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ZENITEL
CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018

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Introduction

Zenitel NV (the “Company) is a limited liability company organized under the laws of Belgium. The condensed consolidated interim financial statements for the six month period ended 30 June 2018, comprise the company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and jointly controlled entities. Other notations and definitions herein apply as presented in our 2017 annual report, published on 16 March 2018 (the “Annual Report”), which is available on our website at www.zenitel.com.

Basis of Preparation

The condensed consolidated interim financial statements were prepared in accordance with IAS 34 *Interim Financial Reporting*, issued by the IASB as adopted for use by the European Union.

The condensed consolidated interim financial statements do not include all the information and disclosures required for a complete set of IFRS financial statements and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2017. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant for an understanding of the changes in the Group's position and performance since the last annual consolidated financial statements.

New standards, interpretations and amendments adopted by the Group
The accounting policies applied when preparing the condensed consolidated interim financial statements are consistent with those used to prepare the Group's annual consolidated financial statements as of and for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018 as mentioned in note 3.8 accompanying the annual consolidated financial statements as of and for the year ended 31 December 2017.
The effect of the application of the new standards and interpretations is explained below :

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018) establishes a new comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue and IAS 11 Construction Contracts. The Group has completed its IFRS 15 analysis in 2017. Based on this analysis, the Group has identified an impact on projects exceeding year-end related to the installation of communication systems on ships. In IAS 18, the revenues were recognized using the percentage of completion method, whereas in IFRS 15 revenues are recognized based on performance obligations. The key performance obligation in a project relates to the commissioning of the communication system on the ship. The application of IFRS 15 has no impact on the income statement of the 6 months period ended 30 June 2017 because there were no contracts exceeding period end. As at 31 December 2017, this application of IFRS 15 leads to a decrease of equity by 0.2 million euro. The statement of financial position has been restated.

IFRS 9 Financial instruments (effective 1 January 2018) reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Group has performed an impact assessment of all three aspects of IFRS 9. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required. Furthermore, the Group does not apply hedge accounting. Finally, the Group has no significant impact on allowances on receivables because the amounts written of only amounted to 0.1% of total revenues. As a result, the first application of IFRS 9 did not affect the financial statements.

IFRS 16 Leases (effective 1 January 2019) sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance-sheet model. It replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases incentives and SIC 27 Evaluating Substance of Transactions involving the Legal Form of a Lease. A lessee recognizes a right-of –use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. These are optional exemptions for short-term leases of low-value items. Lessor accounting remains similar to the current standard. The Group has started in 2018 an initial assessment of the potential impact on its consolidated financial statements. Based on this assessment, the Group has following operating lease contracts that are in scope of IFRS 16: (i) office and site premises, (ii) cars and (iii) IT equipment. The Group plans to assess the impact of those contracts on its consolidated financial statements by the end of 2018.

These condensed consolidated interim financial statements have been prepared under the historical cost convention except for certain financial instruments (including derivatives) which are measured at fair value. The condensed consolidated interim financial statements are presented in euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

Information regarding forward-looking statements

This document includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology including the terms “believes”, “estimates”, “anticipates”, “aims”, “expects”, “intends”, “may”, “will”, “would”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.
By nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution that forward-looking statements are not guarantees of future performance. Our actual results of operations, financial condition and liquidity and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this report. In addition, even if our results of operations, financial condition and liquidity and the development of the industry in which we operate are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in future periods.
We do not undertake any obligation and do not intend to review or confirm expectations or estimates or to release publicly any revisions to any forward-looking statements that reflect events or circumstances occurring after the date of this document.
We recommend you to read the sections of our 2017 Annual Report for a more complete discussion of (risk) factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this document may not occur.

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1. MANAGEMENT DISCUSSION & ANALYSIS

1.1. Introduction

The following management discussion and analysis is based on the condensed consolidated interim financial statements of Zenitel NV/SA for the six month period ended 30 June 2018 and 30 June 2017 (both unaudited), and the audited consolidated financial statements of Zenitel NV/SA for the year ended 31 December 2017, prepared in accordance with IFRS as adopted for use by the EU. You should read the condensed consolidated interim financial statements attached hereto, including the notes thereto, along with the following discussion and analysis.

