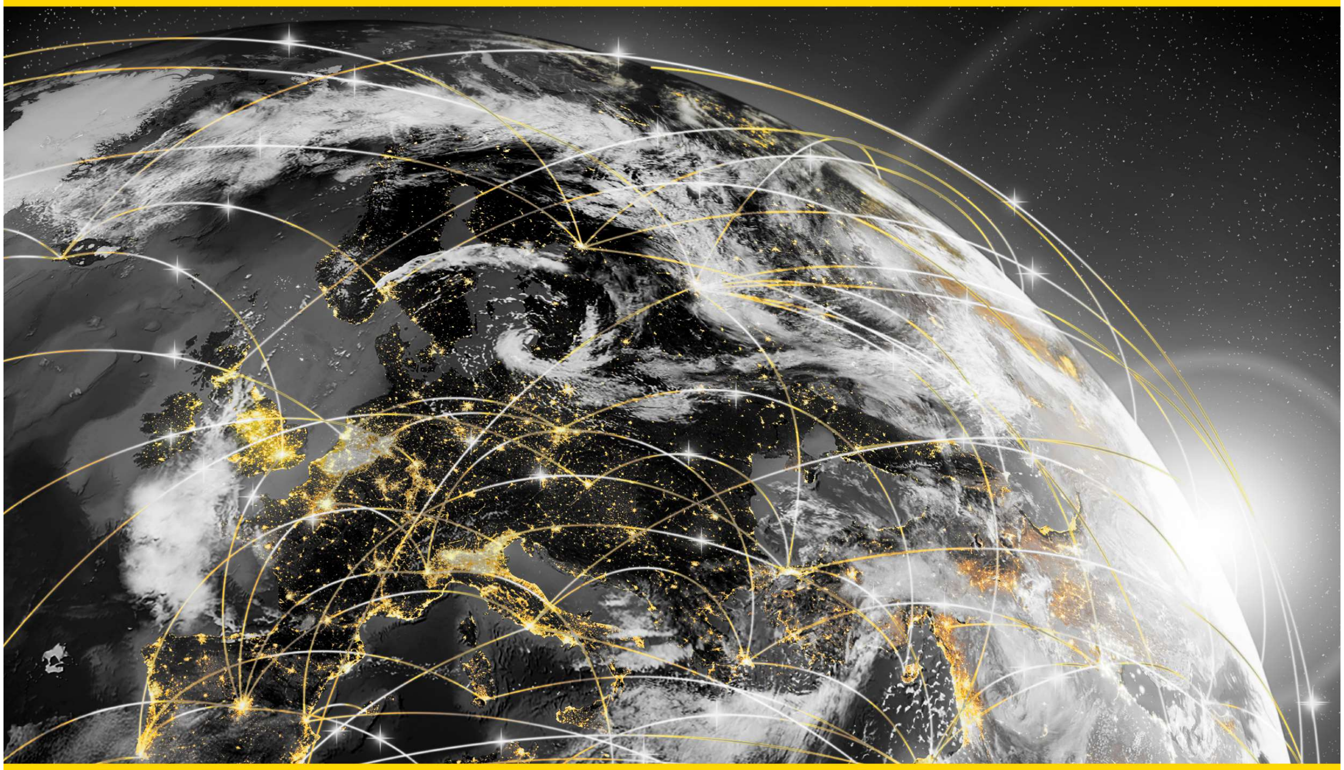
zenitel



ZENITEL

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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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 2020, 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 2019 annual report, published on 27 March 2020 (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 2019. They do not include all 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 2019, except for the adoption of new standards and interpretations effective as of 1 January 2020 as mentioned in the section “accounting policies and financial risk factors” accompanying the annual consolidated financial statements as of and for the year ended 31 December 2019.

As the new standards and interpretations did not have a material impact on the Group’s condensed consolidated interim financial statements, no retrospective application of the change in accounting policies and retrospective restatement of previous financial statements was needed.

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 several 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 refer to our 2019 Annual Report for a more complete discussion of (risk) factors that could affect our future performance and the industry in which we operate. Considering 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 2020 and 30 June 2019 (both unaudited), and the audited consolidated financial statements of Zenitel NV/SA for the year ended 31 December 2019, 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.

