CONNECT GROUP
INTEGRATED SUBCONTRACTORS

Connect Group NV
Industriestraat 4
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PRESS RELEASE
Regulated information

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Financial report for the first half of 2011

Half-year data:
Sales of EUR 82.5 million compared with EUR 62.8 million in 2010.
Profit from operations of EUR 2.7 million compared with loss from operations of EUR 1.0 million in 2010.
Net profit of EUR 2.2 million compared with net loss of EUR 1.6 million in 2010.

2nd quarter data:
Sales of EUR 39.3 million (EUR 30.6 million in Q2 2010)
Profit fom operations of EUR 1.4 million compared with loss from operations of EUR 0.9 million in Q2 2010.
Net profit of EUR 1.2 million compared with net loss of EUR 0.8 million in Q2 2010.

Order book of EUR 72 million at end of Q2 2011 (EUR 73 million end-Q1 2011).

Management discussion and analysis of the results

Connect Group NV (Euronext Brussels: CONN) announces for the first half of 2011 sales of EUR 82.5 million and a profit from operations of EUR 2.7 million. In the comparable period of 2010 sales were 31 percent lower and there was a loss from operations of EUR 1 million. As already reported in 2010, sales and results in the first half of 2010 were significantly affected by shortages of components in the market, resulting in lagging sales and production inefficiencies with a corresponding weakening of results. In the second half of 2010, sales stabilized back to normal level (EUR 70.0 million), whilst in the first half of 2011 the company caught up with the backlog to achieve record sales of EUR 82.5 million.
During the first half of 2011, additional provisions of EUR 1.7 million were recorded in respect of client problems from the past. Although it is not yet certain that the claims against these clients are permanently lost, management believes the solutions presented by these clients in recent months to be insufficient and has therefore recorded a provision in the books in the full amount of the estimated risk. At the end of 2010 only 50 percent of the risk as estimated at the time was recorded. The total amount of the provision at the end of June 2011 therefore amounts to EUR 3.3 million.
Without this extraordinary charge the operating profit for the first half would have been EUR 4.4 million, with a net profit of EUR 3.9 million.
The net decrease in financial expenses is attributable to the translation differences. EUR 23k of translation gains were recorded in H1 2011, as against net translation losses of EUR 784k in the first half of 2010. This is due to the changes in the exchange rates of the Czech Koruna, Romanian Lei and the U.S. Dollar.
The company won a tax dispute dating back to 2007, making a tax provision of EUR 310k redundant.

The order book at the end of the second quarter amounted to EUR 72.0 million, compared with EUR 71.2 million at the end of 2010.

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

The following represent the major risks for the company at present:

1. Given its subcontractor status, the group is dependent on the success of its customers. If customers' products are not successful on the market, this has a knock-on effect on the group.
2. Unavailability of components can result in sales delays. External factors, such as the tsunami in Japan, may affect the availability of components.
3. Currency Risk:
   - The group buys a number of its components in dollars/yen. The accompanying exchange rate risk is only partially covered in the selling price.
   - With production taking place partly in Romania and the Czech Republic, any major fluctuations of these currencies against the Euro can impact costs.
   - Since foreign currency requirements cannot be accurately timed, the group does not cover its foreign currency positions.
4. The group has a credit agreement with its bankers. Should the group fail to meet the imposed credit conditions, the bankers may either terminate the credit agreement or tighten the lending conditions.

No significant events have occurred after the balance sheet date.

Significant events in first half-year 2011

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 %**

As part of this change in shareholder structure, Connect Group NV announced on 8 July 2011 that it wished to expand the Board of Directors with three new directors. These appointments were approved at an Extraordinary General Meeting, held on 8 August 2011, as follows:

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

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

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1. Connect Group: Half year results 2011

These condensed interim consolidated financial statements together with the notes for the half year ending 30 June 2011 were not audited.

