

Press Release

Regulated information – Inside information

15 February 2019, 8:00 AM

Zenitel reports moderate revenue growth and increased net results for 2018

Zenitel N.V. (EURONEXT Brussels: ZENT), a leading player in instant and secure audio and data communication, today announced its results for the fiscal year ended 31 December 2018.

- Total revenue amounted to 61.8 million euro compared to the restated 59.9 million euro in 2017. This represents a growth of 3.2%.
- EBITDA was 4.3 million euro, compared to the restated 5.2 million euro last year.
- EBIT amounted to 3.2 million euro, compared to the restated 3.6 million euro in 2017.
- Net profit from operations was 2.7 million euro, compared to the restated 2.3 million euro in 2017.
- Financial cash position of 20.4 million euro at the end of 2018, compared to 18.9 million euro in 2017.

Kenneth Dastol, CEO of Zenitel, commented:

“We are pleased to see that our top line has grown by 3.2% and that we have increased the net result with more than 17% in one year although we incurred integration costs related to the Phontech acquisition we announced in October 2018 and in 2019 we also expect the results to be impacted by certain integration costs.

Reduced investments in the Oil and Gas industry have negatively affected the Maritime market over the past years. In 2018, we have seen the first signs of a cautious recovery in these markets, and we feel confident that we can continue to increase our market share in Maritime and the Oil and Gas industry in 2019.

Zenitel has continued to further establish its strong position in “intelligent communication” solutions during 2018 ensuring our customers can hear, be heard and be understood - every time.

In 2019 we intend to continue expanding our business in our focus markets and segments by increasing investments in more sales and marketing resources, while at the same time keeping our products and services to the highest standards. “

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Consolidated key figures:

CONSOLIDATED KEY FIGURES					
(thousands of euro)	2018	2017*	2016**	2015**	2014**
FROM CONSOLIDATED STATEMENT OF PROFIT OR LOSS					
Revenue	61 831	59 915	63 473	66 498	67 375
Profit before tax	3 383	3 068	2 617	2 295	1 799
Profit of the year	2 653	2 265	2 561	7 329	2 214
FROM STATEMENT OF FINANCIAL POSITION					
Total assets	50 138	44 763	47 494	54 652	47 904
Shareholders' equity	29 327	26 730	26 718	27 889	21 229
Working capital	5 967	2 474	1 535	2 475	3 341
Total financial debt ⁽²⁾	2 120	1 606	2 511	1 889	2 195
Total provisions ⁽³⁾	4 789	5 514	5 215	4 081	4 316
Cash and cash equivalents	20 371	18 950	19 249	17 551	9 578
ALTERNATIVE PERFORMANCE MEASURES					
EBITDA ⁽¹⁾	4 267	5 184	4 828	4 928	3 983
Operating profit (EBIT)	3 164	3 557	2 483	2 649	2 721
Net result continuing operations	2 653	2 265	2 561	2 200	1 694
RATIOS					
Shareholder's equity ratio	58.5%	59.7%	56.3%	51.0%	44.3%
Net debt ⁽⁴⁾ / EBITDA	-4.3	-3.3	-3.5	-3.2	-1.9
Net debt ⁽⁴⁾ and provisions ⁽³⁾ / EBITDA	-3.2	-2.3	-2.4	-2.3	-0.8
Weighted average number of shares (in thousands)*/**	3 311	3 305	3 306	3 311	3 311
Shareholder's equity/share (EUR)*	8.86	8.09	8.08	8.42	6.41
Earnings/share (EUR)*	0.80	0.69	0.77	2.21	0.67
ROCE ⁽⁵⁾	30.5%	43.0%	30.9%	25.8%	22.9%
OTHER KEY FIGURES					
FTE	300	264	266	283	276
<p>⁽¹⁾ EBITDA: earnings before interest & taxes, depreciation and amortization plus write-offs on current assets and one-time results</p> <p>⁽²⁾ Total financial debt: long term and short term interest bearing loans and borrowings</p> <p>⁽³⁾ Total provisions: Retirement benefit obligations plus provisions (both current and non current)</p> <p>⁽⁴⁾ Net debt: Total debt minus cash and cash equivalents</p> <p>⁽⁵⁾ ROCE: EBIT / (tangible assets + intangible assets + working capital)</p> <p>(*) Restated upon the adoption of IFRS 15</p> <p>(**) Restated due to the 1-for-10 Reverse share split in May 2017.</p>					

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Discussion of the consolidated key figures:

Revenue in 2018 was 61.8 million euro compared to restated 59.9 million euro in 2017. The revenue is still impacted by reduced investments in the Maritime and the Oil & Gas markets, but are compensated by increased revenues in onshore activities. Financials for 2017 are restated upon the adoption of IFRS 15 in 2018.

Due to our continued focus on operational efficiency, the **EBITDA** in 2018 ended at 4.3 million euro which is 0.9 million euro lower than last year.

The operating profit (EBIT) amounted to 3.2 million euro compared to the restated 3.6 million euro in 2017. The amortization of capitalized R&D was 0.7 million euro R&D in 2018 compared to 1.0 million euro last year.