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1.2 Financial highlights

FROM CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS	For the six month period ended 30 June	
	Unaudited	
(thousands of Euro)	2018 YTD	2017 YTD
Revenue	31 126	30 243
Profit before tax	1 590	745
Profit for the period	1 308	652
FROM CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION	**Unaudited 30 June**	**Audited 31 December**
(thousands of Euro)	2018	2017 (*)
Total assets	49 268	44 763
Shareholders' equity	28 942	26 730
Working capital	5 779	3 576
Total financial debt[(1)]	1 964	1 606
Total provisions[(2)]	5 231	5 514
Cash and cash equivalents	19 799	18 950
FROM CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS	**For the six month period ended 30 June**	
	Unaudited	
(thousands of Euro)	2018 YTD	2017 YTD
Total cash flow	389	(1 175)
Net cash flows from operations	309	(898)
ALTERNATIVE INTERIM PERFORMANCE MEASURES	**For the six month period ended 30 June**	
	Unaudited	
(thousands of Euro)	2018 YTD	2017 YTD
EBITDA[(3)]	2 514	2 224
Operating profit (EBIT)	1 765	1 292
RATIOS	**Unaudited 30 June**	**Audited 31 December**
	2018	2017 (*)
Shareholders' equity ratio[(4)]	58.7%	59.7%
Net debt(5) and provisions / EBITDA	(5.0)	(2.2)
Weighted average number of shares (in thousands)[(6)]	3 311	3 305
Profit for the period/share (EUR)	0.39	0.69
Total equity / share (EUR)	8.74	8.09
OTHER KEY FIGURES	**Unaudited 30 June**	**Audited 31 December**
	2018	2017
Personnel (FTE) [(7)]	**272**	**264**

(1) Total financial debt: long term and short term interest bearing loans and borrowings
(2) Total provisions: Retirement benefit obligations plus provisions (both current and non current)
(3) EBITDA: earnings before interest & taxes, depreciation and amortization plus write-offs on current assets
(4) Shareholders' equity ratio : Total equity / (Total liabilities and equity)
(5) Net debt: Total financial debt minus cash and cash equivalents
(6) Weighted average number of shares : Total number of shares minus treasury shares
(7) The reported Group FTE's include both employees and contractors
(*) Restated upon adoption IFRS 15.

1.3. Analysis results of the six month period ended 30 June 2018

Revenue of the first half year 2018 amounts to EUR 31.1 million compared to EUR 30.2 million in the first half of 2017, an increase on our top line figures of 2.9% mainly due to new investments by clients in the Maritime- and Oil & Gas industry.

EBITDA amounted to EUR 2.5 million in 2018, an increase of EUR 0.3 million or 13% compared to the first half of 2017. We further strive to increase revenue on the one hand and operational efficiency improvements on the other hand.

Operating profit or EBIT amounted to EUR 1.8 million and 36% up from last year half year financials. Operating expenses (excluding depreciation and impairments) are EUR 0.5 million or 3.1% higher than last year mainly due to new hiring's.

Financial expenses amounted to EUR 0.2 million in the first six months of 2018 or EUR 0.4 million lower than last year and mainly relates to foreign exchange losses. ***Income tax expenses*** amounted to EUR 0.3 million in 2018 which is EUR 0.2 million higher than in the first half of 2017.

The ***Profit for the period*** for the first six months of 2018 amounted to EUR 1.3 million, compared to EUR 0.7 million for the same period in 2017.

Profit for the period per share amounted to EUR 0.39 in the first semester of 2018 against EUR 0.20 in the first semester of 2017.

Cash flow from operations before changes in working capital amounted to EUR 2.5 million against EUR 1.9 million in the previous year. Cash outflow from investing activities amounted to EUR 0.2 million which is in line with previous year. Total debt and provisions amounted to EUR 7.2 million as per 30 June 2018.

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1.4. Post balance sheet events

No items to report.

