

Zenitel Group



Zenitel towards operational cash flows and profitable growth
September 5, 2006

Disclaimer

Various statements contained in this document constitute “forward-looking statements”. Words like “believe,” “anticipate,” “should,” “intend,” “plan,” “will,” “expects,” “estimates,” “projects,” “positioned,” “strategy,” “budget,” and similar expressions identify these forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted whether expressed or implied, by these forward-looking statements. These factors include: potential adverse developments with respect to our liquidity or results of operations; our significant debt payments and other contractual commitments; our ability to fund and execute our business plan; our ability to generate cash sufficient to service our debt; interest rate and currency exchange rate fluctuations; the impact of new business opportunities requiring significant up-front investments; our ability to attract and retain customers; our ability to compete against other communications businesses; our ability to maintain contracts that are critical to our operations; our ability to respond adequately to technological developments; our ability to develop and maintain back-up for our critical systems; our ability to design networks, obtain and maintain any required (governmental) licenses or approvals and finance construction and development, in a timely manner at reasonable costs and on satisfactory terms and conditions; our ability to have an impact upon, or to respond effectively to, new or modified laws or regulations. We assume no obligation to update these forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements

Concentrate on operational cash flows and profitable growth

Conclusions 2005 ... a year of paradox

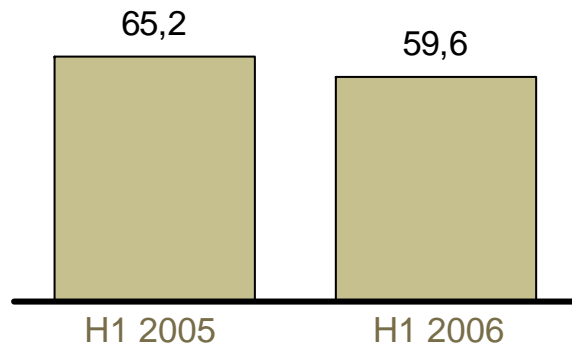
- 2005 not satisfactory
 - Concentrate on profitable activities
 - Invest in profitable growth
 - Focus on networks & VoIP product launch
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Outlook

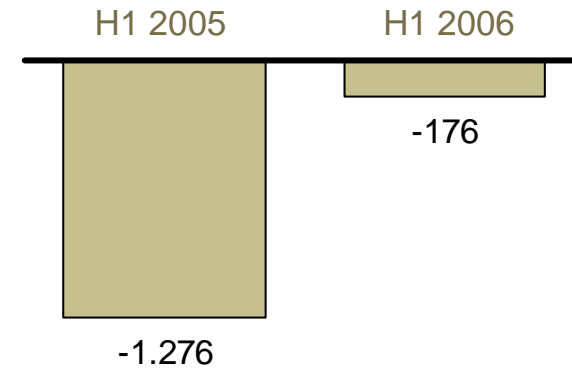
- Stable revenue with seasonality
 - Substantial improvement on EBITDA
 - No significant one-time items
 - Expect 10.000 RGU's in 2006
-

Zenitel in first half year operationally break-even

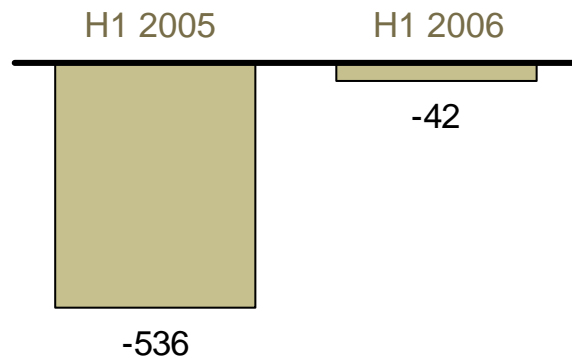
Turnover 59,6 M versus 65,2 in H1 2005
(Millions)



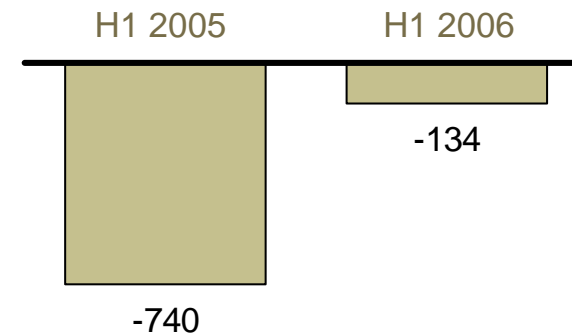
EBITDA -176K versus -1.276k in H1 2005
(K)



Recurring EBITDA -42k versus -536K in H1 2005
(K)



One-time-items (-134k mainly related to divestment of UK) versus -740K in H1 2005
(K)



