

Press Release

Regulated information

16 February 2018, 8:00 AM

Zenitel Reports continuing profitability for 2017

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 2017.

- Total revenue amounted to 60.6 million euro compared to 63.5 million euro in 2016.
- EBITDA was 5.4 million euro, compared to 4.8 million euro last year.
- EBIT amounted to 3.8 million euro, compared to 2.5 million euro in 2016.
- Income tax expense for 2017 amounted to 0.9 million euro, compared to 0.1 million euro last year.
- Net profit from operations was 2.5 million euro, compared to 2.6 million euro in 2016.
- Financial cash position of 18.9 million euro at the end of the year, compared to 19.2 million euro last year.

Kenneth Dastol, CEO of Zenitel, commented:

“We are very pleased with the operational performance of the Group in 2017. Despite challenging markets we have again improved operational performance by focusing on efficiency gains and cost improvement programs resulting in a 53.6% improvement in our EBIT figures.

Reduced investments in the Oil and Gas industry over the last years have negatively affected the Maritime market in 2017. Worldwide the total amount of shipyards has been reduced to less than half of what it was in 2008. Zenitel’s revenues have been affected by less activity in these markets, hence the decrease in revenue of 4.6%.

Towards the end of last year, Zenitel unveiled its new tagline: “because communication is critical”. Although the change is a subtle one, it reflects that we are far more than just an intercom company; we are in the business of delivering “intelligent communication” solutions, with built-in intelligence that can adapt to real-world environments, ensuring our customers can hear, be heard and be understood - every time.

Our offering is not limited to when communication is critical; rather, it supports the reality that communication is always critical for the operational needs of any business.

In 2018 we will continue our strategy, build business in our focus markets and continue to invest in more resources in sales, marketing and development.”

Press Release

Regulated information

Consolidated key figures:

CONSOLIDATED KEY FIGURES					
(thousands of euro)	2017	2016*	2015*	2014*	2013*
FROM CONSOLIDATED STATEMENT OF PROFIT OR LOSS					
Revenue	60 585	63 473	66 498	67 375	62 454
Profit before tax	3 323	2 616	2 295	1 799	1 633
Profit of the year	2 459	2 561	7 329	2 214	1 761
FROM STATEMENT OF FINANCIAL POSITION					
Total assets	44 702	47 494	54 652	47 904	37 771
Shareholders' equity	26 923	26 718	27 889	21 229	6 884
Working capital	3 769	1 535	2 475	3 341	2 473
Total financial debt ⁽²⁾	1 606	2 511	1 889	2 195	9 365
Total provisions ⁽³⁾	5 514	5 214	4 081	4 316	4 664
Cash and cash equivalents	18 950	19 249	17 551	9 578	3 901
ALTERNATIVE PERFORMANCE MEASURES					
EBITDA ⁽¹⁾	5 439	4 828	4 928	3 983	3 497
Operating profit (EBIT)	3 812	2 483	2 649	2 721	2 815
RATIOS					
Shareholder's equity ratio	60.2%	56.3%	51.0%	44.3%	18.2%
Net debt ⁽⁴⁾ / EBITDA	-3.2	-3.5	-3.2	-1.9	1.6
Net debt ⁽⁴⁾ and provisions ⁽³⁾ / EBITDA	-2.2	-2.4	-2.3	-0.8	2.1
Weighted average number of shares (in thousands)*/**	3 305	3 306	3 311	3 311	1 644
Shareholder's equity/share (EUR)*	8.15	8.08	8.42	6.41	4.19
Earnings/share (EUR)*	0.74	0.77	2.21	0.67	1.07
ROCE ⁽⁵⁾	44.9%	30.9%	25.8%	22.9%	30.2%
OTHER KEY FIGURES					
FTE	264	266	283	276	239
<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 due to the 1-for-10 Reverse share split in May 2017.</p> <p>^(**) Acquisition of treasury shares in 2016 & 2017</p>					

Press Release

Regulated information

Discussion of the consolidated key figures:

Revenue in 2017 was 60.6 million euro compared to 63.5 million euro in 2016. The revenue is primarily impacted by reduced investments in the Maritime and the Oil & Gas markets.