1.5. Forward-looking statements

The long-term growth strategy of Zenitel remains focused on presence in multiple markets as well as possible acquisitions.
The company is impacted by reduced investments in the Oil & Gas market, but we have seen improvements in the Maritime market as well as the Security market is expected to grow. Zenitel is active in multiple markets and therefore expects full year results to be in line with last year.

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2. FINANCIAL DATA

2.1. Condensed consolidated interim statement of profit or loss and other comprehensive income

(thousands of Euro)	For the six month period ended 30 June, Unaudited 2018 YTD	2017 YTD
Revenue	31 126	30 243
Other gains and losses	0	0
Raw materials and consumables used	(13 186)	(13 060)
Salaries and employee benefits	(10 840)	(10 553)
Depreciation and amortization	(673)	(907)
Net impairment in current assets	(76)	(26)
Consulting expenses	(946)	(787)
Facility expenses	(2 007)	(1 969)
Other expenses	(1 632)	(1 650)
Operating Profit / (Loss)	**1 765**	**1 292**
Finance income	9	44
Finance costs	(155)	(231)
Net foreign exchange gains / (losses)	(29)	(359)
Share of profit / (loss) from equity accounted investments	0	0
Profit / (Loss) before tax	**1 590**	**745**
Income tax expense	(282)	(93)
Profit / (Loss) for the period	**1 308**	**652**

(thousands of Euro, except per share amounts)	For the six month period ended 30 June, Unaudited 2018 YTD	2017 YTD
Other comprehensive income		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		
None		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Exchange differences arising on translation of foreign operations	839	(1 417)
Income tax relating to components of other comprehensive income	0	0
Other comprehensive income for the period (net of tax)	839	(1 417)
Total comprehensive income for the period	**2 147**	**(765)**
Profit / (loss) for the period attributabe to:		
Equity holders of the parent	1 308	652
Total comprehensive income attributable to:		
Equity holders of the parent	2 147	(765)
Profit for the period per share		
Weighted average number of ordinary shares in issue ('000)	3 311	3 306
Basic profit for the period per share	0.39	0.20
Diluted profit for the period per share	0.39	0.20

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2.2. Condensed consolidated interim statement of financial position

ASSETS (thousands of Euro)	Unaudited 30 June, 2018	Audited 31 December, 2017 (*)
Non-current assets		
Property, plant and equipment	506	446
Goodwill	3 389	3 279
Other intangible assets	526	987
Deferred tax assets	1 001	1 194
Financial assets	249	240
Total non-current assets	**5 671**	**6 147**
Current assets		
Inventories	9 147	7 525
Contracts in progress	191	180
Trade and other receivables	13 113	10 751
Deferred charges and accrued income	1 347	1 210
Cash and cash equivalents	19 799	18 950
Total current assets	**43 598**	**38 616**
TOTAL ASSETS	**49 268**	**44 763**

(*) Restated upon adoption of IFRS 15

EQUITY AND LIABILITIES (thousands of Euro)	Unaudited 30 June, 2018	Audited 31 December, 2017 (*)
Capital and reserves		
Issued capital	20 000	20 000
Share premium account	5 340	5 340
Reserves	322	(517)
Retained earnings	3 280	1 972
Treasury shares	-	(65)
Equity attributable to equity holders of the parent	*28 942*	*26 730*
Total equity	**28 942**	**26 730**
Non-current liabilities		
Interest bearing loans and borrowings	71	81
Retirement benefit obligation	317	312
Deferred tax liabilities	25	25
Total non-current liabilities	**413**	**418**
Current liabilities		
Trade and other payables	13 105	10 888
Borrowings	1 894	1 525
Current tax liabilities	-	-
Retirement benefit obligation	41	59
Provisions	4 873	5 143
Total current liabilities	**19 913**	**17 615**
TOTAL LIABILITIES AND EQUITY	**49 268**	**44 763**

(*) Restated upon adoption of IFRS 15

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2.3. Condensed consolidated interim statement of changes in shareholders' equity