Agenda



Introduction

1H2006

- *Results*
- *Balance sheet*
- *Key Figures*
- *Backlog*

Special Subjects

- *Zenitel on one page*
- *Good news*
- *Networks*
- *VoIP*
- *Other*

Conclusions

Consolidated income statement

| YTD | 30/06/2005 | 30/06/2006 |
|--|----------------|----------------|
| Total turnover | 65.768 | 59.144 |
| Total other operating income | 406 | 0 |
| Total revenues | 66.174 | 59.144 |
| Depreciation and amortization | 938 | 1.228 |
| Amortization losses on current assets | 124 | 186 |
| Other operating charges | 67.450 | 59.320 |
| Total operating expenses | 68.512 | 60.734 |
| Profit/(Loss) from operating activities | (2.338) | (1.590) |
| Finance income/(cost) | (513) | (893) |
| Profit/(losses) from ordinary operating activities before tax | (2.851) | (2.483) |
| Tax | (81) | (114) |
| Net result for the period | (2.932) | (2.597) |
| EBITDA | -1.276 | -176 |
| <i>One-time-items included in EBITDA</i> | 740 | 134 |
| Restructuring France | 198 | - |
| Sweden | 482 | - |
| U.K. | - | -84 |
| Other | 60 | -50 |
| | - 536 | -42 |

EUR Thousands

Investments in network activities and VoIP platform

Consolidated balance sheet (1/2)

| ASSETS | 31/12/2005 | 30/06/2006 | |
|--------------------------------------|---------------|---------------|-------------------|
| Non-current assets | | | |
| Intangible assets | 10.230 | 10.539 | ↻ VoIP |
| Tangible assets | 15.130 | 16.070 | ↻ Networks |
| Available for sale investments | 296 | 310 | |
| Receivables | 3.095 | 2.766 | |
| Deferred taxes | 2.381 | 2.396 | |
| Total non-current assets | 31.232 | 32.081 | |
| Current assets | | | |
| Inventories | 12.042 | 11.513 | |
| Contracts in progress | 9.578 | 7.935 | ↻ No C2000/Astrid |
| Trade debtors | 26.894 | 27.619 | ↻ Strong June |
| Other amounts receivable | 2.324 | 2.024 | |
| Deferred charges and accrued incomes | 1.026 | 1.909 | |
| Cash and cash equivalent | 6.642 | 2.925 | |
| Total current assets | 58.506 | 53.925 | |
| TOTAL ASSETS | 89.638 | 86.006 | |

EUR Thousands

Investments influence liabilities

Consolidated balance sheet (2/2)

| EQUITY AND LIABILITIES | 31/12/2005 | 30/06/2006 | |
|---------------------------------------|---------------|---------------|---------------------------------|
| Equity | | | |
| Ordinary shares | 14.850 | 14.850 | |
| Share premium account | 6.795 | 6.795 | |
| Reserve for warrants | 121 | 141 | |
| Consolidated reserves | 731 | -1.866 | |
| Translation differences (+) (-) | 2.244 | 2.362 | |
| Treasury shares | -2.958 | -2.958 | |
| Total equity | 21.783 | 19.324 | ➔ Net result of the year |
| Minority interests | | | |
| Non-current liabilities | | | |
| Interest bearing loans and borrowings | 7.255 | 7.624 | ➔ Investments |
| Deferred tax liabilities | 8 | 4 | |
| Retirement benefit obligation | 5.266 | 5.318 | |
| Provisions | 310 | 296 | |
| Other liabilities | 103 | 173 | |
| Total non-current liabilities | 12.942 | 13.415 | |
| Current liabilities | | | |
| Trade payables | 26.102 | 23.910 | ➔ Last year network investments |
| Other payables | 13.449 | 14.417 | |
| Current tax liabilities | 1.546 | 1.811 | |
| Borrowings | 7.648 | 8.346 | ➔ Investments |
| Provisions | 6.168 | 4.783 | |
| Total current liabilities | 54.913 | 53.267 | |
| TOTAL LIABILITIES AND EQUITY | 89.638 | 86.006 | |

