCB assembly and testing, production of semi-manufactures and final product assembly.
Connect Group's references include companies like Alstom, ASML, Atlas Copco, Atos, Barco and Philips.
The company currently employs around 1,700 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 2013	30 April 2013
Interim Statement Q1 results 2013	7 May 2013
Announcement 1st half-year results of 2013	8 August 2013
Interim Statement Q3 results 2013	7 November 2013

Investor Relations

Luc Switten	CEO
Hugo Ciroux	CFO

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Declaration of conformity

These condensed consolidated financial statements together with the notes for the year ended 31 December 2012 have been audited.

The condensed consolidated financial statements for the year ended 31 December 2012 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 11 February 2013.

Seasonality

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

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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 2011.

Compared with the consolidated financial statements at 31 December 2011, the following new Standards and Interpretations now apply. These changes do not impact the Group's financial position and results:

- Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* (applicable for annual periods beginning on or after 1 July 2011)

Segment reporting

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

Related party transactions

There are no related party transactions.

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