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)	2020 YTD	2019 YTD
Revenue	36 805	38 094
Profit before tax	4 740	1 972
Profit for the period	3 648	1 548
Profit for the period/share (EUR)	1.10	0.46

FROM CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION	Unaudited 30 June	Audited 31 December
(thousands of Euro)	2020	2019
Total assets	58 932	59 114
Shareholders' equity	33 632	32 578
Working capital(8)	11 443	7 781
Total financial debt(1)	5 211	5 612
Total provisions(2)	4 503	4 807
Cash and cash equivalents	19 970	21 331

FROM CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS	For the six month period ended 30 June Unaudited	
(thousands of Euro)	2020 YTD	2019 YTD
Total cash flow	216	(3 637)
Net cash flows from operations	805	(2 299)

ALTERNATIVE INTERIM PERFORMANCE MEASURES	For the six month period ended 30 June Unaudited	
(thousands of Euro)	2020 YTD	2019 YTD
EBITDA(3)	5 019	3 281
Operating profit (EBIT)	3 935	2 035

RATIOS	Unaudited 30 June 2020	Audited 31 December 2019
Shareholders' equity ratio(4)	57.1%	55.1%
Net debt(5) and provisions / EBITDA	(2.0)	(1.7)
Weighted average number of shares (in thousands)(6)	3 308	3 308
Total equity / share (EUR)	10.17	9.85

OTHER KEY FIGURES	Unaudited 30 June 2020	Audited 31 December 2019
Personnel (FTE) (7)	301	303

(1) Total financial debt: long term and short term lease liabilities 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
(8) Working capital: Total current assets excluding cash and cash equivalents minus total current liabilities excluding borrowings and lease liabilities

1.3. Analysis results of the six-month period ended 30 June 2020

Revenue amounts to EUR 36.8 million for the first six months of 2020, a decrease of 3% due to the COVID-19 pandemic in the first half of 2020.

EBITDA amounted to EUR 5.0 million for the first six months of 2020, an increase of EUR 1.7 million or 53% compared to the first half of 2019, thanks to an increased organizational performance and cost effectiveness in combination with lower costs for traveling and trade shows directly related to COVID-19 restrictions.
In the beginning of the year, management reacted very quickly to reduce costs immediately while protecting existing employment. This is resulting in a much lower than structural OPEX level due to the exceptional COVID-19 circumstances.

Operating profit or EBIT amounted to EUR 3.9 million, an increase of 93% for the first six months of 2020 compared to last year financials. The increase is a result of a relatively stable revenue, increased margins, cost decreases related to COVID-19 and the continuous improved operational efficiency.

Financial expenses resulted to EUR 0.8 million gain in the first six months of 2020 compared to an expense of EUR 0.1 million last year, which is mainly due to the positive exchange rate effects.

Income tax expenses amounted to EUR 1.1 million in 2020, which is EUR 0.7 million higher than in the first half of 2019 mainly as a result of the increased profit before tax.

The ***Profit for the period*** for the first six months of 2020 increased to EUR 3.6 million, compared to EUR 1.5 million last year.

Profit for the period per share amounted to EUR 1.1 in the first semester of 2020 against EUR 0.46 in the first semester of 2019.

Cash flow from operations before changes in working capital amounted to EUR 6.0 million against EUR 3.5 million in the previous year. Cash outflow from investing activities amounted to EUR 0.6 million compared to EUR 0.4 million for the same period in 2019. Total debt and provisions amounted to EUR 9.7 million in 2019 against 9.5 million as per 30 June 2019.

1.4. Post balance sheet events

No items to report.

1.5. Forward-looking statements

Product innovation, streamlining the Zenitel organization and increasing Zenitel's market reach continues to be the focus of the Zenitel team. Zenitel has a long-term growth strategy focused on its presence in multiple markets. By further investing in new talent, new products and solutions, as well as looking for possible acquisitions, the market position in the Maritime, Energy and Security markets will be further strengthened the coming years. For the near future, COVID-19 is however resulting in a lot of uncertainties and impacting revenue streams. Zenitel tries to minimize the COVID-19 impact in very difficult market circumstances in all regions and all market segments.

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 2020 YTD	2019 YTD
Revenue	36 805	38 094
Raw materials and consumables used (*)	(15 544)	(17 335)
Salaries and employee benefits	(12 925)	(12 911)
Depreciation and amortization	(1 084)	(1 246)
Consulting expenses	(995)	(1 532)
Facility expenses	(1 363)	(1 482)
Other expenses	(959)	(1 552)
Operating Profit / (Loss)	**3 935**	**2 035**
Finance income	37	121
Finance costs	(244)	(250)
Net foreign exchange gains / (losses)	1 011	66
Profit / (Loss) before tax	**4 740**	**1 972**
Income tax expense	(1 092)	(425)
Profit / (Loss) for the period	**3 648**	**1 548**