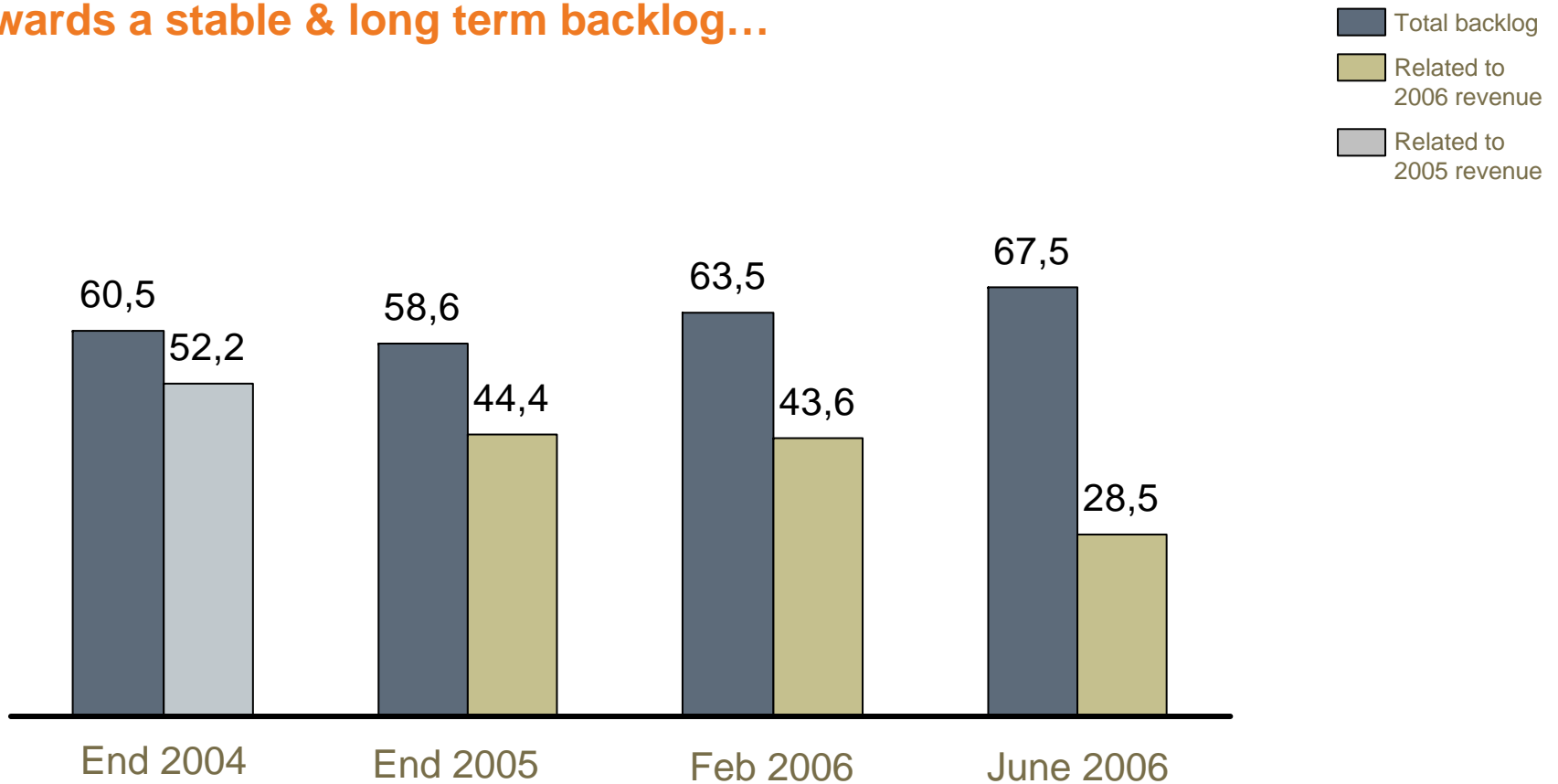
EUR Thousands

Key figures

| Key figures | 30/06/2006 | 31/12/2005 | 30/06/2005 |
|--------------------------|------------|------------|------------|
| Shareholder's equity | 19.324 | 21.783 | 29.681 |
| Working capital/turnover | 4,7% | 3,2% | 9,6% |
| Net debt | 13.045 | 8.261 | 7.312 |
| Total debt/equity | 82,6% | 68,4% | 47,0% |
| HRM (FTE) | 626 | 647 | 670 |

EUR Thousands

Towards a stable & long term backlog...



This backlog constitutes the orders received by Zenitel at the respective dates mentioned. Since we are running a different portfolio (longer time orders for networks), these numbers are difficult to compare.