1.1 Condensed consolidated income statement on 30 June 2011 and 30 June 2010

(in 000 Eur)	**Q2 2011**		**Q2 2010**		**H1 2011**		**H1 2010**	
Continuing operations								
Sales	39,343	100	30,662	100	82,528	100	62,822	100
Cost of sales	-33,694	-85.6	-27,983	-91.3	-70,767	-85.7	-56,717	-90.3
Gross profit	5,649	14.4	2,679	8.7	12,455	14.3	6,105	9.7
Research and development expenses	-317	-0.8	-323	-1.1	-651	-0.8	-652	-1.0
General and administrative expenses	-1,645	-4.2	-1,604	-5.2	-3,322	-4.0	-3,135	-5.0
Selling expenses	-1,667	-4.2	-1,663	-5.4	-3,436	-4.2	-3,371	-5.4
Other operating income	42	0.1	8	0.1	100	0.1	7	0.1
Other operating expenses	-688	-1.7	0	0.0	-1,695	-2.1	-17	-0.1
Profit / (loss) from operations	1,373	3.5	-903	-2.9	2,757	3.3	-1,063	-1.7
Financial income	163	0.4	4	0.0	270	0.3	16	0.0
Financial charges	-625	-1.6	-1,027	-3.4	-1,109	-1.3	-1,625	-2.6
Profit/(loss) before taxes	912	2.3	-1,926	-6.3	1,918	2.3	-2,672	-4.3
Income taxes	310	0.8	-6	0.0	305	0.3	-12	0.0
Profit / (loss) from continuing operations	1,222	3.1	-1,932	-6.3	2,223	2.6	-2,684	-4.3
Discontinued operations								
Profit/(loss) from discontinued operations	0	0	1,096	3.6	0	0	1,096	1.8
Net profit/loss	1,222	3.1	-836	-2.7	2,223	2.6	-1,588	-2.5
Attributable to:								
Equity holders of the parent	1,222	3.1	-836	-2.7	2,223	2.6	-1,588	-2.5
Minority interest	0	0.0	0	0.0	0	0.0	0	0.0
Earnings per share								
Number of shares: 10,290,024								
Basic earnings / (loss) per share from continuing operations	0,12		-0.28		0,21		-0.39	
Diluted basic earnings / (loss) per share from continuing operations	0,12		-0.28		0,21		-0.39	
Profit / (loss) per share from continuing and discontinued operations	0,12		-0.12		0,21		-0.23	
Diluted profit / (loss) per share from continuing and discontinued operations	0,12		-0.12		0,21		-0.23	

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Condensed consolidated statement of comprehensive income

(in 000 Eur)	**SEM 1 2011**	**SEM1 2010**
Profit / (loss)	**2,223**	**-1,588**
Other comprehensive income		
Exchange differences on translating foreign operations	-202	-42
Total comprehensive income	**2,021**	**-1,631**
Total comprehensive income attributable to:		
Equity holders of the parent	2,021	-1,631
Minority interest	0	0

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1.2 Condensed consolidated balance sheets on 30 June 2011 and 31 December 2010

(in 000 Eur)	**30 June 2011**	**31 December 2010**
Assets		
Current assets:		
Cash and cash equivalents	790	79
Trade receivables	29,928	27,744
Other receivables	622	606
Inventories	35,894	38,045
Other current assets	109	153
Total current assets	**67,343**	**66,627**
Non-current assets:		
Other receivables	1,900	1,900
Deferred tax assets	1,500	1,500
Property, plant and equipment	10,354	11,250
Intangible assets	1,843	2,156
Goodwill	4,649	4,649
Total non-current assets	**20,246**	**21,455**
TOTAL ASSETS	**87,589**	**88,082**
Liabilities and equity		
Current liabilities:		
Bank loans and overdrafts	23,876	21,459
Current portion of long-term debt	2,901	3,784
Trade payables	22,990	26,470
Accrued expenses, payroll and related taxes and deferred income	8,369	7,417
Provisions	375	479
Income taxes	0	305
Other current liabilities	56	2
Total current liabilities	**58,567**	**59,916**
Non-current liabilities:		
Longterm debt less current portion	7,594	13,200
Valuation derivative	0	645
Deferred tax - liability	-	-
Total non-current liabilities	**7,594**	**13,845**
Equity		
Shareholders' capital	638	430
Legal reserve	43	43
Share premium	42,006	37,214
Other capital reserves	86	-
Retained earnings	(23,396)	(22,265)
Current year's profit / (loss)	2,223	(1,131)
Cumulative translation adjustment	(172)	30
Equity attributable to equity holders of the parent	**21,428**	**14,321**
Minority interest	-	-
Total equity	21,428	14,321
TOTAL LIABILITIES AND EQUITY	**87,589**	**88,082**

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1.3 Condensed consolidated statement of changes in equity

(in 000 Eur)	**Number of shares outstanding**	**Capital**	**Legal reserve**	**Share premium**	**Other capital reserves**	**Profit/ (loss)**	**Cumulative translation adjustment**	**Attributable to equity holders of the parent**	**Minority interests**	**Total**
31/12/2010	**6,934,424**	**430**	**43**	**37,214**	**0**	**-23,396**	**30**	**14,321**	**-**	**14,321**
Net profit / (loss)						2,223		2,223		2,223
Other comprehensive income							-202	-202		-202
Total comprehensive income							**-202**	**2,021**		**2,021**
Capital increase	3,355,600	208		4,792	86	2,223		5,086		5,086
30/06/2011	**10,290,024**	**638**	**43**	**42,006**	**86**	**-21,173**	**-172**	**21,428**	**-**	**21,428**

(in 000 Eur)	**Number of shares outstanding**	**Capital**	**Legal reserve:**	**Share premium**	**Profit/ (loss)**	**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 profit / (loss)					-1,589		-1,589		-1,589
Other comprehensive income						-42	-42		-42
Total comprehensive income					-1,589	-42	-1,631		-1,631
30/06/2010	**6,934,424**	**430**	**43**	**37,214**	**-23,854**	**225**	**14,058**	**-**	**14,058**

