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PRESS RELEASE
Regulated information

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Positive results for the 1st half 2016

Sales of EUR 62.0 million in H1 2016 vs. EUR 56.9 million in H1 2015.

Positive EBITDA of EUR 3,023K before restructuring costs and EUR 1,868K after restructuring costs for H1 2016, vs. negative EBITDA of EUR 494 K for H1 2015.

Operating profit before goodwill impairment and restructuring costs of EUR 1,705K in H1 2016, vs. an operating loss of EUR 1,837K in H1 2015.

Operating profit of EUR 549K in H1 2016, vs a loss of EUR 6,386 K in H1 2015.

Restructuring costs of EUR 1,156K were booked in H1 2016 as a result of the loss of ASML as a customer and the subsequent dismissal of 33 employees in the Dutch plant.

In preparing the half-yearly results for 2015, the Board conducted an impairment analysis and subsequently decided to write off goodwill of EUR 4,548 K. While this had no effect on cash flow, it greatly impacted the operating result.

Net profit of EUR 135K in H1 2016, vs a loss of EUR 7,017K in H1 2015.

In April 2016, a net capital increase of EUR 4,647K (EUR 4,939K gross minus transaction costs of EUR 292K) took place through the issuing of 16,464,038 new shares.

Orders at the end of H1 2016 stood at EUR 78.4 million, vs. EUR 87 million at the end of 2015.

Management discussion and analysis of the results

Jeroen Tuik (CEO):

“As the new CEO as of May 2016, I am delighted to report a good 1st half-year. As a result of the capital increase, we have significantly improved our solvency. Moreover, we have taken action to improve results and we have a good customer base. The only setback in the period was the discontinuation of the collaboration with an important customer in the Netherlands. We will be finishing all work for it in a correct manner and the impact is fully incorporated in H1 figures.”

“As regards the company’s future, I see it positively. Over the past few months I have got to know many highly motivated and skilled colleagues as well as customers upon whom we can build. Though there is still a lot of work to do, we are on the right track. Now that we have strengthened the balance sheet, we can set our sights on growth and on winning new customers, though always with a clear focus of profitability.”

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Results 1st half 2016:

Connect Group NV (Euronext Brussel: Conn) reports sales of EUR 62.0 million for H1 2016, compared with EUR 56.9 million in H1 2015. At the end of 2015, Connect Group's customer ASML announced that it would not be placing any new orders and that existing orders were to be completed. Sales to ASML in H1 2016 reached EUR 8,605K, vs. EUR 6,084K in 2015. Without ASML, sales in H1 2016 reached EUR 53,411K, vs. EUR 50,823K in 2015. Sales to ASML will drop to a negligible level as of July 2016.

The gross margin was 11.8%, against 6.4% in 2015. Research and development expenses and general and administrative expenses remained stable at respectively 1.1% and 4.5% of sales. Selling expenses (3.5% of sales) decreased by 0.5 percentage points.

Operating profit before goodwill impairment and restructuring costs amounted to EUR 1,705K in H1 2016, vs. a loss of EUR 1,837K the previous year.

Following the announcement of ASML at the end of 2015 to terminate its business with Connect Group, the necessary measures were taken to align costs with the new situation. In the Dutch plant where most of the ASML work was done, 33 employees have been made redundant.

In preparing the H1 2015 results, the Board, taking account of the Group's plan for the future, carried out an impairment test, the results of which led the Board to decide to write off the goodwill. This had no impact on the company's cash position. In the context of its future planning, the Board looked into the possibility of increasing the company's capital to ensure its long-term stability. This capital increase was carried out in H1 2016, with the result that shareholders' equity was increased by EUR 4,647K.

Net financial expenses amounted to EUR 412K (vs. EUR 629 K in 2015). This drop is the result of exchange gains of EUR 36K in 2016, vs. a loss of EUR 190K in 2015. Financing costs remained stable and the positive effects of the capital increase are expected to show up in H2.