EUR Millions

Agenda



Introduction

1H2006

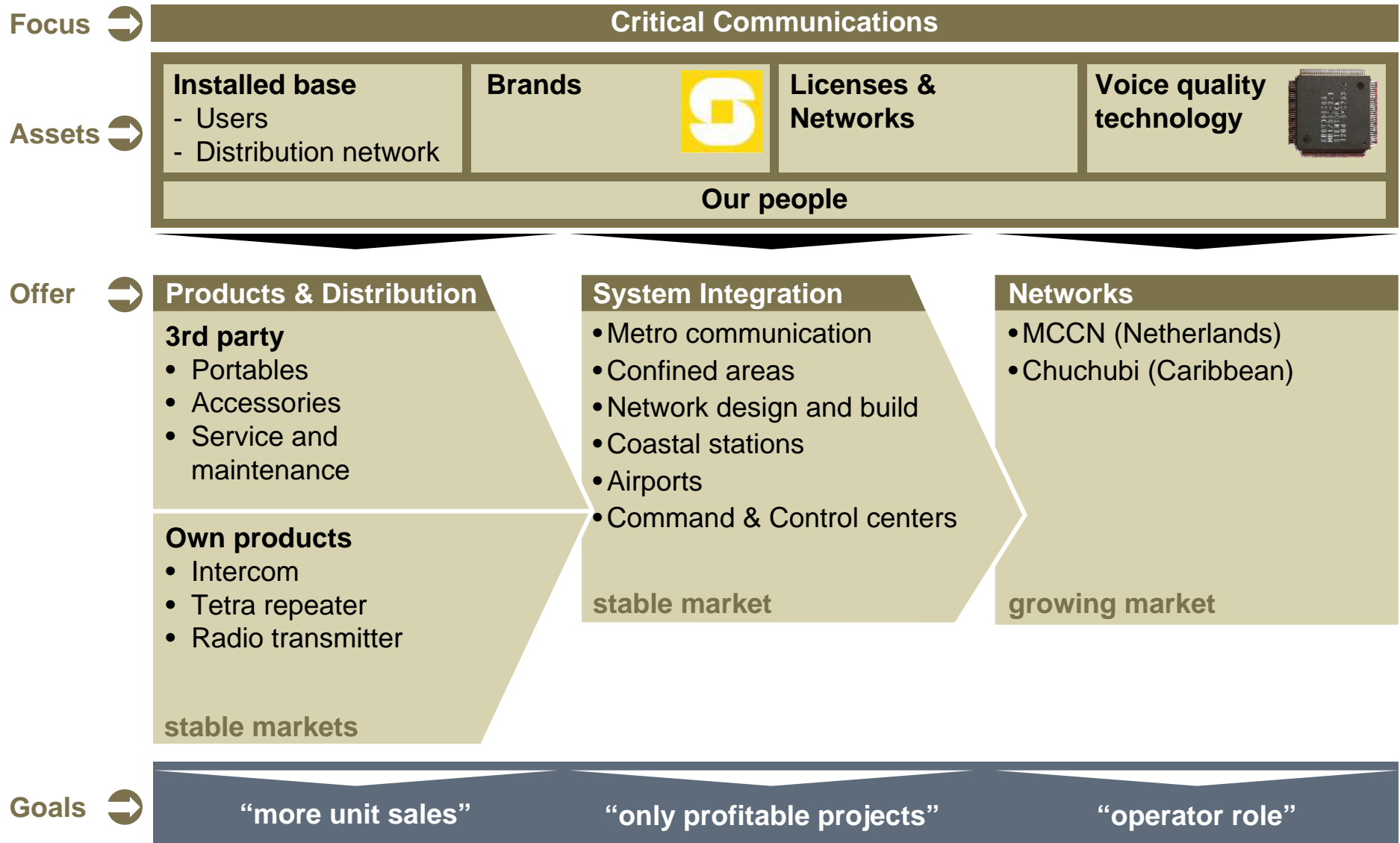
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- *VoIP*
- *Other*

