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Zenitel announces its third quarter trading update

Secure Communication Systems division (SCS) (mainly Intercom) shows double digit growth (15.3%). In the networks business, over 8,000 users have now been contracted. Large tenders are awaiting final decision. Lack of significant orders in the System Integration business, will impact Q4 results.

Turnover, per September 2008 is at 68.0 million EUR. This is 1.2 million EUR more than the September 2007 turnover (excluding Colsys, sold in April 2007). This growth is coming from the 5.5 million EUR growth (15.3%) in turnover in SCS (intercom), partially offset by the downfall in turnover in System Integration (-4.1 million EUR).

Secure Communication Systems focuses mainly on intercom sales in both the Marine and Onshore segment. Turnover grew by more than 15% compared to 2007, mainly thanks to important order intake in the Marine segment, especially in Asia and Norway. Also the onshore business is showing increased interest, thanks to our IP platforms and new station range. Further developments on the IP platform and on new stations are planned for Q4. Also a new Vingtor billing solution and Wireless Dect for Stentofon Alphacom E, is under development.

At the same time SCS expects to finalize the first agreements for resale of its products through newly developed OEM channels, especially in the USA market. Since, the OEM market is considered to be one of the most important growth markets, additional resources will be allocated to further grow this business.

In the Networks (ChuChubi and MCCN) business the Caribbean Network continues to grow organically.

The MCCN networks in Belgium and The Netherlands now serve over 1600 contracted users. Several new proposals were sent out during Q3 and are awaiting final decision.

Finally, Zenitel's System Integration business remains very low and disappointing in Belgium, Netherlands, and Denmark. Due to the economical situation, new orders have been delayed and existing frame contracts such as the EARS contract in The Netherlands have not produced the expected results. Also in Denmark the company



has suffered from cancellations and delays in order intake, impacting the revenue results in the 4th quarter.

Zenitel's International business (Maritime and Rail) handled from respectively Belgium and France has identified an increased number of opportunities, but is faced with customers, postponing their decisions.

As previously announced, additional reorganization measures have been taken. In Zenitel Wireless France, a staff reduction by 7 FTE was finalized in September and will start to show some cost reductions in Q4.

In Belgium, a collective employment agreement has been signed with the Unions, to allow for a 25 FTE staff reduction, as soon as the Ministry of Work has approved the plan. Such approval is expected in the course of November and therefore the benefits of the reorganization will be minimal in 2008.

Hence, the slow down in sales and the delay in the reorganization measures, will clearly affect the profitability of the System Integration business unit and of Zenitel as a whole.

2008 revenue is expected to be in line with 2007. The drop in order intake in the System Integration business, will cause a downfall in Q4, impacting turnover, earnings and cash. The savings from the reorganization plan in Belgium will not yet compensate for the additional losses incurred. Zenitel's first priority is the operational improvement of the businesses. Given the continuous disappointing results in the System Integration business and given the current difficult economic outlook, the Board of Directors has asked management to evaluate all strategic options and to call upon external advisors if useful to this end.

Contracts and growth

Zenitel announces a backlog of EUR 71.0 million, which is in line with the backlog reported as per 30 June 2008, but which is an increase from EUR 67.6 million per 31 December 2007. This increase is mainly the result of the large contracts signed in Marine Asia.

ZENITEL is a leading player in instant audio and data communication. Communication products, communication networks and system integration services that are so reliable, so fast and so secure, they are also used as critical communication tools at a time of crisis. Zenitel communication is the preferred choice for those in authority or whose work involves protecting human lives or managing vital activities.

Zenitel is organized into three key offerings: Secure Communication Services (mainly Intercom), System Integration services and Network Services.

This press release contains regulated information in accordance with the Royal Decree of 14 November 2007.

Zenitel is a listed company (Euronext). The headquarters of Zenitel are in Brussels. For more information: www.zenitel.com.

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