(thousands of Euro)	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Retained earnings	Attributabe to equity holders of the parent	Total
Balance on 1 January 2017							
As previously reported	**20 000**	**5 340**	**(55)**	**1 734**	**(301)**	**26 718**	**26 718**
Net result of the period					652	652	**652**
Exchange differences arising on translation of foreign operations				(1 417)		(1 417)	**(1 417)**
Total comprehensive income for the period				*(1 417)*	*652*	*(766)*	***(766)***
Acquisition of treasury shares			(10)			(10)	**(10)**
Balance at 30 June 2017	**20 000**	**5 340**	**(65)**	**317**	**351**	**25 943**	**25 943**

(thousands of Euro)	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Retained earnings	Attributabe to equity holders of the parent	Total
Balance on 1 January 2018 (Unaudited)							
As previously reported **(Restated *)**	**20 000**	**5 340**	**(65)**	**(517)**	**1 972**	**26 730**	**26 730**
Net result of the period					1 308	1 308	**1 308**
Exchange differences arising on translation of foreign operations				839	0	839	**839**
Total comprehensive income for the period				*839*	*1 308*	*2 147*	***2 147***
Sale of treasury shares			65		0	65	**65**
Balance at 30 June 2018	**20 000**	**5 340**	**0**	**322**	**3 280**	**28 942**	**28 942**

(*) Restated due to the application of IFRS 15

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2.4. Condensed consolidated interim statement of cash flows

(thousands of Euro)	For the six month period ended 30 June 2018 YTD	2017 YTD
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) for the period	**1 308**	**652**
Income tax expense recognized in profit or loss	282	93
Finance cost recognized in profit or loss	155	231
Investment revenue recognized in profit or loss	(9)	(44)
Impairment loss recognized on trade receivables	(4)	(75)
Impairment loss recognized on inventory	80	100
Depreciation and amortization of non-current assets	673	907
Cash generated from operating activities before changes in working capital	**2 485**	**1 864**
Changes in working capital	(2 015)	(2 438)
Interest paid	(155)	(231)
Income taxes paid	(6)	(93)
Net cash generated from operating activities	**309**	**(898)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	9	9
Payments for property, plant and equipment	(168)	(110)
Payments for intangible assets	(67)	(50)
Net cash (used in) / generated by investing activities	**(226)**	**(151)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of treasury shares	0	(10)
Movement in used factoring facility	317	(102)
Repayment of borrowings	(11)	(14)
Net cash received / (used) in financing activities	**306**	**(126)**
Net (decrease)/increase in cash and cash equivalents	**389**	**(1 175)**
MOVEMENT IN CASH AND CASH EQUIVALENTS		
At start of the year	18 950	19 249
Increase / (decrease)	389	(1 175)
Effect of exchange rate changes on the balance of cash held in foreign currencies	460	(935)
At the end of the period	**19 799**	**17 139**
Total Cash and cash equivalents	19 799	17 139
Net cash and cash equivalents at the end of the period	**19 799**	**17 139**

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2.5. Notes to the condensed consolidated interim financial statements

Note 1: Basis of preparation

Zenitel prepared the financial information as disclosed in this half-year Press release in accordance with the International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting'. These Interim Financial Statements should be read with the Consolidated Financial Statements for the year ended 31 December 2017 (hereafter 'the Annual Report') as they provide an update of previously reported information. They were approved for issue by the Board of Directors on 7 August 2018.

Note 2: Accounting policies

The accounting policies and methods of the Group used as of 30 June 2018 are consistent with those applied in the 31 December 2017 consolidated financial statements, with the exception that the Group adopted the new standards, interpretations and revisions that became mandatory for the Zenitel Group on 1 January 2018.

The comparatives have been reclassified or extended from the previously reported condensed consolidated interim financial statements to take into account the presentational changes made in the Annual Report or in these condensed consolidated interim financial statements. The preparation of the condensed consolidated interim financial statements require management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the condensed consolidated interim financial statements. If in the future, such estimates and assumptions, which are based on management's best judgment at the date of the condensed consolidated interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

Note 3: Risk management

During the six month period ended 30 June 2018, the Company did not change its financial risk management objectives or policies. As a result, they are still consistent with the disclosures in the Annual Report 2017.