Conclusions








Zenitel on one page

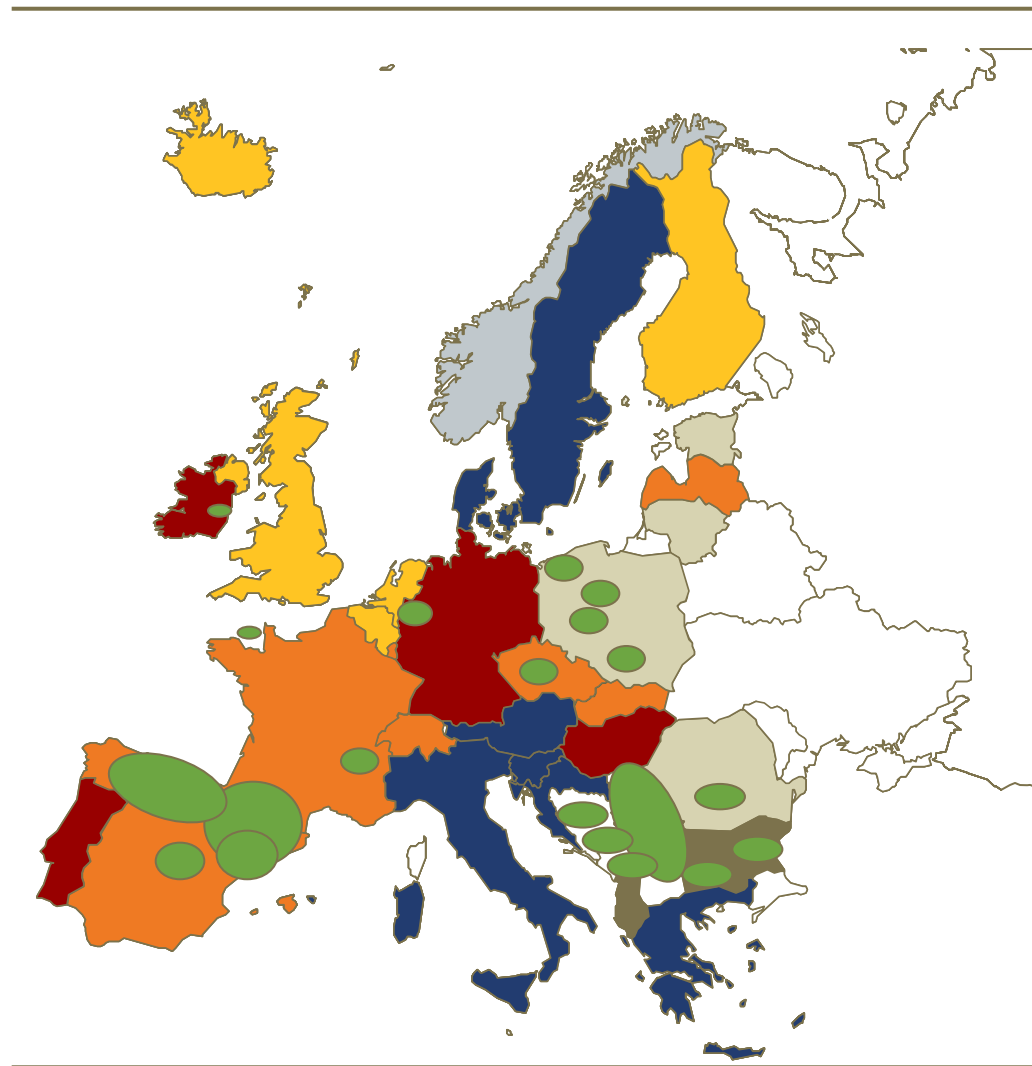


Contracts won & Realizations H1 2006

- Zenitel ranked 11th in top 50 list of Security Vendors Worldwide
 - Large order in Denmark (2.8M Euro) for integrated communication systems to police in Denmark
 - Police of the Netherlands Antilles on Curacao awards order for Digital Tetra Communication System to Zenitel
 - Installation of a new Stentofon® AlphaCom system for Peter MacCallum Cancer Institute, Australia
 - Beijing TV Centre (China) switches on to Zenitel to install the security and communication intercom system
 - Fortune 500 company in software installed Stentofon®
 - The Louvre Museum Specifies Stentofon®
-

European Public Safety Networks

-  Countrywide network TETRA
-  Countrywide network TETRA under implementation
-  Regional Network TETRA
-  Countrywide Projects in progress, likely to be TETRA
-  Countrywide network other than TETRA
-  Tender process countrywide networks technology neutral
-  No known project plans



Tetra developments in 1H 2006

Airwave, part of O2 is reaching a more mature stage (both public safety and private customers):

- 3300 sites
- 150.000 users
- EBITDA 2005 : 72 million £
- On Q4 2005, Airwave won national fallback service contract
- In July 2006, Airwave invests in applications development company for TETRA.

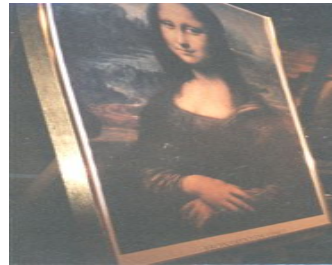
Tetra developments for Zenitel in 1H 2006

Zenitel

- First tetra coverage project received for hospital coverage
- Customer in different segments:



