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CONNECT GROUP
INTEGRATED SUBCONTRACTORS

PRESS RELEASE

Regulated information

21 March 2011 - Distribution 6 pm

Press release: Annual results for 2010

4th quarter 2010 results:
Sales of EUR 37.1 million for the continuing contract manufacturing activity compared with EUR 30.5 million in 2009.
Operating result from continuing operations was EUR 341 k profit compared with a EUR 1,036k loss in 2009.
Net profit of EUR 309 k compared with EUR 19,711 k loss in Q4 2009.
In the fourth quarter of 2010 a provision was recorded on customer receivables in an amount of EUR 1,625 k. Without this provision, Connect Group would have shown a fourth quarter operating result from continuing operations of EUR 1,966 k profit and a fourth quarter net profit of EUR 1,934 k.

***Annual Results*:**
Sales of EUR 133.4 million for the continuing contract manufacturing activity compared with EUR 121.3 million in 2009 (growth of 10 percent).
Improvement of the operating result from a significant EUR 1,947 k loss in 2009 to a small loss from continuing operations of EUR 167 k.
Net loss of EUR 2,626 k compared with a EUR 3,565 k loss in 2009 from continuing operations.

Management discussion and analysis of the results

Connect Group NV (Euronext Brussels: CONN) reports a sales increase from EUR 33.7 million in the 3rd quarter to EUR 37.1 million in the 4th quarter. This strong revenue improvement was partly the result of gaining control of the component problems that resulted in first half sales falling significantly below expectations (H1 2010 sales of EUR 62.6, H2 sales of EUR 70.8 million).

The operating result before the recording of certain customer provisions in the 4th quarter was far from bad, with a profit of EUR 1,966 k, representing a profit margin of 5.3 percent of sales.

However, not only Connect Group was hit by the crisis in recent years. Two customers have also run into difficulties and are currently unable to meet their financial obligations towards Connect Group. The good operating results from fourth quarter were undone by the need to record a provision for possible losses from these customers.
These customers are currently being delivered on a cash basis. It is clear that on the one hand payment from these customers is far from certain, but that on the other hand right now the receivables should not yet be considered as lost, as these customers continue to operate actively in the market, purchase their goods from Connect Group on a cash basis and are negotiating with investors to strengthen their capital structure. Given the uncertainty surrounding the continued existence of these customers, Connect Group has opted to record a general provision covering 50 percent of the outstanding receivables from these customers. This provision amounts to EUR 1,625,000 and has been charged in full to the income statement. If these customers ultimately would not pay, the group will need to write off an additional EUR 1,625,000. If full payment is obtained, the provision of EUR 1,625,000 will have to be reversed.

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For the full year 2010, sales amounted to EUR 133.4 million from the continuing contract manufacturing activity compared with EUR 121.3 million in 2009. The operating result from continuing operations was a loss of EUR 167 k for the year as a whole, compared with an operating loss of EUR 1,947k in 2009.

The following factors had a significant negative impact on the 2010 annual results:

- Shortages on the components market during the first half of 2010 meant that production lagged behind expectations; resulting in an undercoverage of fixed costs. The impact on the results is not calculable but is significant;
- Several restructuring operations were undertaken to improve operational efficiency. The direct cost of the restructuring is included in cost of sales and amounted to EUR 1,181k;
- Given that a significant portion of production takes place in Romania and the Czech Republic and a portion of the components are purchased in dollars, the company is sensitive to exchange rate fluctuations. In 2010 foreign exchange losses of EUR 527k were recorded (US dollar, Romanian lei and the Czech koruna).
- As mentioned above, a provision for doubtful customer receivables was recorded in an amount of EUR 1,625 k. This provision was included in the income statement under "other expenses".

The following elements had a important positive impact on the net result of 2010:

In 2009, at the time of disposal of the automation business (discontinued activity) a provision was set up for a major claim on an Automation customer, the risk on which had remained with the Connect Group after the sale. Ultimately this receivable was paid in full.

