

# Press release



25 March 2010, 8:00

## Zenitel announces 2009 results after having streamlined its operation

- In 2009 the strategic reorganization of the group was finalized. All loss making and non core activities were divested.
- Zenitel continued to invest in its core intercom business in 2009, and in March 2010 launched the new STENTOFON XE Audio Servers with High Definition Voice.
- The Chuchubi Network operation in the Caribbean invested further in extending its range of customer solutions and major upcoming projects.
- Revenue from continuing operations grew by 2.3% to EUR 70 million in 2009.
- Recurrent EBITDA from continuing operations increased from EUR 3.8 million in 2008 to EUR 4.8 million in 2009.
- The net result was impacted by losses from the divested non core activities. The consolidated loss of 2009 amounted to EUR -8.1 million against EUR -13.5 million in 2008.

Kenneth Dastol, Chief Executive Officer of Zenitel commented:

*“Over the course of 2009, Zenitel refocused its activities mainly on Secure Communication Systems and the Caribbean Network operations. For those activities the trend of increasing profitability was confirmed despite the global economic crisis. This resulted in a recurrent EBITDA growth over 2009 from the continuing operations.*

*Although we were faced with a tight cash situation, Zenitel stayed loyal to its intercom business development strategy. By replacing hardware with our own developed software, we can further improve functionality and reduce customer costs.*

*Given the difficult economic environment and the fact that we are coming out of a year with strategic reorganization, we do not give guidance for 2010.”*

The complete 2009 annual report, including the consolidated financial statements and board of directors report, can be viewed and downloaded from our website: [www.zenitel.com](http://www.zenitel.com)

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**ABOUT ZENITEL** is a leading player in instant audio and data communication. Communication products, communication networks, so fast and so secure, that 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 two key offerings, each of which has a focus on, but is not exclusively dedicated to, one of Zenitel's key principle offerings: Own Intercom Products and 3<sup>rd</sup> Party Products and Network Services. Zenitel is a listed company (Euronext). The headquarters of Zenitel are in Brussels.  
For more information: [www.zenitel.com](http://www.zenitel.com)

■ **whencommunicationiscritical**

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# Press release



## 2009 versus 2008 results

### Results of operations – consolidated income statement

(thousands of EUR)	Year ended December 31	
	2009	2008
<b>Continuing operations</b>		
Revenue	70,113	68,474
Other gains and losses	469	450
Raw materials and consumables used	-35,164	-34,066
Employee benefits expenses	-21,437	-21,177
<i>of which reorganization expenses</i>	-1,168	-287
Depreciation and amortization expenses	-2,044	-1,954
Net impairment on current assets	-752	-1,072
Consulting expenses	-3,294	-2,719
<i>of which reorganization expenses</i>	-231	0
Facility expenses	-4,421	-4,354
Other expenses	-4,847	-3,504
<b>Total operating expenses</b>	<b>-71,960</b>	<b>-68,846</b>
<b>Operating Profit / (Loss)</b>	<b>-1,378</b>	<b>78</b>
Finance income	79	600
Finance costs	-1,166	-2,163
Net foreign exchange gains / (losses)	-1,178	1,891
<b>Profit / (Loss) before tax</b>	<b>-3,642</b>	<b>406</b>
Income tax expenses / (income)	-22	703
<b>Profit/(Loss) from continuing operations</b>	<b>-3,664</b>	<b>1,110</b>
<b>Discontinued operations</b>		
Profit / (Loss) from discontinued operations	-4,389	-14,599
<b>Profit / (loss) for the year</b>	<b>-8,053</b>	<b>-13,489</b>
<b>Earnings per share</b>		
Weighted average number of ordinary shares in issue ('000)	16,441	16,441
<b>From continuing and discontinued operations</b>		
Basic earnings per share	-0.49	-0.82
Diluted earnings per share	-0.49	-0.82
<b>From continuing operations</b>		
Basic earnings per share	-0.22	0.07
Diluted earnings per share	-0.22	0.07

In line with the 2009 announcement focusing on the profitable operations, the company made the following divestments in 2009: 85% of Zenitel Belgium NV, the rail activities of Zenitel Wireless France SA, 100% of Confined Area Systems AB in Sweden, 85% of Zenitel Netherlands BV, the MCCN network operations in Belgium and the Netherlands and its real estate activities in Belgium. **Net loss from operations and disposals of these divested operations** amounted to EUR -4.4 million.