Industry



Musea



Public Safety



Private Safety

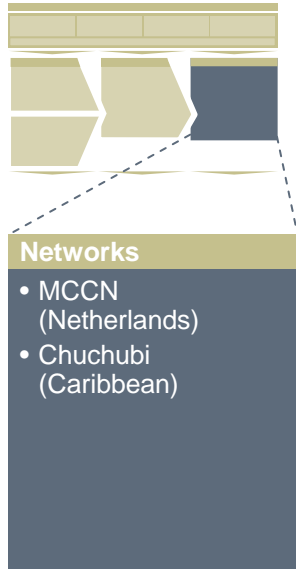


Airport Services

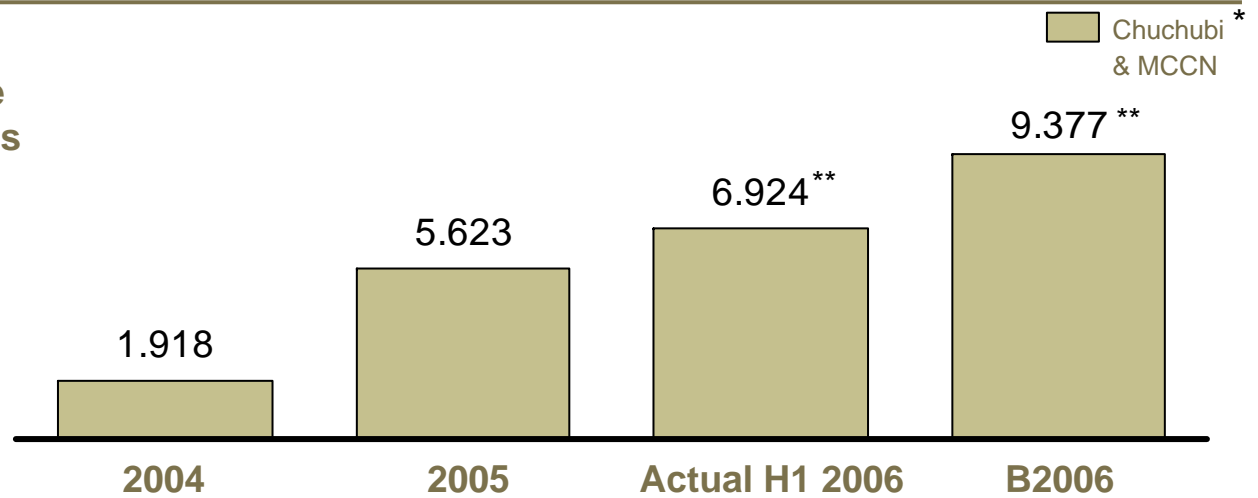


Utilities

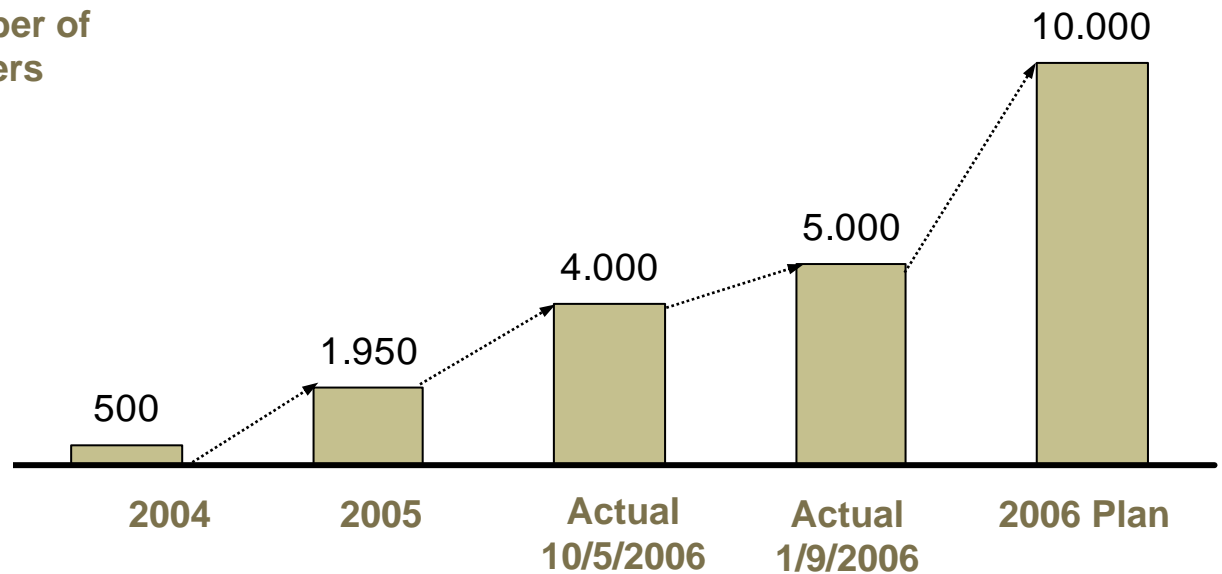
2006 plan: Invest in networks in NL and Caribbean