At the end of 2009, on selling the automation activity, the company recorded a gross receivable of EUR 2 million against the buyer of this business. When initially recording this receivable at the end of 2009, the Board decided to recognize it at its estimated market value based on the underlying value of the Connect Group shares (700,000 shares with a market value at that time of € 1,500,000) obtained as security, taking into account the buyer's financial structure and its other outstanding obligations towards Connect Group. In 2010, the buyer of the automation activities met all its financial obligations towards Connect Group and has informed that it will show a profit. Based on this new information, the Board has decided to record the receivable at its nominal value reduced by the interest charge for one year, given that the loan is still interest-free in 2011 and becomes interest-bearing from 2012. The gain resulting from this valuation is recognized as income from the discontinued activity.
The income statement for 2010 of the discontinued activity otherwise contains no operating results, given that all operations from 1 January to 3 March 2010 have been treated as being for the buyer's account.
In this way the discontinued activity has a positive impact of EUR 1,495 k on the result.

The order book rose to EUR 71.2 million at the end of 2010 (EUR 55 million at end-2009), an increase of 30%.

In the 4th quarter the company succeeded in eliminating partly the delay in order deliveries that had arisen during the first half as a result of components shortages. Although there is still pressure on the availability of certain components, the initiatives taken have had the effect of minimizing the impact on customer deliveries.

Given the component shortages, we have for several months now been taking initiatives with our customers to order critical components in advance. This involves obtaining more accurate and longer forward forecasts to enable us to place orders earlier with our suppliers. A disadvantage is that inventory has risen to EUR 38.0 million at end-2010 (vs. EUR 29.5 million at end-2009).

The increase in trade receivables reflects both increased turnover in the 4th quarter and the failure by one customer to respect payment conditions (EUR 3 million impact at year-end).

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The EUR 2 million investment in the new SAP software package had been included in the end-2009 balance sheet in property, plant and equipment under 'work in progress' as no delivery had yet occurred. In early 2010 the package was brought into use and the investment included in intangible assets.

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:
   - 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.
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

Significant events in 2010

On 2 March 2010 the automation activity was definitively sold to its former founders, Huub Baren and Vladimir Dobosch.

On 27 April 2010 the Extraordinary General Meeting approved a EUR 5 million subordinated convertible bond on the following conditions: suspension of general preferential rights, a minimum investment of EUR 50,000, a term of 6 years, an interest rate of 6 percent 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 Connect Group share, in the central order book of Euronext, over the 30 trading days preceding the date of exercise and (ii) EUR 2.00.

The issuance of this subordinated loan in an amount of EUR 5,000,000 considerably improves the Connect Group's financial position. This improvement of both the quasi-equity and the cash position was necessary, following the divestment of the automation activity at the end of 2009.

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1. Connect Group – Annual Results 2010

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 2010.

1.1 Condensed consolidated income statement for the 12 months to 31 December 2010 and 31 December 2009

(in 000 Eur)	**Q4 2010**	**%**	**Q4 2009**	**%**	**Jaar 2010**	**%**	**Jaar 2009**	**%**
Continuing operations								
Sales	37,171	100	30,502	100	133,464	100	121,255	100
Cost of sales	-31,629	-89.5	-27,957	-91.7	-118,184	-88.6	-109,056	-90.0
Gross profit	5,542	10.5	2,545	8.3	15,280	11.4	12,199	10.0
Research and development expenses	-336	-0.9	-301	-1.0	-1,292	-1.0	-1,234	-1.0
General and administrative expenses	-1,483	-4.0	-1,666	-5.5	-6,154	-4.6	-6,402	-5.3
Selling expenses	-1,745	-4.7	-1,606	-5.3	-6,688	-5.0	-6,577	-5.4
Other income	11	0.0	16	0.1	388	0.3	108	0.1
Other expenses	-1,648	-4.4	-24	-0.1	-1,701	-1.3	-41	0
Operating result	341	0.9	-1,036	-3.4	-167	-0.1	-1,947	-1.6
Financial income	61	0.2	184	0.6	95	0.1	871	0.7
Financial charges	-488	-1.3	-705	-2. 3	-2,530	-1.9	-2,468	-2.0
Profit / (loss) before taxes	-86	-0.2	-1,557	-5.1	-2,602	-1.9	-3,544	-2.9
Income taxes	-5	0.0	-12	0	-24	-0.1	-21	0.0
Profit / (loss) from continuing operations	**-91**	**-0.2**	**-1,569**	**-5.1**	**-2,626**	**-2.0**	**-3,565**	**-2.9**
Discontinued operations								
Profit / (loss) from discontinued operations	**400**	**1.1**	**-18,142**	**-59.5**	**1,495**	**1.1**	**-22,540**	**-18.6**
Profit / (loss)	**309**	**0.8**	**-19,711**	**-64.6**	**-1.131**	**-0.8**	**-26,105**	**-21.5**
Attributable to:								
Equity holders of the parent	309		-19,711		-1.131		-26,438	
Minority interest	0		0		0		0	
Earnings per share								
Basic earnings / (loss) per share continuing operations	-0.01		-0.23		-0.38		-0.51	
Diluted earnings / (loss) per share continuing operations	-0.01		-0.23		-0.38		-0.51	
Basic earnings / (loss) per share continuing plus discontinued operations	0.04		-2.84		-0.16		-3.76	
Diluted earnings / (loss) per share continuing plus discontinued operations	0.04		-2.84		-0.16		-3.76	