Orders dropped from EUR 86.5 million at the end of 2015 to EUR 78.5 million at the end of H1 2016, whereby the 2015 year-end orders contained EUR 7.7 million from ASML. Without these ASML orders, the level of orders remained basically stable. The order book contains formal commitments from customers, but may be subject to adjustments in numbers and timeframes. For this reason, it cannot be used as a financial indicator of future results.

During H1 2016, investments of EUR 0.3 million were carried out, mainly in the form of minor adjustments and replacements. In previous years, investments had been made in new product lines and improvements to buildings.

The increase in trade receivables is due to a high level of invoicing in May and June 2016. They contain no known increased collection risks.

Total financial debts dropped by EUR 6 million from EUR 21 million at the end of 2015 to EUR 15 million at the end of H1 2016. This decrease is the result of a) the capital increase (EUR 4.6 million), and b) the positive cash flow from operations which enabled debts to be repaid.

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Shareholders' equity increased from EUR 14.7 million to EUR 19.4 million as a result of the capital increase and the net profit for the period. As a result of this increase, the Group's solvency ratio has risen from 25% to 33%.

The risk assessment can be found in the annual report and is available on the Internet (www.connectgroup.com).

The most significant risks for the company are:

- Production is completely dependent on the availability of all components at the moment that production starts up. If component availability slows down, sales too will be delayed.
- 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. Customer insolvency can have a major impact on the results.
- Risk of order postponements, leading to a temporary under-coverage of costs incurred.
- The group is dependent on a number of customers each accounting for more than 10% of sales. Should any one of them terminate its business relationship, this will impact results.

Significant events in first half 2016

End of February, Connect Group announced the appointment of Jeroen Tuik as its new CEO as of 1 May 2016. With the appointment of Jeroen Tuik as CEO and managing director, the management team is back to full strength, meaning that Flor Peersman can now fully focus on operations in his role as COO.

At the end of April, the result of the public offering of shares and the private placement of scrips in the context of the capital increase was announced. All shares were taken up by the Group's major shareholders, institutional investors and the public at large. Payment of the subscription price, the determination of the capital increase and the listing of the new shares on Euronext Brussels took place on 28 April 2016. As a result of this transaction, the total number of shares in Connect Group increased from 10,290,024 to 26,754,062 and the capital of Connect Group NV from EUR 637,981.49 to EUR 1,658,751.85. The shareholder structure following the capital increase is as follows:

Shareholder Name	Number declared (*)	%
Huub Baren BVBA(**)	11.933.365	44.60 %
QuaeroQ cvba	8.211.032	30.69 %
Other below the reporting threshold	6.609.665	24.71 %
Total	**26.754.062**	**100 %**

* Shareholders holding 3% or more need to declare their interests
** + companies controlled by Huub Baren

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Connect Group: Half year results 2016

These condensed interim consolidated financial statements together with the notes for the half year ending 30 June 2016 are not audited.

Condensed consolidated income statement on 30 June 2016 and 30 June 2015

(in 000 Eur)	H1 2016	%	H1 2015	%
Sales	**62,016**	**100.0**	**56,907**	**100.0**
Cost of sales	-54,672	-88.2	-53,251	-93.6
Gross profit	7,344	11.8	3,656	6.4
Research and development expenses	-707	-1.1	-701	-1.2
General and administrative expenses	-2,792	-4.5	-2,563	-4.5
Selling expenses	-2,183	-3.5	-2,296	-4.0
Other operating income	40	0.1	77	0.1
Other operating expenses	3	0.0	-10	0.0
Operating result before goodwill impairment and restructuring costs	**1,705**	**2.7**	**-1,837**	**-3.2**
Goodwill impairment	-	-	-4,549	-8.0
Restructuring costs	-1,156	-1.9	-	-
Operating result after goodwill impairment	**549**	**0.9**	**-6,386**	**-11.2**
Financial income	154	0.2	159	0.3
Financial charges	-566	-0.9	-788	-1.4
Profit / (loss) before taxes	**137**	**0.2**	**-7,015**	**-12.3**
Income taxes	-2	0.0	-2	0.0
Net profit / (loss)	**135**	**0.2**	**-7,017**	**-12.3**
Attributable to				
Equity holders of the parent	135		-7,017	-12.3
Minority interest				
Earnings per share*				
Basic earnings / (loss) per share	0.01		-0.68	
Diluted earnings / (loss) per share	0.01		-0.68	

* Earnings per share for 2016 is calculated on the basis of 26,754,062 shares after the capital increase of April 2016, and for 2015 on the basis of 10,290,024 shares.