Total Cumulative investments KEUR



Total number of TETRA users RGU



* Financed locally on a non-recourse basis

** Additional investments will depend on users to be connected on the network already in 2006

Develop VoIP platform

assets →

Installed base | Brands | Voice quality technology

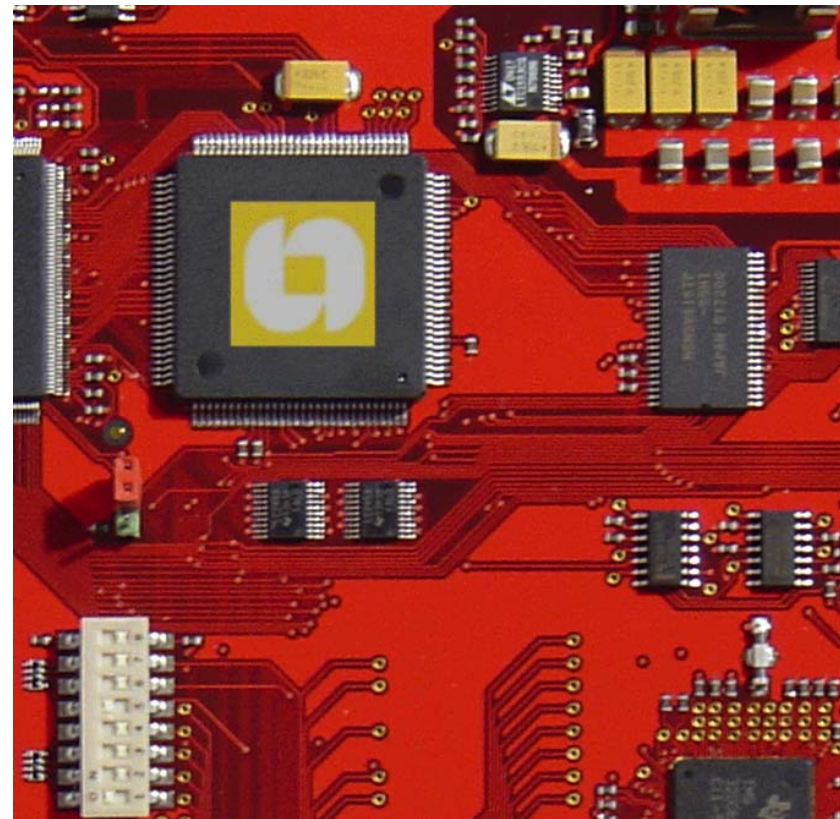


120 new systems sold in March 2006

- Brandenburg Police
- Sanef France
- ...