Note 4: Goodwill

Goodwill amounts to EUR 3.4 million as per the six month period ended 30 June 2018, which is in line with 31 December 2017. No impairment of goodwill has been accounted for the first semester of 2018. The minor change in goodwill balance between 31 December 2017 and the six month period ended 30 June 2018 is due to foreign currency translation. In the first semester of 2018, there were no indications that goodwill would be impaired. A new impairment analysis will occur as per 31 December 2018.

Note 5: Deferred tax assets

The deferred income tax asset mainly relates to a part of the tax losses carried forward of Zenitel NV, tax losses carried forward and temporary differences of Zenitel Norway AS. In the first semester of 2018, there were no indications that the deferred tax asset would be impaired. A new analysis will occur as per 31 December 2018.

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Note 6: Financial assets

(thousands of Euro)	Unaudited 30 June 2018	Audited 31 December 2017
Available for sale investments	248	240
	248	**240**
of which current	0	0
of which non current	248	240

Note 7: Financial debts

(thousands of Euro)	Unaudited 30 June 2017	Audited 31 December 2017
Non current		
Bank borrowings	0	0
Finance lease liabilities	71	81
	71	**81**
Current		
Used factoring facility	1 873	1 504
Finance lease liabilities	21	21
	1 894	**1 525**
Total borrowings	**1 965**	**1 606**

Non-current borrowings and current borrowings

Zenitel Norway AS has per the six month period ended 30 June 2018 a factoring agreement of NOK 35.0 million (EUR 3.7 million). This factoring agreement serves as a method to ensure collection of outstanding customer invoices of Zenitel Norway AS and allows for borrowing up to 80% of the value of customer invoices. As per the six month period ended 30 June 2018, a total of EUR 1.9 million of this factoring facility was used. In order to facilitate growth, credit lines are available up to EUR 1.3 million. As per the six month period ended 30 June 2018, this credit facility has not been used.

In addition, the Company also holds lines for bank guarantees at different credit institutions for in total EUR 2.7 million, of which EUR 1.1 million are used to secure the completion of customer contracts.

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Note 8: Financial Instruments

The carrying amounts of financial assets and financial liabilities, recognized at amortized costs in the financial statements, approximate their fair values.

The following table provides an overview of the carrying values and classes of financial instruments and analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 and 3 based on the degree to which the fair value is observable:

- ✓ Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ✓ Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- ✓ Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(thousands of Euro)	Unaudited 30 June 2018 Carrying value	Fair value	Audited 31 December 2017 (*) Carrying value	Fair value	Level	Balance sheet caption
Financial assets availabe for sale	**248**	**248**	**240**	**240**		**Financial assets**
Available for sale investments	248	248	240	240	3	Financial assets
Loans and receivables	**13 113**	**13 113**	**10 751**	**10 751**		
Trade receivables	12 207	12 207	10 130	10 130	3	Trade and other receivables
Other receivables	906	906	621	621	3	Trade and other receivables
Financial liabilities at amortized cost	**15 070**	**15 070**	**12 494**	**12 494**		**Financial liabilities**
Interest bearing loans and borrowings	1 965	1 965	1 606	1 606	3	Interest bearing loans and borrowings LT and ST
Trade payables	7 253	7 253	4 991	4 991	3	Trade and other payables
Other payables	5 852	5 852	5 897	5 897	3	Trade and other payables

(*) Restated upon adoption of IFRS 15

Net fair values of derivative financial instruments

The derivatives are not part of a hedging relationship that qualifies for hedge accounting. Consequently, changes in fair value are recognized in the income statement. As per the six month period ended 30 June 2018 there are only forward exchange contracts outstanding with regard to the NOK.

Note 9: Provisions

(thousands of Euro)	Retirement benefit obligations	Technical guarantees	Other	Total
On 1 January 2018	**371**	**786**	**4 358**	**5 515**
Additions to provisions	6	7	0	13
Payments	(18)	(0)	0	(18)
Reversal of provisions	0	(302)	0	(302)
Exchange differences	(1)	24	0	23
On 30 June 2018	**358**	**515**	**4 358**	**5 231**
of which non current	317	0	0	317
of which current	41	515	4 358	4 914

Retirement benefit obligations

The calculation of these pension liabilities is based on the recommendations of independent actuaries. A new actuarial calculation will occur as per 31 December 2018. The movements as per the six month period ended 30 June 2018 do relate to actual payments.