**Zenitel's continuing operations** consist of its Secure Communications Systems (SCS), the network operations in the Caribbean and its Danish operation integrated in the wider SCS organisation.

Total turnover from continuing operations increased from EUR 68.5 million to EUR 70.1 million in 2009.

- **Secure Communication Systems** revenue from continuing operations decreased by EUR 3.0 million or 5% to EUR 52.3 million. This decrease is explained by a slow down of the marine orders in the second half of 2009 and less project revenues in France and Finland. Despite this revenue decrease, the EBITDA percentage increased from 8.4% to 8.6% to EUR 4.5 million as a result of the continuing cost reduction efforts.
- **Networks'** revenue from continuing operations consists only of the network operations in the Caribbean after the divestment of the MCCN network operations in Belgium and The Netherlands in 2009. The Caribbean network operations recorded EUR 4.1 revenue in 2009 (against EUR 3.9 million in 2008) while the recurrent EBITDA percentage increased further from 27.5% to 28.9% or EUR 1.2 million. This is the result of the focus on customer churn management and efficiency of operations.

# Press release



- The revenue in **Denmark** increased from EUR 9.2 million in 2008 to EUR 13.7 million in 2009 due to the strong increase of project revenues. This resulted in an increase of recurrent EBITDA by EUR 1.1 million to EUR 0.8 million. As of 1 January 2010, the operations in Denmark are included in and will be reported under SCS operations.

Adding the unallocated operating expenses from continuing operations to these segment results shows a total recurrent EBITDA from continuing operations of EUR 4.8 million in 2009 against EUR 3.8 million in 2008, an increase of EUR 1.0 million or 25%.

Thousands of EUR	Year ended 31 December					
	Continuing		Discontinued		Total	
	2009	2008	2009	2008	2009	2008
<b>Recurrent EBITDA</b> <sup>(1)</sup>	4,774	3,824	-1,413	-6,451	3,361	-2,627
One-time-items	-3,356	-720	1,343	-1,938	-2,013	-2,658
Impact of divestments	0	0	-3,040	0	-3,040	0
<b>EBITDA</b> <sup>(1)</sup>	1,418	3,104	-3,109	-8,389	-1,691	-5,285
Depreciation/amortization/impairments	-2,796	-1,890	-741	-2,292	-3,538	-4,182
Goodwill impairments	0	0	0	-3,511	0	-3,511
Management fees charged to discontinued operations	0	-1,136	0	1,136	0	0
<b>Operating profit (EBIT)</b> <sup>(2)</sup>	-1,378	78	-3,851	-13,057	-5,229	-12,979

<sup>(1)</sup> EBITDA is a non-GAAP measure and is defined as operating profit + depreciation + amortization + impairments

<sup>(2)</sup> EBIT is a non-GAAP measure and is defined as operating profit or earnings before interests and taxes

**Total operating profit or EBIT** (Earnings Before Interest and Tax) in 2009 amounted to EUR -5.2 million compared to EUR -13.0 million in 2008. The 2009 one-time items are mainly influenced by the divestments in 2009, the restructuring charges and the work and provisions for old projects and litigations.

The impact of the divestments of affiliates and operations in 2009 amounted to EUR -3.0 million. The **total one time items** in 2009 (excluding divestment impacts) amounted to EUR -2.0 million.

Thousands of EUR	Year ended 31 December					
	Continuing		Discontinued		Total	
	2009	2008	2009	2008	2009	2008
<b>One-time items</b>	-3,356	-720	1,343	-1,938	-2,013	-2,658
Restructuring	-816	-386	761	-1,938	-55	-2,324
Old projects	-2,476	-766	720	0	-1,756	-766
Others	-64	432	-138	0	-202	432

One time items relating to continuing operations (EUR -3.4 million) is mainly related to restructuring charges for the holding and further costs and provisions set up relating to old projects from earlier mentioned divested entities as well as pending claims. At the same time some restructuring provisions and provisions for old projects (discontinued operations) have been reversed, bringing the total one time items to EUR -2.0 million in 2009.