268 new systems sold per 1 September 2006

- ASF (Autoroutes du Sud de la France)
- Parking des Hôpitaux de Nantes

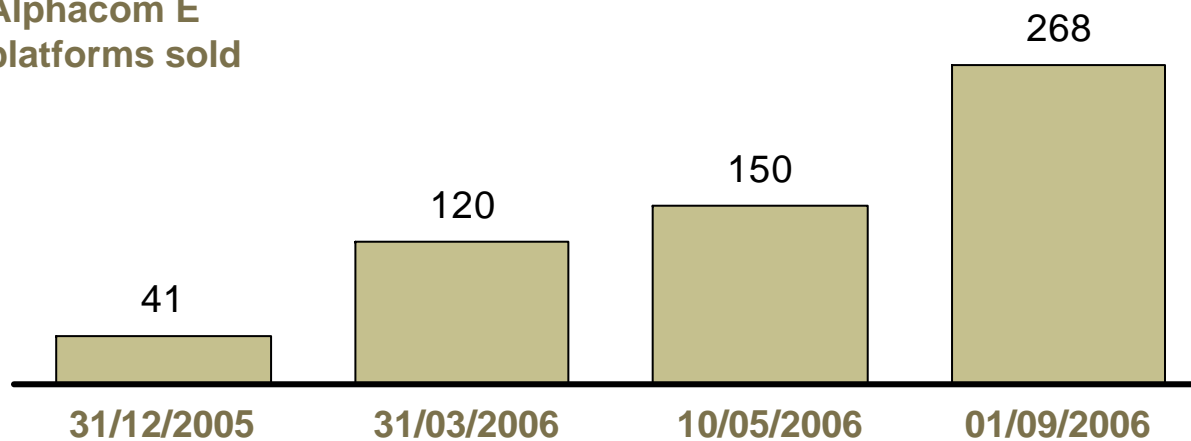


Status VoIP platform

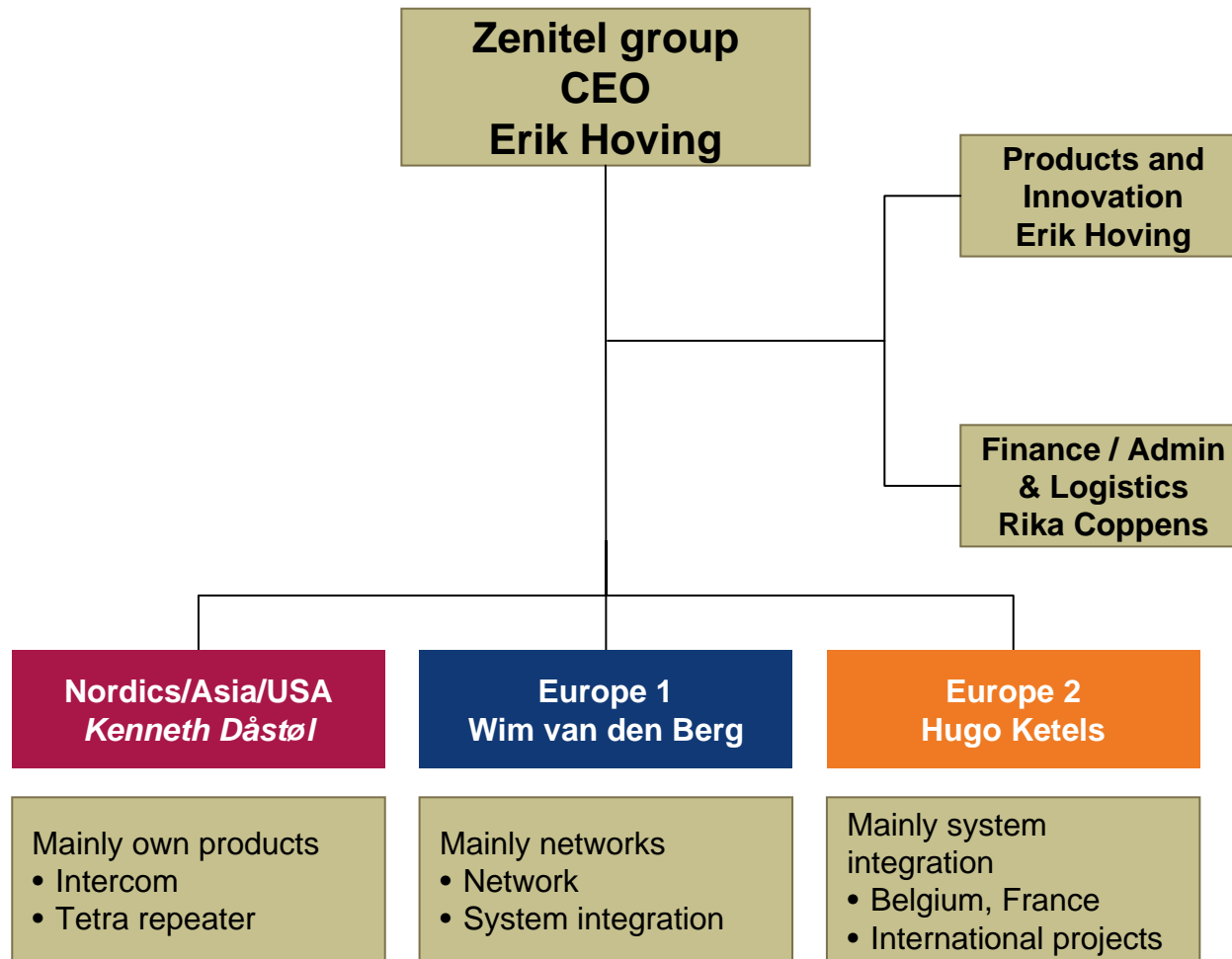
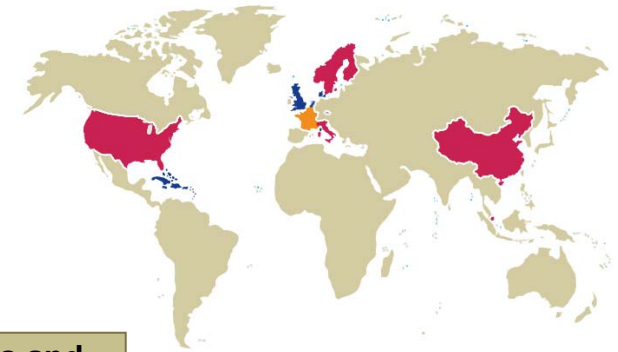
- Commercial introduction of new platform successful and according to plan on 1st June
 - Start sales of software and hardware
 - Start preparation for phase-out of old platforms

- Additional distribution channels under consideration,
 - New geographies
 - New level of partnerships

Total number of
Alphacom E
platforms sold



Zenitel's new organization



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Conclusions

Zenitel is on the right track

First half year

- Turnover as expected
 - 1H operationally break-even
 - More than 5.000 RGU's
 - Introduction VoIP successful and in time
 - No significant one-time-items
-

Full year

- Turnover in line with last year
 - Substantially improved EBITDA, a good 4th quarter is expected
 - 10.000 RGU's will be difficult
 - Further phase-out of old platforms & integration with VoIP-product
 - Some large, difficult projects not yet closed
-