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Condensed consolidated statement of comprehensive income

(in 000 Eur)	**Q4 2010**	**Q4 2009**	**2010**	**2009**
Profit / (loss)	**309**	**-19,711**	**-1,131**	**-26,105**
Other comprehensive income				
Exchange differences on translating foreign operations	71	-111	-237	16
Minority interest in dis continued activity	-	-	-	-333
Total comprehensive income	**380**	**-19,822**	**-1,368**	**-26,422**
Total comprehensive income attributable to:				
Equity holders of the parent	380	-19,822	-1,368	-26,422
Minority interest	-	-	-	-

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1.2 Condensed consolidated balance sheet at 31 December 2010 and 2009

(in 000 Eur)	31 December 2010	31 December 2009
Assets		
Current assets:		
Cash and cash equivalents	79	128
Trade receivables	27,744	20,195
Other receivables	606	376
Inventories	38,045	29,540
Other current assets	153	191
Assets classified as held for sale	0	26,919
Total current assets	**66,627**	**77,349**
Non-current assets:		
Other receivables from sale of discontinued activity	1,900	-
Deferred tax assets	1,500	1,500
Property, plant and equipment	11,250	16,039
Intangible assets	2,156	816
Goodwill	4,649	4,649
Total non-current assets	**21,455**	**23,004**
TOTAL ASSETS	**88,082**	**100,353**
Liabilities and equity		
Current liabilities:		
Bank loans and overdrafts	21,459	25,024
Current portion of long-term debt	3,784	1,109
Trade payables	26,471	22,323
Accrued expenses, payroll and related taxes and deferred income	7,417	5,891
Provisions	479	638
Income taxes	304	257
Other current liabilities	1	7
Liabilities directly associated with assets classified as held for sale	-	27,036
Total current liabilities	**59,915**	**82,285**
Non-current liabilities:		
Long-term debt less current portion	13,201	2,379
Derivative debt	645	-
Deferred tax liability	-	-
Total non-current liabilities	**13,846**	**2,379**
Equity		
Shareholders' capital	430	430
Legal reserve	43	43
Share premium	37,214	37,214
Retained earnings	-23,396	-22,265
Cumulative translation adjustment	30	267
Equity attributable to equity holders of the parent	**14,321**	**15,689**
Minority interests	-	-
Total equity	14,321	15,689
TOTAL LIABILITIES AND EQUITY	**88,082**	**100,353**

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1.3 Condensed consolidated statement of changes in equity

(in 000 Eur)	Number of shares outstand-ing	Capital	Legal reserve	Share prem-ium	Profit/ (loss) carried forward	Cumulative translation adjustment	Attributable to equity holders of the parent	Minority interests	Total
31/12/2008	**6,934,424**	**430**	**43**	**37,214**	**4,172**	**251**	**42,111**	**557**	**42,668**
Net result					-26,438		-26,438	333	-26,105
Other compre-hensive income						16	16		16
Booking out of minority interest after discontin-uation of activity								-890	-890
Total compre-hensive income					-26,438	16	-26,422	-557	-26,979
31/12/2009	**6,934,424**	**430**	**43**	**37,214**	**-22,265**	**267**	**15,689**	**-**	**15,689**

(in 000 Eur)	Number of shares outstand-ing	Capital	Legal reserve	Share pre-mium	Profit/ (loss) carried forward	Cumulative translation adjustment	Attributable to equity holders of the parent	Minority interests	Total
31/12/9009	**6,934,424**	**430**	**43**	**37,214**	**-22,265**	**267**	**15,689**	**-**	**15,689**
Net result					-1.131		-1.131		-1.131
Other compre-hensive income						-237	-237		-237
Booking out of minority interest after discontin-uation of activity									
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**