(*) Impairment on current assets are included in raw materials and consumables used

(thousands of Euro, except per share amounts)	For the six month period ended 30 June, Unaudited 2020 YTD	2019 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	(2 631)	629
Other comprehensive income for the period (net of tax)	(2 631)	629
Total comprehensive income for the period	**1 017**	**2 177**
Profit / (loss) for the period attributabe to:		
Equity holders of the parent	3 648	1 548
Total comprehensive income attributable to:		
Equity holders of the parent	1 017	2 177
Profit for the period per share		
Weighted average number of ordinary shares in issue (‘000)	3 308	3 309
Basic profit for the period per share	1.10	0.46
Diluted profit for the period per share	1.10	0.46

2.2. Condensed consolidated interim statement of financial position

ASSETS (thousands of Euro)	Unaudited 30 June 2020	Audited 31 December 2019
Non-current assets		
Property, plant and equipment	3 976	4 593
Goodwill	2 968	3 272
Other intangible assets	153	195
Deferred tax assets	554	1 173
Financial assets	218	240
Total non-current assets	**7 869**	**9 474**
Current assets		
Inventories	15 642	12 648
Contracts in progress	-	-
Trade and other receivables	14 109	14 374
Deferred charges and accrued income	1 342	1 287
Cash and cash equivalents	19 970	21 331
Total current assets	**51 062**	**49 640**
TOTAL ASSETS	**58 932**	**59 114**

EQUITY AND LIABILITIES (thousands of Euro)	Unaudited 30 June 2020	Audited 31 December 2019
Capital and reserves		
Issued capital	20 000	20 000
Share premium account	5 340	5 340
Reserves	(2 973)	(342)
Retained earnings	11 265	7 617
Treasury shares	0	(37)
Equity attributable to equity holders of the parent	*33 632*	*32 578*
Total equity	**33 632**	**32 578**
Non-current liabilities		
Borrowings and lease liabilities	1 347	1 934
Retirement benefit obligation	420	418
Deferred tax liabilities	20	-
Total non-current liabilities	**1 787**	**2 352**
Current liabilities		
Trade and other payables	14 147	15 091
Borrowings and lease liabilities	3 863	3 678
Current tax liabilities	1 419	1 026
Provisions	4 083	4 389
Total current liabilities	**23 513**	**24 184**
TOTAL EQUITY AND LIABILITIES	**58 932**	**59 114**

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 2019							
As previously reported	20 000	5 340	-	(651)	4 638	29 327	29 327
Net result of the period					1 548	1 548	1 548
Exchange differences arising on translation of foreign operations				629		629	629
Total comprehensive income for the period				*629*	*1 548*	*2 176*	*2 176*
Acquisition of treasury shares			(33)			(33)	(33)
Balance at 30 June 2019	**20 000**	**5 340**	**(33)**	**(23)**	**6 186**	**31 470**	**31 470**

(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 2020							
As previously reported	20 000	5 340	(37)	(342)	7 617	32 578	32 578
Net result of the period					3 648	3 648	3 648
Exchange differences arising on translation of foreign operations				(2 631)		(2 631)	(2 631)
Total comprehensive income for the period				*(2 631)*	*3 648*	*1 017*	*1 017*
Sale of treasury shares			37			37	37
Balance at 30 June 2020	**20 000**	**5 340**	**0**	**(2 973)**	**11 265**	**33 632**	**33 632**

2.4. Condensed consolidated interim statement of cash flows

(thousands of Euro)	For the six month period ended 30 June 2020 YTD	2019 YTD
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) for the period	**3 648**	**1 548**
Income tax expense recognized in profit or loss	1 092	425
Finance cost recognized in profit or loss	244	250
Loss / (gain) from equity accounted investments	(22)	(106)
Finance income recognized in profit or loss	(15)	(15)
Impairment loss recognized on trade receivables	-	11
Impairment loss recognized on inventory	-	129
Depreciation and amortization of non-current assets	1 084	1 246
Impairment of non-current assets	-	(5)
Cash generated from operating activities before changes in working capital	**6 031**	**3 483**
Changes in working capital including foreign currency impacting effects	(4 938)	(5 526)
Interest paid	(244)	(250)
Income taxes paid	(44)	(6)
Net cash generated from operating activities	**805**	**(2 299)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	37	15
Proceeds received from minority interest	22	106
Payments for property, plant and equipment	(578)	(471)
Payments for intangible assets	(31)	(34)
Net cash (used in) / generated by investing activities	**(550)**	**(384)**
CASH FLOWS FROM FINANCING ACTIVITIES		
(Acquisition)/sale of treasury shares	37	(33)
Movement in used factoring facility	665	18
Repayment of borrowings and lease liabilities	(741)	(939)
Net cash received / (used) in financing activities	**(39)**	**(954)**
Net (decrease)/increase in cash and cash equivalents	**216**	**(3 637)**
MOVEMENT IN CASH AND CASH EQUIVALENTS		
At start of the year	21 331	20 371
Increase / (decrease)	216	(3 637)
Effect of exchange rate changes on the balance of cash held in foreign currencies	(1 577)	316
At the end of the period	**19 970**	**17 050**
Total Cash and cash equivalents	19 970	17 050
Net cash and cash equivalents at the end of the period	**19 970**	**17 050**

