



**Press release:  
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Zellik, 28 August 2008

## **Stable revenues compared to first half 2007. Results negatively impacted by substantial transition measures and restructuring charges in System Integration.**

**Revenues first half 2008 amount to EUR 45.8 million.**

**Secure Communication Systems grows by 13% (+EUR 3.2 million), mainly thanks to growth in the Marine segment and the continued VoIP developments. Recurrent EBITDA improved by 16.3%.**

**Slow order intake in the System Integration business and delays in the realization of the expected savings, negatively impact the EBITDA. Important additional restructuring measures have been taken.**

**The Networks operations<sup>1</sup> further focus on large ongoing and upcoming tenders in the Netherlands and on large industrial leads in the Antwerp harbour. It is expected that approximately 1,000 users should be converted from the pipeline into connections.**

**The group's recurrent EBITDA dropped to EUR - 2.4 million.**

**Management expects a positive recurrent EBITDA for the second semester 2008, after the planned restructuring and reconfirms its revenue outlook.**

Eugeen Beckers, Chief Executive Officer of Zenitel commented:

"We continue to demonstrate a double digit growth in the Secure Communication Systems business, mainly thanks to the growth in the Marine segment. At the same time, profitability is higher than expected both in the Marine and in the onshore business. We are convinced that ongoing focus on product development and product management will enable the Intercom segment to further grow, both in the Onshore and in the Marine segment. At the same time, the outphasing of the 'old' platforms, through integration with the IP-platform, continues.

In the Networks business, the Caribbean network business grows organically. The acquisition of new customers in both MCCN Belgium and MCCN Netherlands remains slow. However, some large upcoming tenders in the Netherlands and Belgium in the second semester offer important growth opportunities for the networks business.

As orders for radio networks and related equipment were further delayed in Benelux, France and Denmark, the rightsizing of the System Integration business continues to be one of our main priorities. In the Netherlands a new managing director has been put in place. In Zenitel Belgium, the largest of our System Integration activities, the managing director and sales

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<sup>1</sup> Networks operations – Caribbean (ChuChubi) and Belgium & the Netherlands (MCCN)



director were replaced by a new management team focusing on projects rather than on product sales. With regard to the international (mainly coastal stations & metro/rail communication) business, led from Belgium, we believe that our sales efforts of the past 9 months will result in significant orders for new installations. The implementation of a business support group in April 2008 has started to prove its efficiency and effectiveness in the quality of our proposals, the support of our sales channels and the management of our product lines.

We are confident that the current negotiations with the union representatives, regarding cost reductions in Belgium and France will be finalized shortly, enabling savings as from the fourth quarter of 2008.”

### **First half year 2008 versus first half year 2007.**

Revenue for the first semester of 2008 amounted to EUR 45.8 million or EUR 2.9 million lower than in the first semester of 2007. In the first semester of 2007, EUR 2.6 million Colsys s.r.o. revenues were still included with respect to the period before its divestment in 2007. Secure Communication System maintained double digit growth (+13%) resulting in EUR 3.2 million more revenue than in the first semester of 2007. This strong revenue growth is mainly driven by the growth in Asia and in the Marine segment. This growth was offset by decreasing revenues from EUR 19.5 million in the first half of 2007 to EUR 16.0 million in the first half of 2008 in the System Integration countries, due to delays in order intake.

### **Results of operations – condensed income statement**

Analysis of operating results by nature In thousands of Euro, except per share amounts	For the six months ended June 30,	
	2008	2007
Revenue	45,752	48,675
Other gains and losses	250	263
Raw materials and consumables used	(23,007)	(24,080)
Salaries and employee benefits	(19,181)	(17,976)
of which reorganization expenses	(1,827)	0
Depreciation and amortization	(1,420)	(1,346)
Net impairment in current assets	(152)	(241)
Consulting expenses	(1,926)	(1,731)
Facility expenses	(3,164)	(3,239)
Other expenses	(3,079)	(4,022)
of which reorganization expenses	0	(12)
<b>Operating Profit / (Loss)</b>	<b>(5,928)</b>	<b>(3,697)</b>
Finance income	77	111
Finance costs	(1,119)	(923)
Net foreign exchange gains / (losses)	(109)	(113)
<b>Profit/ (Loss) before tax</b>	<b>(7,079)</b>	<b>(4,623)</b>
Income tax expense	(172)	(54)
<b>Profit/ (Loss)</b>	<b>(7,251)</b>	<b>(4,677)</b>

Euro in thousands	For the six months ended June 30,	
	2008	2007
<b>EBITDA (*)</b>	<b>(4,355)</b>	<b>(2,110)</b>
One-time-items	1,958	901
<b>Recurrent EBITDA</b>	<b>(2,398)</b>	<b>(1,209)</b>
Weighted average number of ordinary shares in issue ('000)	16,441	11,496
<b>Basic earnings per share</b>	<b>(0.44)</b>	<b>(0.41)</b>
<b>Diluted earnings per share</b>	<b>(0.44)</b>	<b>(0.41)</b>

(\*) EBITDA is a non-GAAP measure and is defined as operating profit + depreciation and impairments



EBITDA for the first half of 2008 was at EUR -4.4 million, compared to EUR -2.1 million in the first semester of 2007. The first semester of 2008 includes EUR 2.0 million one-time items, resulting in a recurrent EBITDA<sup>2</sup> for the first semester of 2008 of EUR -2.4 million.

The one-time items of 2008 relate mainly to EUR 1.8 million additional reorganization expenses with respect to the System Integration countries. The recurrent EBITDA decrease by EUR 1.2 million to EUR -2.4 million in the first half of 2008 is mainly due to the revenue decrease in the System Integration Group entities (impact of EUR -1.1million) and the time delay in realizing the savings from restructuring due to ongoing negotiations with the works' council and the unions. The revenue increase in Secure Communication Systems resulted in a recurrent EBITDA increase of EUR 0.2 million, while the Colsys s.r.o. divestment in 2007, and the strong Euro (with respect to our sales in USA and in the Caribbean) had a negative impact on recurrent EBITDA of respectively EUR 0,2 million and EUR 0.1 million, when comparing with the first six months of 2007.

EBIT<sup>3</sup> amounts to EUR -5.9 million loss from operating activities, compared to a loss of EUR -3.7 million in the first half of 2007.

Net results of the group for the first half-year of 2008 amounted to a loss of EUR 7.3 million as opposed to a loss of EUR 4.7 million in the first half year of 2007. This deterioration by EUR 2.6 million is mainly due to the EUR 2.2 million decrease in EBITDA and EUR 0.3 million higher interest and tax charges incurred compared to last year.

The complete condensed consolidated interim financial report can be viewed on our website: [www.zenitel.com](http://www.zenitel.com)

***For further information, please contact:***

Mrs. Rika Coppens: +32 2 370 56 32

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<sup>2</sup> Recurrent EBITDA - Profit/ (Loss) from operating activities plus depreciation & amortization plus write-offs on current assets, excluding the one-time items.

<sup>3</sup> EBIT – (Earnings Before Interests and Taxes) or Profit/ (Loss) from operating activities