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

(in 000 Eur)	2010	2009
Profit/(loss)	**-167**	**-1,947**
Adjustments for:		
Amortization goodwill/negative goodwill	-313	-
Allowance for doubtful receivables and obsolete stock	1.312	1,021
Depreciation and amortization	4,024	4,009
Provisions	-159	2,300
Operating profit before changes in working capital	**4,697**	**5,383**
Inventories	-8,448	3,705
Trade receivables	-8,917	6,908
Trade payables	4,878	-364
Accrued expenses, payroll and related taxes and deferred income	1,573	-511
Other receivables	-	23
Other current assets	-709	-
Other payables	62	-245
Cash flow from operating activities	**-6,864**	**14,899**
Taxes	-24	-21
Exchange differences	-528	-5
Interests / Financial charges	-1,952	-1,601
Other	-237	-54
Net cash from/(used in) operating activities continued operations	**-9,605**	**13,218**
Net cash from/(used in) operating activities discontinued operations	**-4**	**-5,020**
Cash flows from investing activities		
Investments in intangible assets	-221	-91
Investments in property, plant and equipment	-1,360	-3,530
Gain/(loss) on the sale of property, plant and equipment	521	45
Interest received	44	8
Cash flows from (used in) investing activities continued operations	**-1,016**	**-3,568**
Cash flows from (used in) investing activities discontinued operations	**-**	**-285**
Cash flows from financing activities		
Proceeds/(repayments) from long-term debts	11,466	-2,487
Proceeds/(repayments) from current portion of long-term debt	2,675	-428
Proceeds/(repayments) from bank loans and overdrafts	-3,564	-6,005
Increase in discontinued operations	**-**	2,896
Net cash provided by financing activities	**10,577**	**-6,024**
Changes in translation differences	-	-
Increase/(decrease) in cash and cash equivalents	**-49**	**-1,679**
Cash and cash equivalents at the beginning of the period	128	1,807
Cash and cash equivalents at the end of the period	79	128

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2. Notes to the condensed consolidated 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).

Updated financial calendar

2011 General Meeting	26 April 2011
Announcement of 1st quarter 2011 results:	12 May 2011
Announcement of 2011 half-year results:	11 August 2011
Announcement of 3rd quarter 2011 results:	10 November 2011

Investor Relations

Luc Switten	CEO
Hugo Ciroux	CFO

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2.2 Statement of conformity

These condensed consolidated financial statements together with the notes for the year ended 31 December 2010 have been audited.

The condensed consolidated financial statements for the year ended 31 December 2010 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 21 March 2011.

2.3 Seasonality

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

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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 2009.

Compared to the consolidated financial statements at 31 December 2009, the following new Standards and Interpretations now apply. These changes do not impact the Group's financial position and results:

- IFRS 3 *Business combinations* (applicable to business combinations with an acquisition date on or after the commencement of the first annual reporting period beginning on or after 1 July 2009). This standard replaces IFRS 3 *Business Combinations* as published in 2004.

- Improvements to IFRS (2008-2009) (applicable to annual reporting periods commencing on or after 1 January 2010).

- Amendments to IAS 1 *First Time Adoption of IFRS - Additional Exemptions* (applicable to annual reporting periods beginning on or after 1 January 2010).

- Amendments to IFRS 2 *Share-based Payments* (adaptations applicable to annual reporting periods beginning on or after 1 January 2010).

- Amendments to IAS 27 *Consolidated and Separate Financial Statements* (adaptations applicable to annual reporting periods beginning on or after 1 July 2009). This standard is an amended version of IAS 27 *Consolidated and Separate Financial Statements* (revised in 2003).

- Amendments to IAS 39 *Financial Instruments*" *Recognition and Measurement - Instruments Eligible for Cover* (applicable to annual reporting periods beginning on or after 1 July 2009).

- IFRIC 15 *Agreements for the Construction of Real Estate* (applicable to annual accounting periods beginning on or after 1 January 2010).

- IFRIC 17 *Distributions of Non-Cash Assets to Owners* (applicable to annual accounting periods beginning on or after 1 July 2009).