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Condensed consolidated statement of comprehensive income

(in ooo Eur)	H1 2016	H1 2015
Profit / (loss)	**135**	**-7.017**
Total comprehensive income	**135**	**-7.017**
Total comprehensive income attributable to:		
Equity holders of the parent	135	-7.017
Minority interest	-	-

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Condensed consolidated balance sheet at 30 June 2016 and 31 December 2015

(in 000 Eur)	30 June 2015	31 December 2015
Assets		
Current assets:		
Cash and cash equivalents	166	653
Trade receivables	21,610	17,505
Other receivables	1,978	1,391
Inventories	27,190	27,038
Other current assets	182	180
Other current assets	**51,126**	**46,767**
Non-current:		
Other receivables	263	264
Deferred tax assets	1,500	1,500
Property, plant and equipment	9,130	10,087
Intangible assets	282	339
Total non-current assets	**11,175**	**12,190**
TOTAL ASSETS	62,301	58,957
Liabilities and equity		
Current liabilities:		
Bank loans and overdrafts	11,295	13,331
Current portion of long-term debt	465	624
Trade payables	16,445	15,723
Accrued expenses, payroll and related taxes and deferred income	8,296	5,775
Provisions	1,619	852
Other current liabilities	1,474	918
Total current liabilities	**39,594**	**37,223**
Non-current liabilities:		
Long-term debt less current portion	3,256	7,065
Total non-current liabilities	**3,256**	**7,065**
Equity attributable to equity holders of the parent	**19,451**	**14,669**
TOTAL LIABILITIES AND EQUITY	62,301	58,957

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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
31/12/2014	**10,290,024**	**638**	**43**	**42,091**	**-21,191**	**67**	**21,648**
Net result of the year					-6,979		-6,979
Other comprehensive income						-	-
31/12/2015	**10,290,024**	**638**	**43**	**42,091**	**-28,170**	**67**	**14,669**

(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
31/12/2015	**10,290,024**	**638**	**43**	**42,091**	**-28,170**	**67**	**14,669**
Net result of the year					135		135
Capital increase	16,464,038	1.021		3.626			4,647
Other comprehensive income						-	-
30/06/2015	**26,754,062**	**1.659**	**43**	**45,717**	**-28,035**	**67**	**19,451**

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Condensed consolidated cash flow statement for the period from 1 January 2016 to 30 June 2016 and 1 January 2015 to 30 June 2015

(in 000 Eur)	H1 2016	H1 2015
Operating profit / (loss) before goodwill impairment and restructuring costs	**1,705**	**-1,837**
Goodwill impairment	-	-4,549
Restructuring costs	-1,156	-
Operating profit / (loss) after goodwill impairment and restructuring costs	**549**	**-6,386**
Adjustments for:		
Allowance for doubtful receivables and obsolete stock	7	22
Depreciation and amortization	1,318	1,343
Depreciation goodwill	-	4,549
Provisions	767	-52
Reversal of the restructuring provision	-	1,852
Cash flow before changes in working capital	**2,641**	**-2,376**
Inventories	-156	239
Trade receivables	-4,107	-5,309
Trade payables	722	3,789
Accrued expenses, payroll and related taxes and deferred income	2,520	1,548
Other current assets	-588	-70
Other payables	555	203
Cash flow from operating activities	**1,587**	**-1,976**
Income taxes	-2	-2
Exchange differences	36	-191
Interest / Financial charges	-456	-453
Net cash from/(used in) operating activities	**1,165**	**-2,622**
Cash flow from investing activities		
Investments in intangible assets	-8	-51
Purchases of property, plant and equipment	-296	-1,405
Interests received	8	14
Cash flows from (used in) investing activities	**-296**	**-1,442**
Cash flows from financing activities		
Proceeds/(repayments) from long-term debts	-3,808	5,655
Proceeds/(repayments) from current portion of long-term debt	-158	-1,802
Proceeds/(repayments) from bank loans and overdrafts	-2,036	141
Capital increase	4,647	-
Net cash provided by financing activities	**-1,355**	**3,994**
Increase/(decrease) in cash and cash equivalents	**487**	**-70**
Cash and cash equivalents at the beginning of the period	653	209
Cash and cash equivalents at the end of the period	166	139