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Technical guarantees

The Group recognizes the estimated liability to repair or replace its products still under warranty at the balance sheet date. This provision is calculated based on the past history of the level of repairs and replacements.

Other

The other provisions cover principally risks related to legal claims. Provisions were set up based on the current situation of the different files in order to cover risks linked to some of these litigations.

Note 10: Contingencies

During the normal course of business, the Company and its subsidiaries are party to various legal claims and complaints resulting in contingent liabilities with uncertainty on timing and/or amount. The contingent liabilities of the Company relate to possible obligations with respect to old projects, soil contamination, warranties given and redundancies. There are no changes to the contingencies as disclosed in the Annual Report 2017.

Note 11: Segment reporting

The Group has one operating segment, the SCS business.

Note 12: Related parties

The related parties of the company mainly comprise its shareholders that have the ability to exercise significant influence or control.

The company rents office space and services in Zellik, Belgium from its shareholder, 3D NV. The rent charged by 3D NV to Zenitel NV is determined on an ‘at arm’s length’ basis. There are no changes in the agreements and the amounts are consisted to the amounts disclosed in the Annual Report 2017.

Note 13: Restatement due to IFRS

Resulting from the first application of IFRS 15 Revenue from Contracts with Customers, the Group decided to apply the full retrospective approach.
The impact of IFRS 15 has only impact on contracts that are exceeding a period end in respect of the installation of communication systems on ships.

In IAS 18, the revenues were recognized using the percentage of completion method, whereas in IFRS 15 revenues are recognized based on performance obligations. The key performance obligation in a project relates to the commissioning of the communication system on the ship, which only takes place towards the end of the project. Hence, the recognition of revenues in IFRS 15 on these contracts is later than under the previous accounting principles under IAS 18.

The application of IFRS 15 had no impact on the income statement of the 6 months period ended 30 June 2017 because there were no contracts exceeding period end. Therefore, no tables on restated figures is included in this note.

The effect of IFRS 15 on the balance sheet per 31 December 2017 is as follows:

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Consolidated statement of financial position at 31 December 2017

(thousands of euro)	Year ended 31 December 2017			
	Reported	IAS 8	IFRS 15	Restated (*)
Non-current assets				
Property, plant and equipment	447	0	0	447
Goodwill	3 279	0	0	3 279
Other intangible assets	987	0	0	987
Deferred tax assets	1 194	0	0	1 194
Financial assets	240	0	0	240
Total non-current assets	**6 147**	**0**	**0**	**6 147**
Current assets				
Inventories	7 525	0	0	7 525
Contracts in progress	180	0	0	180
Trade and other receivables	10 751	0	0	10 751
Deferred charges and accrued income	1 149	0	61	1 210
Cash and cash equivalents	18 950	0	0	18 950
Total current assets	**38 555**	**0**	**61**	**38 616**
TOTAL ASSETS	**44 702**	**0**	**61**	**44 763**
Total equity	**26 923**	**0**	**(193)**	**26 730**
Non-current liabilities				
Borrowings	81	0	0	81
Retirement benefit obligations	312	0	0	312
Deferred tax liabilities	25	0	0	25
Provisions	0	0	0	0
Total non-current liabilities	**418**	**0**	**0**	**418**
Current liabilities				
Trade and other payables	10 634	0	254	10 888
Borrowings	1 525	0	0	1 525
Current tax liabilities	0	0	0	0
Retirement benefit obligations	59	0	0	59
Provisions	5 143	0	0	5 143
Total current liabilities	**17 361**	**0**	**254**	**17 615**
TOTAL EQUITY AND LIABILITIES	**44 702**	**0**	**61**	**44 763**

(*) Restated upon adoption of IFRS 15

The application of IFRS 15 had no impact on opening equity as of 1 January 2017 because there were no contracts exceeding period end as at 31 December 2016. Therefore, the column 'IAS 8' in the above table is zero.