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2.5 Change in the presentation of the condensed consolidated balance sheet for 2009

In the Annual Report as of December 31, 2009, the provisions for transaction costs, discounting of the long-term claim against the purchaser of the discontinued activity, and the provision for a possible loss related to a sold receivable as part of the discontinued activity, were recorded under general provisions. IFRS 5 requires these provisions to be deducted from the net value of discontinued operations classified as held for sale.
This change in the presentation was made in the balance sheet as of 31 December 2009, and also changes the presentation of note 1.3.7.y, 'Group assets held for sale' as presented in the annual report as of 31 December 2009 as follows:

Analysis of the result for the year from discontinued operations

Discontinued operations	2009	2008
Sales	56,200,209	66,147,078
Other revenues	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)
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	(22,539,661)	(4,368,368)
Equity holders of the parent	(22,872,807)	(4,535,217)
Minority interest	(333,146)	(166,849)

The total loss of the year of EUR 22,872,807 breaks down into the operating loss for 2009 of EUR 5,776,869 Euro, the transaction loss of EUR 16,000,000 Euro, the additional transaction costs of EUR 2,177,263 and the recovery of the fourth quarter loss of EUR 1,081,325 that was passed on to purchaser under the terms of the sales contract.

	2009
Operating profit/(loss) from operations discontinued operations	**(22,031,609)**
Adjustments for:	
Allowance for doubtful receivables and obsolete stock	432,000
Depreciation, amortization and impairment	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 expenses	(531,054)
Other	9,809
Net cash from/(used in) operating activities discontinued operations	**(5,019,878)**

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Assets classified as held for sale

The main classes of assets and liabilities of the discontinued operations per 31 December 2009 are:

Discontinued operations	**2009**
Assets	
Intangible assets	-
Goodwill	-
Property, plant & equipment	-
Other current assets	134,815
Inventories	7,535,539
Trade receivables	16,359,598
Deferrals and accruals	838,301
Cash and bank balances	2,050,969
Assets classified as held for sale	**26,919,222**
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	**8,621,644**
Net assets of discontinued business classified as held for sale	**(117,243)**

Under IFRS 5, the net value of the divested operation is thus equivalent to a loss of EUR 117,243. The previously recorded amount of EUR 2 million in the 31 December 2009 annual financial statements contained solely the price agreed with the purchaser, but did not yet take into account the selling expenses included in the 31 December 2009 annual financial statements under general provisions.

2.6 Segment reporting

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

2.7 Long term financial obligations

The long-term financial obligations have increased on the one hand by EUR 10 million as the result of an agreement with the company's bankers to convert EUR 10 million of short-term debt into EUR 10 million long-term debt, with level repayments over a 5-year period, and on the other hand by the issuing on 27 April 2010 of a EUR 5 million subordinated convertible bond, approved by the Extraordinary General Meeting under the following conditions: suspension of general preferential rights, a minimum investment of EUR 50,000, a term of 6 years, an annual interest rate of 6 percent 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 Connect Group share, in the central order book of Euronext, over the 30 trading days preceding the date of exercise and (ii) EUR 2.00.

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The issuing of this subordinated convertible bond in an amount of EUR 5,000,000 considerably improves Connect Group's quasi-equity and cash position. This improvement in quasi-equity was needed to boost working capital, following the divestment of the automation activity at the end of 2009.

The convertible bond qualifies as a compound financial instrument under IAS 39.
Given that the number of shares that will be issued on conversion is not fixed, the conversion option qualifies as an 'embedded derivative' under IAS 39, which needs to be separated out from the bond.
The fair value of this derivative must be calculated on the date of issuance of the loan and is shown separately from the loan in the balance sheet as a long-term derivative debt.
The fair value of the derivative is estimated at EUR 644,798 at the date of issue of the bond. In this way the 'loan at date of issue' component is established at EUR 4,355,202 (EUR 5,000,000 - 644,798). Given the value of the loan component on the date of issue and based on the effective interest rate method, the effective interest on the bond amounts to 11 percent.
This effective interest rate of 11 percent is recorded in the income statement on the bond, which is considerably higher than the interest payable of 6 % to the bondholders. The total interest expense in the financial statements for 2010 therefore amounts to EUR 288,805, of which EUR 225,000 is effectively paid as interest to bondholders.
At subsequent financial reporting dates the fair value of the derivative must be recalculated and any changes in fair value recorded as a financial result of the period.