The **net financial income** amounted to 0.2 million euro compared to 0.06 million euro net financial expenses in 2017 mainly due foreign currency translation results.

The total consolidated **net result** from continuing operations for the Zenitel Group shows a profit of 2.7 million euro which is 0.4 million euro higher than restated 2017.

Earnings per share amounted to 0.80 euro in 2018 against restated EUR 0.69 in 2017. In May 2017 the Company conducted a 1-for-10 reverse share split.

Total provisions decreased by 0.7 million euro to 4.8 million euro.

At the end of 2018 **total assets** amounted to 50.1 million euro against restated 44.8 million euro at year end 2017. **Shareholders' equity** increased from 26.7 million euro to 29.3 million euro in 2018 which is mainly as a result of the profit of the year. Equity ratio was 58.5% in 2018 compared to 59.7% in 2017.

Net **cash flow** of the Zenitel Group amounted to 1.5 million euro in 2018 compared to restated 0.7 million euro in 2017. The outflow from investment activities amounted to 1.7 million euro in 2018 and the cash flow generated from operations before changes in working capital amounted to 4.4 million euro in 2018 compared to restated 4.9 million euro last year. At the end of 2018, Zenitel's cash and cash equivalents amounted to 20.4 million euro.

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Appendices to this press release:

The following detailed information is included in the annexes to this press release:

- Annex 1: Consolidated statement of profit or loss of the Zenitel group for the year ended 31 December 2018
- Annex 2: Consolidated statement of profit or loss and other comprehensive income of the Zenitel group for the year ended 31 December 2018
- Annex 3: Consolidated statement of financial position of the Zenitel group as at 31 December 2018
- Annex 4: Consolidated statement of changes in equity of the Zenitel group for the year ended 31 December 2018
- Annex 5: Consolidated statement of cash flows of the Zenitel group for the year ended 31 December 2018

Outlook 2019:

The global security market is expected to grow steadily over the coming years and we aim to grow in parallel by identifying the problems our customers face and by designing, deploying and managing the solutions our customers require.

In 2018 we have seen the first signs of a cautious recovery in the Oil and Gas industry markets and we feel confident that we can continue to increase our market share in Maritime and the Oil and Gas industry in 2019 based on our wide product portfolio and the Phontech acquisition.

Declaration of the auditor:

The statutory auditor of Zenitel NV, Ernst & Young Bedrijfsrevisoren BCVBA, represented by Marnix Van Dooren, has confirmed that the audit work, which is substantially complete, has not revealed any significant matters requiring adjustments of the 2018 consolidated financial information included in this press release.

Financial Calendar:

15/03/2019	Publication Annual Report (8:00 AM)
29/04/2019	Annual General Shareholders' Meeting (11:00 AM)
09/08/2019	Press Release Half-Year Results 2019 (8:00 AM)

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Disclaimer:

This press release may contain forward-looking statements. Such statements reflect the current views of Management and the Board of Directors regarding future events and involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Zenitel is providing the information in this press release as of this date and does not undertake any obligation to update any forward-looking statements contained in this press release in light of new information, future events or otherwise. Zenitel disclaims any liability for statements made or published by third parties and does not undertake any obligation to correct inaccurate data, information, conclusions or opinions published by third parties in relation to this or any other press release issued by 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 brands, Vingtor-Stentofon and Phontech. These brands are recognized globally for offering advanced offshore and onshore communication systems. Vingtor-Stentofon and Phontech provide 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.

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Annex 1: Consolidated statement of profit or loss of the Zenitel group for the year ended 31 December 2018

(thousands of euro)	Year ended 31 December	
	2018	2017 ^(*)
Continuing operations		
Revenue	61 831	59 915
Raw materials and consumables used	-26 701	-25 367
Employee benefits expenses	-21 566	-20 957
Depreciation and amortization expenses	-1 076	-1 666
Net impairment on current assets	-27	39
Consulting expenses	-1 930	-1 182
Facility expenses	-4 143	-3 927
Other expenses	-3 224	-3 299
Total operating expenses	-58 667	-56 358
Operating Profit / (Loss)	3 164	3 557
Finance income	413	96
Finance costs	-337	-304
Net foreign exchange gains / (losses)	143	-281
Profit before tax	3 383	3 067
Income tax income/ (expenses)	-730	-803
Profit for the year	2 653	2 264
Earnings per share		
Weighted average number of ordinary shares in issue ('000) ⁽¹⁾	3 311	3 305
From continuing operations		
Basic earnings per share ⁽¹⁾	0.80	0.69
Diluted earnings per share ⁽¹⁾	0.80	0.69

⁽¹⁾ Restated due to the 1-for-10 Reverse share split in May 2017.

^(*) Restated upon the adoption of IFRS 15

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Annex 2: Consolidated statement of profit or loss and other comprehensive income of the Zenitel group for the year ended 31 December 2018

(thousands of euro)	Year ended 31 December	
	2018	2017 (*)
Profit for the year	2 653	2 265
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations **	-134	-2 251
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
OCI actuarial gains & losses	13	7
Other comprehensive income for the period (net of income tax)	-121	-2 244
Total comprehensive income for the period	2 532	21
Attributable to:		
Owners of the Company	2 532	21
Non-controlling interests	-	-

(*) Restated upon adoption of IFRS15

(**) In 2018 and 2017, the negative exchange differences in the other comprehensive income line were mainly booked on foreign operations held in Norwegian Krone, US Dollar and Singaporean Dollar.