As at 31 December 2017, the application of IFRS 15 led to a decrease of equity by 0.2 million euro. The statement of financial position has been restated in this respect as indicated in the table above.

3. RISK FACTORS

General

Zenitel's core activities consist of providing integrated solutions and services for the professional market, where fast, reliable and secure communication is essential. The profitability and risk profile of the Company is defined by a number of factors described in the Annual Report. These elements cause uncertainty with regard to the trend in the value of Zenitel shares. Additional risks and uncertainties, that are currently not known to Zenitel or which the Company currently believes are immaterial, could likewise impair its business operations, or have an adverse effect on Zenitel's cash flows, profitability, financial condition and the price of its shares.

Management refers to the section "Risk factors and uncertainties" in the Annual Report, page 21, which remain valid for the second semester of 2018.

Two risk factors are worth highlighting:

Litigation risks

The Group has certain pending litigations that can be qualified as contingent liabilities according to the definition of IFRS. The outcome of these litigations is uncertain. No guarantee can be given that this will be the case and there is a risk that the Group will need to pay some or all of these contingent liabilities in the near future.

Currency Risk

The results of the Company are reported in euro. This means that the results of operations and the financial position of Zenitel entities that operate in other currencies than the euro need to be translated to euro in the consolidation process.

As there is ongoing fluctuation between these foreign currencies and the euro, there may be a negative impact on the Company's consolidated results.

The most important currency risk in this respect relates to the Norwegian krone (NOK), followed by the Singaporean dollar (SGD) and the US dollar (USD).

The evolution of the exchange rate of these currencies against the euro cannot be predicted. This results in an ongoing risk in forecasting sales volumes for the Group due to the time elapsing between order and actual delivery and invoice. At the same time, profit margins may be negatively affected.

Since most of the Norwegian business is export in the euro currency, Zenitel Norway AS has a NOK deficit and a EUR surplus. The company has put in place hedging systems that secure minimum 50% of the needed exchange between EUR/NOK on a rolling 12-month basis.

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4. FAIR VIEW STATEMENT BY THE MANAGEMENT OF THE COMPANY

We the undersigned, Kenneth Dåstøl, CEO and Mark Küpers, CFO, declare that, to our knowledge:

- The set of condensed consolidated interim financial statements drawn in accordance with the prevailing accounting standards on Interim Financial Statements (IAS 34), gives a true and fair view of the equity, financial position and profit and loss of the issuer and the companies included within its consolidation
- The interim management's discussion and analysis provide a fair overview of the important events and major transactions between related parties which occurred during the first six months of the financial year, and their impact on the set of condensed consolidated interim financial report, and a description of the main risks and uncertainties for the remaining months of the financial year.

Kenneth Dåstøl
CEO

Mark Küpers
CFO

Contact Zenitel:

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Zenitel has firmly established itself at the intersection of two domains - communication on the one hand, security and safety on the other. As a leading player in instant audio and data communication, Zenitel is the preferred choice in situations that involve the protection of human lives, or the management of critical activities. Zenitel is committed to the success and future objectives of its Secure Communication Systems (SCS) activity that develops and distributes fully integrated communication platforms including Intercom, Public Address and two-way Radio Systems.

Zenitel has a strong presence in both the onshore and offshore secure communications market through its global brand, Vingtor-Stentofon. The brand is recognized globally for offering advanced offshore and onshore communication systems. Vingtor-Stentofon provides integrated security communications for environments where life, property and assets are at stake. Systems interface with other security devices including CCTV, access control and alarm for a comprehensive security solution. Vingtor-Stentofon's primary system offering is within Public Address, Intercom and Radio. The key markets include Building Security & Public Safety, Transportation, Industrial, Oil & Gas and Maritime.

Zenitel is a listed company (Euronext). The statutory headquarter of Zenitel is in Zellik (Brussels) and the operational headquarters is based in Norway.
(*) Representing a BVBA

For more information: www.zenitel.com

The enclosed information constitutes regulated information as defined in the Royal Decree of 14 November 2007 regarding the duties of issuers of financial instruments which have been admitted for trading on a regulated market.