Valuation of embedded derivative

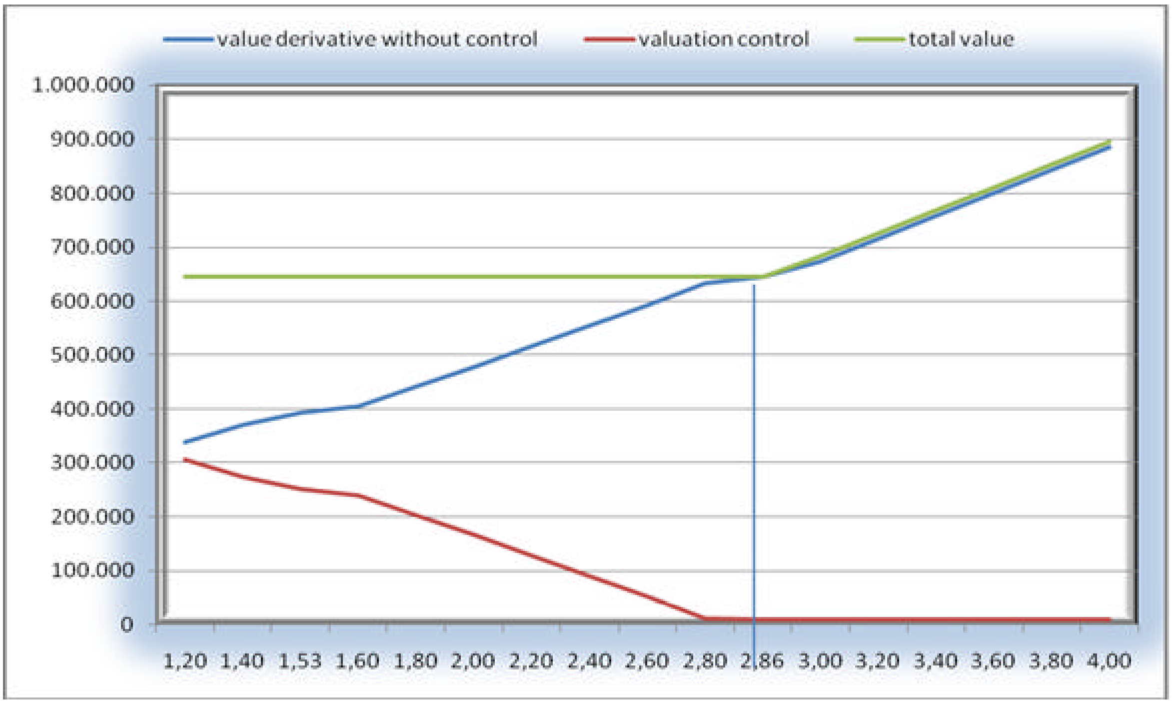
The Board of Directors has established a valuation model to calculate the fair value of the derivative at issue date and at all following closing dates.
The value of the derivative is calculated based on a Black & Scholes option model with the following input parameters:

- spot price of a Connect share;
- issue price;
- risk-free interest rate;
- volatility of the Connect share.

The Board of Directors of Connect Group is of the opinion that the current trading prices of the Connect Group share do not offer a correct measure for the valuation of the derivative, given the very limited trading volumes (an average of 4,000 items a day over the past year), which are totally inadequate for putting a value on the new shares created upon conversion (at the present time, around 4.5 million shares upon complete conversion) and any capital gain related to the new shares. For this reason, in applying the Black & Scholes model they have corrected the spot price of the share for the cost of this illiquidity. The cost of this illiquidity is arrived at by means of a Value at Risk (VAR) calculation. This Value at Risk gives the maximum loss on the (share) position for a given time horizon and a given reliability level. The time horizon to be used is the minimum period necessary (currently calculated at 521 days based on the daily volumes of the Connect Group share) for selling down the position in the market without disturbing the functioning of the market. The certainty level of this maximum loss is set by senior management at 75%.