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 2019 (hereafter 'the Annual Report') as they provide an update of previously reported information. They were approved for issue by the Board of Directors on 10 August 2020.

Note 2: Accounting policies

The accounting policies and methods of the Group used as of 30 June 2020 are consistent with those applied in the 31 December 2019 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 2020.

As the new standards and interpretations did not have a material impact on the Group's condensed consolidated interim financial statements, no retrospective application of the change in accounting policies and retrospective restatement of previous financial statements was needed.

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. We refer to the Annual Report of 2019 for more details.

Note 3: Risk management

During the six-month period ended 30 June 2020, the Group did not change its financial risk management objectives or policies. As a result, they are still consistent with the disclosures in the Annual Report 2019.
The recent events related to the COVID-19 increased the uncertainty in the business. The future investments of our customers in critical communication solutions will be evaluated and it is expected that this will have an impact on our 2020 results.

Note 4: Goodwill

Goodwill amounts to EUR 3.0 million as per the six-month period ended 30 June 2020, which is in line with 31 December 2019. No impairment of goodwill has been accounted for the first semester of 2020. The change in goodwill balance between 31 December 2019 and the six-month period ended 30 June 2020 is due to foreign currency translation.

Following the annual test, the results were revisited in light of the current impact of COVID-19 on the Group's performance. If the same reasonable 'worst case' scenarios considered as part of the Group's assessment of going concern and longer term viability were applied to the value-in-use models for goodwill impairment testing, headroom would be reduced but there would remain significant headroom, such that there is still no reasonable scenario in which impairment would be required, either now or in the coming year.

In the first semester of 2020, there were no indications that goodwill would be impaired. A new impairment analysis will occur as per 31 December 2020.

Note 5: Deferred tax assets

The deferred income tax asset mainly relates to a part of the tax losses carried forward of Zenitel NV. In the first semester of 2020, there were no indications that the deferred tax asset would be impaired. A new analysis will occur as per 31 December 2020.

Note 6: Financial assets

(thousands of Euro)	Unaudited 30 June 2020	Audited 31 December 2019
Available for sale investments	217	240
	217	**240**
of which current	0	0
of which non current	217	240

Note 7: Financial debts

(thousands of Euro)	Unaudited 30 June 2020	Audited 31 December 2019
Non current		
Leasing and similar rights	1 347	1 934
	1 347	**1 934**
Current		
Used factoring facility	2 627	2 231
Leasing and similar rights	1 236	1 447
	3 863	**3 678**
Total borrowings	**5 210**	**5 612**

Non-current borrowings and current borrowings

Zenitel Norway AS has per the six-month period ended 30 June 2020 a factoring agreement of NOK 35.0 million (EUR 3.2 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 2020, a total of EUR 2.6 million of this factoring facility was used. In order to facilitate growth, credit lines are available up to EUR 1.9 million. As per the six-month period ended 30 June 2020, this credit facility has not been used.

Included in the amount, the company holds lines for bank guarantees at different credit institutions for in total almost EUR 2.9 million, of which EUR 1.4 million are used to secure the completion of customer contracts.

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 2020 Carrying value	Fair value	Audited 31 December 2019 Carrying value	Fair value	Level	Balance sheet caption
Financial assets availabe for sale	**217**	**217**	**240**	**240**		**Financial assets**
Available for sale investments	217	217	240	240	3	Financial assets
Loans and receivables	**14 109**	**14 109**	**14 374**	**14 374**		
Trade receivables	13 340	13 340	13 719	13 719	3	Trade and other receivables
Other receivables	769	769	655	655	3	Trade and other receivables
Financial liabilities at amortized cost	**19 357**	**19 357**	**20 703**	**20 703**		**Financial liabilities**
Borrowings and lease liabilities	5 210	5 210	5 612	5 612	3	Interest bearing loans and borrowings LT and ST
Trade payables	7 858	7 858	7 396	7 396	3	Trade and other payables
Other payables	6 289	6 289	7 695	7 695	3	Trade and other payables

<u>Net fair values of derivative financial instruments</u>

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 2020 there are only forward exchange contracts outstanding with regards to the NOK.