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1.4 Condensed cash flow from 1 January 2011 to 30 June 2011 and from 1 January 2010 to 30 June 2010

(in 000 Eur)	**SEM 1 2011**	**SEM 1 2010**
Profit/(loss) from operations - continued operations	**2,757**	**-1,063**
Adjustments for:		
Allowance for doubtful receivables and obsolete stock	1,990	-268
Depreciation and amortization	1,823	2,009
Provisions	-104	-325
Operating profit before changes in working capital - continued operations	**6,466**	**353**
Inventories	1,654	-4,791
Trade receivables	-3,677	-9,032
Trade payables	-3,480	4,528
Accrued expenses, payroll and related taxes and deferred income	648	1,199
Other receivables	0	2
Other current assets	27	-196
Other payables	359	64
Cash flow from operating activities - continued operations	**1,997**	**-7,873**
Taxes	0	-12
Exchange differences	24	-799
Interests / Financial charges	-919	-825
Other	-116	-42
Net cash from/(used in) operating activities - continued operations	**986**	**-9,551**
Cash flows from investing activities		
Investments in intangible assets	-11	-151
Investments in property, plant and equipment	-603	-816
Gain/(loss) on the sale of property, plant and equipment	-	-
Interest received	56	16
Cash flows from (used in) investing activities - continued operations	**-558**	**-951**
Cash flows from (used in) - continued operations	**428**	**-10,502**
Cash flows related to operations activities of discontinued operations	0	-404
Cash flows related to investing activities of discontinued operations	-	-
Total cash flows related to operations and investing activities of discontinued operations	**0**	**-404**
Cash flows from financing activities		
Proceeds/(repayments) from long-term debts	-1,251	14,576
Proceeds/(repayments) from current portion of long-term debt	-883	718
Proceeds/(repayments) from bank loans and overdrafts	2,417	-3,711
Net cash provided by financing activities	**283**	**11,583**
Monetary (loss)/gain on cash and cash equivalents	-	-2
Increase/(decrease) in cash and cash equivalents	**711**	**675**
Cash and cash equivalents at the beginning of the period	79	128
Cash and cash equivalents at the end of the period	790	803

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2. Notes to the condensed interim 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 such as Alstom, ASML, Atlas Copco, Atos, Barco and Philips.
Today the company 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

Announcement 3rd quarter results 2011:	10 November 2011
Announcement annual results 2011:	16 February 2012

Investor Relations

Luc Switten	CEO
Hugo Ciroux	CFO

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2.2 Statement of conformity

These condensed interim consolidated financial statements together with the notes for the half year ending 30 June 2011 were not audited.

The condensed interim consolidated financial statements for the six months ended 30 June 2011 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 2010, as published in the 2010 Annual Report to Shareholders.

These condensed interim consolidated financial statements were approved for publication by the Board of Directors on 8 August 2011.

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2.3 Seasonality

Seasonality is limited and can vary from year to year depending on market demand.
During the annual holiday period (July-August) there is reduced delivery.

2.4 Changes in accounting policies and presentation rules

Compared to the consolidated annual report as of December 31, 2010 the following new Standards and Interpretations now apply. Their adoption had no effect on the Group's financial position and its results:

- Improvements to IFRS (2009-2010) (in general applicable to annual reporting periods commencing on or after 01 January 2011;
- Amendment to IFRS 1 *First Time Adoption of IFRS - Exemption from IFRS 7*" (applicable to annual periods beginning on or after 1 July 2010);
- Amendment to IAS 24 *Related Party Disclosures* (applicable to annual periods beginning on or after 1 January 2011). This standard supersedes IAS 24 "Related Party Disclosures" as issued in 2003;
- Amendment to IAS 32 *Financial Instruments: Presentation - Classification of Rights Issues* (applicable to annual periods beginning on or after 1 February 2010);
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (applicable to annual periods beginning on or after 1 July 2010);
- Amendment of 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 accounting periods beginning on or after 1 January 2011).

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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.

2.6 Related party transactions

There are no significant related party transactions.

2.7 Reduction in value on trade receivables

During the first half of 2011, additional provisions amounting to EUR 1.7 million were recorded in respect of client problems from the past (Income statement: Other operating expenses). Although it is not yet certain that the claims against these clients are permanently lost, management believes the solutions presented by these clients in recent months to be insufficient and has therefore recorded a provision in the books in the full amount of the estimated risk. At the end of 2010, only 50 percent of the risk as estimated at the time was recorded. The total amount of the provision at the end of June 2011 therefore amounts to EUR 3.3 million. By recorded these additional commissions in 2011, the entire risk of these customers has been charged. Any recovery of these claims will have a positive impact on group earnings.

2.8 Income taxes

The company has won a tax dispute for which a tax provision of EUR 310k was recorded in 2007. The reversal of this provision creates a tax revenue in 2011.

2.9. Conversion of the subordinated loan into shares

Following the publication of the annual results for 2010 at the end of March 2010, 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.

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3. 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.

Luc Switten, CEO
Hugo Ciroux, CFO