In addition, the Board of Directors has also opted to split the value of this derivative into two possible scenarios, giving a relative weight to each scenario based on the assumed likelihood of each. The first scenario is a valuation of the derivative with the value on conversion obtained by selling on the market the new Connect Group shares created in this way. In this scenario the above-mentioned illiquidity factor is factored into the valuation of the derivative. The second scenario is the valuation of the derivative in the event of a merger, takeover or refinancing transaction (Liquidity Event), whereby the value created on conversion is created primarily by the immediate sale of the position to the counterparty during this event and/or possible acquisition of control over the Connect group. In this scenario no illiquidity factor is applied in valuing the derivative. Right now a relative weighting of 90% is attributed to the first scenario and of 10% to the second. On each successive reporting date the Board of Directors will judge whether the relative weightings attributed to each of the two scenarios need to be revised in the light of new situations.

On the basis of all known information, the Board is of the opinion that, at a price of EUR 2.86 or lower the value of the derivative will remain unchanged at EUR 644,798, seeing as the lower value arising at a lower share price is almost entirely offset by an increase in value due to the possible increase in control upon conversion. Should the share price rise above EUR 2.86, the derivative will increase in value, and the company will be required to record this increase in value as an expense. On 31 December 2010, the share price was EUR 2.03. For this reason the value of the derivative was recorded at an unchanged EUR 644,798.



Sensitivity analysis at issue date

A certainty level of 80% (+5%) in the application of the VAR for the illiquidity correction results in an initial value of the derivative of EUR 644,798. A 10% change in the relative weight attributed to the two scenarios (namely 80% / 20% instead of 90% / 10%) in the valuation of the derivative results in an initial value of the derivative of EUR 1,289,597. A 1% variation in the risk-free interest rate results in an initial value of the derivative of EUR 651,981.

Sensitivity analysis at subsequent reporting dates at share prices higher than 2,86 (basis scenarios 90% / 10%)

Every rise in the spot price of the share will produce a rise of the same procentage in the value of the derivative.

2.8 <u>Discontinued operations</u>

The net result of the group was positively impacted by an income of EUR 1.096 k, being the profit from the discontinued operations.
In 2009, as part of the divestiture of the Automation business (the discontinued operations), a provision was booked for a guarantee provided by Connect Group to the purchaser of the Automation

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division on a receivable from an Automation customer. In June 2010 this receivable was paid in full, making the provision redundant and was therefore reversed out.

2.9 Related party transactions

On 2 March 2010 the automation activity was definitively sold to its former founders, Huub Baren and Vladimir Dobosch. Huub Baren and Vladimir Dobosch are shareholders of Connect Group and at the time of the sale were both directors of Connect Group. Mr. Dobosch is no longer director of Connect Group after the closing of the transaction. In this transaction, all conditions of company law were respected. As a result of this transaction, the company continues to have a gross receivable of EUR 2,000,000 on a company controlled by Huub Baren.

In 2010 the Connect Group sold EUR 547,233 of goods to the Electronic Network group. Mr Huub Baren, director and shareholder of Connect Group, is also the main shareholder in the Electronic Network group. These sales are sales in the normal course of operations. The Board of Directors has analysed the nature and character of these sales and concluded that they can be regarded as normal business transactions at market conditions.

The company issued on 25 March 2010 a subordinated convertible bond. This bond had been made available to the public subject to meeting the subscription conditions. Members of the Board of Directors and management subscribed to this bond (a list of subscribers is published on the website: www.connectgroup.com). In this transaction, all conditions of company law were respected.

2.10 Conversion rights of the convertible bond

Each of the convertible bonds may be converted into shares, until the redemption date of the convertible bond, within one month of the date of official announcement of the half-yearly results of the company, and within one month of the date of official announcement of the annual results of the company. The official announcement is the date of publication of the press release announcing the half-yearly and annual figures.

The holder of convertible bonds wishing to convert a convertible bond should notify the company at its registered office at Industriestraat 4, 1910 Kampenhout, Belgium by registered letter, during the conversion periods as defined above. The date of sending as stated on the certificate of postage will be taken as the date of notification and will be decisive in determining whether the conversion of a convertible bond has or has not taken place within the permitted conversion period. A conversion outside the permitted conversion period will be considered invalid and non-existent.

The notification should mention at least the following items:
(i) the number of convertible bonds for which conversion is requested;
(ii) the number of the bank account (and its IBAN code) on which the company can reimburse the indivisible balance referred to at the end of item (p),

Accordingly, bondholders are entitled to convert all or part of their bonds into shares of the Company during the period from 22 March to 21 April 2011.

The conversion price applicable for exercise during this period is EUR 1.49.

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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