Note 9: Provisions

(thousands of Euro)	Retirement benefit obligations	Technical guarantees	Other	Total
On 1 January 2020	**418**	**922**	**3 467**	**4 806**
Additions to provisions	1	92	0	93
Payments	0	0	(222)	(222)
Exchange differences	1	(87)	(89)	(175)
On 30 June 2020	**420**	**927**	**3 156**	**4 502**
of which non current	420	0	0	420
of which current	0	927	3 156	4 083

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 2020.

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 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. The movements as per the six-month period ended 30 June 2020 do relate to actual payments.

Note 10: Contingencies

During the normal course of business, the Group is party to various legal claims and complaints resulting in contingent liabilities with uncertainty on timing and/or amount. The contingent liabilities of the Group 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 2019.

Note 11: Segment reporting

The Group has only one operating segment.

Note 12: Related parties

The related parties of the company mainly comprise its shareholders that can 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 consistent to the amounts disclosed in the Annual Report 2019.

Note 13: Events subsequent to the balance sheet date

No subsequent events occurred which could have a significant impact on the interim condensed financial statements of the group per 30 June 2020.

3. RISK FACTORS

General

The Group its 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 Group is defined by several factors described in the 2019 Annual Report. These elements cause uncertainty about the trend in the value of Zenitel shares. Additional risks and uncertainties, that are currently not known to the Group or which the Group currently believes are immaterial, could likewise impair its business operations, or have an adverse effect on the Group its cash flows, profitability, financial condition and the price of its shares.

Management refers to the section “Risk factors and uncertainties” in the 2019 Annual Report, page 19, which remain valid for the second semester of 2020.

Three risk factors are worth highlighting:

a. 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. There is a risk that the Group will need to pay some or all of these contingent liabilities in the near future.

b. Currency Risk

The results of the Group are reported in euro. This means that the results of operations and the financial position of the Group its 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 Group’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.

c. Pandemic Risk (COVID-19)

The recent events related to COVID-19 increased the uncertainty in the business. The future investments of our customers in critical communication solutions might be impacted and it is expected that this will influence our 2020 results.

The COVID-19 has been slightly affecting the group its businesses in the first half year of 2020 and is therefore being addressed here as additional risk.

The public health crisis caused by the COVID-19 pandemic, as well as measures taken in response to contain or mitigate the pandemic, have had, and are expected to continue to have, certain negative impacts on the groups business including customer orders and sales, the profit and loss and operating results, the financial condition and the cash flows.

Since the start of the corona virus outbreak end of 2019, Zenitel has started, as part of its risk mitigation plan, to monitor potential COVID-19 impacts on its operations on a daily basis by focusing both on the safety and health of its employees as well as on ensuring business continuity.

The group strengthened personal hygiene measures throughout the organization and implemented business travel restrictions. The group also expanded its home-work protocol and implemented social distancing measures for employees in all its facilities.
In all offices, Zenitel applies social distancing and sanitary measures to ensure a COVID-19 proof and flexible work environment.

The group has not experienced major disruptions in the first half year of 2020 to its ability to operate its production facilities in some countries. However, the group cannot predict that future disruptions to its ability to operate production facilities or distribution operations cannot be excluded as a result of regulatory restrictions, safety protocols and heightened sanitation measures.

In the first half year of 2020, there were no delays towards contractual obligations which could negatively impact the operational results.

In regards of expected credit losses, the group assesses on a forward-looking basis the expected credit loss associated with its financial assets carried at amortized cost. For trade receivables, the Group applies the simplified approach permitted by IFRS 9 Financial instruments, which requires expected lifetime losses to be recognized from initial recognition of the receivables. In the first half year of 2020, there were no indications that the Group would be exposed to additional credit losses as compared to the expected credit losses disclosed in the 2019 consolidated financial statements. Management’s judgements regarding expected credit losses are based on the facts available to management.

4. FAIR VIEW STATEMENT BY THE MANAGEMENT OF THE COMPANY

We the undersigned, Koen Claerbout, 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.

Koen Claerbout	Mark Küpers
CEO	CFO

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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 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, Energy 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 BV

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.