Notes to the condensed interim financial statements

Conformity declaration

These condensed interim consolidated financial statements together with the notes for the half year ending 30 June 2016 have not been audited.

The condensed interim consolidated financial statements for the six months ended 30 June 2016 comprise the financial statements of the company and its subsidiaries (hereinafter referred to collectively as the "Group").

The condensed interim consolidated financial statements were prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the European Union. These statements do not contain all information necessary for a full financial statement and therefore should be read in conjunction with the consolidated annual financial statements for the period ended 31 December 2015, as published in the 2015 Annual Report to Shareholders.

These condensed interim consolidated financial statements were approved for publication by the Board of Directors on 12 August 2016.

Seasonality

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

Changes in accounting policies and presentation rules

Compared to the consolidated annual report as of December 31, 2015 the following new Standards and Interpretations now apply. Their adoption had no effect on the Group’s financial position and its results:

- IFRS improvements (2010-2012) (applicable to financial years as of 1 February 2015);
- IFRS improvements (2012-2014) (applicable to financial years as of 1 January 2016);
- Amendment of IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* (applicable to financial years as of 1 January 2016);
- Amendment of IAS 1 *Presentation of financial statements - Disclosure Initiative* (applicable to financial years as of 1 January 2016);
- Amendment of IAS 16 and IAS 38 *Acceptable methods of depreciation and amortisation* (applicable to financial years as of 1 January 2016);
- Amendment of IAS 16 and IAS 41 *Bearer plants* (applicable to financial years as of 1 January 2016);
- Amendment of IAS 19 *Defined Benefit Plans: Employee contributions* (applicable to financial years as of 1 February 2015);
- Amendment of IAS 27 *Equity method in separate financial statements* (applicable to financial years as of 1 January 2016).

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In the unaudited interim consolidated financial statements, the same accounting principles have been followed as in the audited year-end consolidated financial statements at 31st December 2015.

The new standards and interpretations had no significant impact on the Group's unaudited interim consolidated financial statements. The Group did not opt to implement new standards or changes at an earlier date.

Significant events in the 1st half in accordance with IAS 34

In H1 2016, the Group carried out restructuring measures amounting to EUR 1,156K in its Dutch plant (cf. page 2, §3).

In April 2016, the Group carried out a capital increase of EUR 4,647K (cf. page 3).

Related party transactions

There were no transactions with related parties.

Significant events after the balance sheet date

No significant events have occurred after the balance sheet date.

Information about the company

Connect Group

Connect Group is a leading certified supplier of technology, production systems, printed circuit boards and cable assembly services for the professional industry. Connect Group develops products to User Requirement Specifications from the concept stage onwards with optimal production, price and quality results.
Connect Group's references include Alstom, ASML, Atlas Copco, Atos, Faiveley, Transics, Nedap, Fabricom and Atos. The company currently employs around 1,500 people in various facilities in Europe. The company's shares are traded on NYSE Euronext Brussels: CONN (www.euronext.com).

Update financial calendar

Announcement annual results 2016	23 February 2017

Investor Relations

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Declaration of the responsible persons

The undersigned declare that:
- The condensed financial statements, drawn up in accordance with applicable accounting standards, give a true view of the assets, the financial situation and the results of the issuing company and of those companies included in the consolidation;
- the interim report gives a fair overview of important events and major transactions with related parties having occurred in the first six months of the financial year and their impact on the condensed financial statements, together with a description of the principal risks and uncertainties for the remaining months of the financial year.

Hugo Ciroux, CFO
Jeroen Tuik, CEO