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Annex 3: Consolidated statement of financial position of the Zenitel group as at 31 December 2018

(thousands of euro)	Year ended 31 December	
	2018	2017 (*)
ASSETS		
Non-current assets		
Property, plant and equipment	806	446
Goodwill	3 246	3 279
Other intangible assets	360	987
Deferred tax assets	822	1 194
Financial assets	238	240
Total non-current assets	5 472	6 147
Current assets		
Inventories	10 705	7 525
Contracts in progress	83	180
Trade and other receivables	12 016	10 751
Deferred charges and accrued income	1 491	1 210
Cash and cash equivalents	20 371	18 950
Total current assets	44 666	38 616
TOTAL ASSETS	50 138	44 763

(*) Retated upon adoption of IFRS 15

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(thousands of euro)	Year ended 31 December	
	2018	2017 (*)
EQUITY AND LIABILITIES		
Capital and reserves		
Capital	20 000	20 000
Share premium account	5 340	5 340
Reserves	-651	-517
Retained earnings	4 638	1 972
Treasury shares	0	-65
<i>Equity attributable to owners of the Company</i>	<u>29 327</u>	<u>26 730</u>
Total equity	29 327	26 730
Non-current liabilities		
Borrowings	61	81
Retirement benefit obligations	357	312
Deferred tax liabilities	28	25
Total non-current liabilities	446	418
Current liabilities		
Trade and other payables	13 874	10 888
Borrowings	2 059	1 525
Retirement benefit obligations	0	59
Provisions	4 432	5 143
Total current liabilities	20 365	17 615
TOTAL EQUITY AND LIABILITIES	50 138	44 763

(*) Retated upon adoption of IFRS 15

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Annex 4: Consolidated statement of changes in equity of the Zenitel group for the year ended 31 December 2018

(thousands of euro)	Share capital	Share premium	Treasury shares	Foreign currency translation	Retained Earnings	Attributable to owners of the parent	Total
Balance at 1 January 2017	20 000	5 340	-55	1 734	-301	26 718	26 718
Profit for the year					2 459	2 459	2 459
OCI actuarial gain and losses					7	7	7
Other comprehensive income for the year, net of income tax				-2 251		-2 251	-2 251
<i>Total comprehensive income for the year</i>				-2 251	2 466	215	215
Cash dividends							0
Acquisition of treasury shares			-10			-10	-10
Balance at 31 December 2017	20 000	5 340	-65	-517	2 165	26 923	26 923
Balance at 1 January 2018 (Restated*)	20 000	5 340	-65	-517	1 972	26 730	26 730
Profit for the year					2 653	2 653	2 653
OCI actuarial gains & losses					13	13	13
Other comprehensive income for the year, net of income tax				-134		-134	-134
<i>Total comprehensive income for the year</i>				-134	2 666	2 532	2 532
Cash dividends							0
Sale of treasury shares			65			65	65
Balance at 31 December 2018	20 000	5 340	0	-651	4 638	29 327	29 327

(*) Restated upon adoption of IFRS15

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Annex 5: Consolidated statement of cash flows of the Zenitel group for the year ended 31 December 2018

(thousands of euro)	Year ended 31 December	
	2018	2017 (*)
Cash flows from operating activities		
Net profit / (Loss) for the year	2 653	2 265
Income tax expense recognized in profit or loss	730	803
Finance cost recognized in profit or loss	337	304
Investment revenue recognized in profit or loss	-413	-96
Impairment loss recognized on trade receivables	-101	-226
Impairment loss recognized on inventory	128	187
Depreciation and amortization of non-current assets	1 076	1 666
Cash generated from operating activities before changes in working capital	4 410	4 903
Changes in working capital	-1 268	-2 761
Interest paid	-238	-302
Income taxes paid	-177	-133
Net cash generated from operating activities	2 727	1 707
Cash flows from investing activities		
Interest received	18	17
Proceeds received from minority interest	-	42
Net cash outflow on acquisitions of subsidiaries	-1275	-
Payments for property, plant and equipment	-314	-224
Proceeds from disposal of intangible assets	1	-
Payments for intangible assets	-179	-77
Net cash (used in) / generated by investing activities	-1 749	-242
Cash flows from financing activities		
Acquisition/Sale of treasury shares	65	-10
Movement in used factoring facility	512	-753
Repayment of borrowings	-19	-28
Net cash received / (used) in financing activities	558	-791
Net (decrease)/increase in cash and cash equivalents	1 535	673
Movement in cash and cash equivalents		
At start of the year	18 950	19 249
Increase / (decrease)	1 535	673
Effect of exchange rate changes of cash held in foreign currencies	-114	-972
At the end of the year	20 371	18 950
Total Cash and cash equivalents	20 371	18 950
Net cash and cash equivalents at the end of the year	20 371	18 950

(*) Restated upon adoption of IFRS15