**Total net financial expense** amounted to EUR -2.7 million compared to EUR -0.2 million in 2008. The negative shift is relating to net foreign exchange losses (gains). Net foreign exchange losses (gains) amounted to a loss of EUR -1.2 million compared to a gain of 1.9 million in 2008. Interest costs were reduced by EUR 1.0 million from 2008 to 2009.

The **total consolidated net result** of the Zenitel Group shows a loss of EUR -8.1 million, compared to EUR -13.5 million in 2008. **Earnings per share**, after correction of the treasury shares were EUR -0.49, compared to EUR -0.82 in 2008. Earnings per share from continuing operations for 2009 amounts to EUR -0.22 against EUR 0.07 in 2008.

## Condensed consolidated balance sheet

The following table gives an overview of the main consolidated balance sheet subtotals. The complete balance sheet is available in our Annual Report 2009 which is available on [www.zenitel.com](http://www.zenitel.com).

(thousands of EUR)	Year ended December 31	
	2009	2008
<b>ASSETS</b>		
Total non-current assets	14,117	25,053
Total current assets	32,138	44,482
<b>Total Assets</b>	<b>46,255</b>	<b>69,535</b>
<b>EQUITY AND LIABILITIES</b>		
Year ended December 31		
	2009	2008
Total equity	2,758	8,034
Total non-current liabilities	17,390	17,897
Total current liabilities	26,107	43,604
<b>Total Equity and Liabilities</b>	<b>46,255</b>	<b>69,535</b>

# Press release



The decrease of the **non-current assets** from EUR 25.1 million to EUR 14.1 million is mainly explained by the 2009 divestments of the real estate activities in Belgium and the MCCN network assets.

Total **current assets** decreased from EUR 44.5 million to EUR 32.1 million. The EUR 12.4 million decrease is the result of the divested business and working capital reduction efforts in 2009 SCS operations.

**Equity** amounts to EUR 2.8 million as per year end December 31, 2009. The decrease from the previous year corresponds to the net loss of EUR -8.1 million in 2009, and the other comprehensive income of EUR 2.8 million.

**Non-current liabilities** decreased slightly from EUR 17.9 million to EUR 17.4 million. Total long term borrowings increased from EUR 11.4 million to EUR 11.6 million. As a result of the debt renegotiation efforts in 2009, short term borrowings could be converted into long term borrowings

**Current liabilities** decreased from EUR 43.6 million to EUR 26.1 million. Divested businesses caused the trade and other payables to decrease by EUR 16.8 million.

Short term borrowings decreased from EUR 8.1 million to EUR 2.7 million. On the one hand EUR 2.3 million of short term loans and EUR 3.3 million of long term loans disappeared from the balance sheet as a result of the divested operations. On the other hand, the debt restructuring negotiations in 2009 enabled the company to convert EUR 3.2 million short term loans into long term loans.

## **Consolidated statement of cash flows**

(thousands of EUR)	Year ended December 31	
	2009	2008
Net cash generated by / (used in) operating activities	8,480	-3,817
Net cash (used in) / generated by investing activities	-4,978	-3,484
Net cash received / (used) in financing activities	2,184	1,029
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>5,686</b>	<b>-6,272</b>

The cessation of the loss making activities and the strong focus on working capital management enabled the company to generate a positive and strong operational cash flow. Strict cash flow management and working capital management are considered critical success factors.

## **Statement of the auditor**

The statutory auditor confirmed that his audit work has been finalized in-depth and did not reveal any significant adjustments to the financial information included in the press release.

The statutory auditor will, unless the circumstances should meanwhile modify, include an emphasis of matter paragraph in his opinion drawing the attention to the following uncertainties.

The group has incurred significant losses that fundamentally affect the financial position. Without modifying the above opinion, we would like to draw your attention to the director's report, in which the board of directors justifies the application of the valuation rules under the going concern assumption. The assumption to continue as a going concern is only valid in case the group continues to have access to short and medium term financing. The group is dependent on the continued financial support of the shareholders and other financing sources. No adaptations have been made to the consolidated financial statements as to the valuation or the classification of certain balance sheet items which would be necessary if the company were no longer able to continue its activities

Diegem, 25 March 2010

Certified auditor  
Deloitte Bedrijfsrevisoren  
BV ovve CVBA  
Represented by William Blomme