Due to our continued focus on operational efficiency, the **EBITDA** in 2017 ended at 5.4 million euro which is 0.6 million euro or 12.7% higher than last year.

The operating profit (EBIT) amounted to 3.8 million euro compared to the 2.5 million euro in 2016. The amortization of capitalized R&D was 1.0 million euro R&D in 2017 compared to 1.1 million euro last year.

The **net financial expenses** amounted to 0.6 million euro compared to 0.01 million euro in 2016 mainly due foreign currency translation results.

The total consolidated **net result** from continuing operations for the Zenitel Group shows a profit of 2.5 million euro which is in line with last year.

Earnings per share amounted to 0.74 euro in 2017 against restated EUR 0.77 in 2016. In May 2017 the Company conducted a 1-for-10 reverse share split. After the reverse share split of 10 May 2017, the share capital consists of 3,310,884 shares compared to 33,108,844 shares before the transaction. Reverse share split is retrospectively applied and disclosed in this press release (IAS33.64/65).

Total provisions increased by 0.4 million euro to 5.5 million euro.

At the end of 2017 **total assets** amounted to 44.7 million euro against 47.5 million euro at year end 2016. **Shareholders' equity** increased from 26.7 million euro to 26.9 million euro in 2017 which is mainly as a result of the negative foreign currency translation impact and the profit of the year. Equity ratio increased from 56.3% to 60.2% in 2017.

Net **cash flow** of the Zenitel Group amounted to 0.7 million euro in 2017 compared to 1.3 million euro in 2016. The outflow from investment activities amounted to 0.2 million euro in 2017 and the cash flow generated from operations before changes in working capital amounted to 5.2 million euro in 2017 which is in line with last year. At the end of 2017, Zenitel's cash and cash equivalents amounted to 18.9 million euro.

Press Release

Regulated information

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 2017
- Annex 2: Consolidated statement of profit or loss and other comprehensive income of the Zenitel group for the year ended 31 December 2017
- Annex 3: Consolidated statement of financial position of the Zenitel group as at 31 December 2017
- Annex 4: Consolidated statement of changes in equity of the Zenitel group for the year ended 31 December 2017
- Annex 5: Consolidated statement of cash flows of the Zenitel group for the year ended 31 December 2017

Outlook 2018:

Although there are indications of increased investments in the Oil and Gas industry because of the higher oil prices, our maritime segment is still facing challenges. 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.

Overall, we remain prudent, believing that the global economic environment remains uncertain in 2018. Zenitel remains focused on its strategy and continues to optimize its operations to generate profitable growth.

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 2017 consolidated financial information included in this press release.

Financial Calendar:

16/03/2018	Publication Annual Report (8:00 AM)
30/04/2018	Annual General Shareholders' Meeting (11:00 AM)
09/08/2018	Press Release Half-Year Results 2018 (8:00 AM)

Press Release

Regulated information

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 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.

Press Release

Regulated information

Annex 1: Consolidated statement of profit or loss of the Zenitel group for the year ended 31 December 2017

(thousands of euro)	Year ended 31 December	
	2017	2016
Continuing operations		
Revenue	60 585	63 473
Raw materials and consumables used	-25 782	-28 769
Employee benefits expenses	-20 957	-21 008
Depreciation and amortization expenses	-1 666	-1 830
Net impairment on current assets	39	-515
Consulting expenses	-1 182	-1 225
Facility expenses	-3 927	-4 124
Other expenses	-3 298	-3 520
Total operating expenses	-56 773	-60 990
Operating Profit / (Loss)	3 812	2 483
Finance income	96	139
Finance costs	-304	-364
Net foreign exchange gains / (losses)	-281	359
Share of profit / (loss) from equity accounted investments	0	0
Profit / (Loss) before tax	3 323	2 616
Income tax income/ (expenses)	-864	-56
Profit from continuing operations	2 459	2 561
Discontinued operations		
Profit / (loss) on discontinued operations, net of tax	0	0
Profit / (loss) for the year	2 459	2 561
Earnings per share		
Weighted average number of ordinary shares in issue ('000)	3 305	3 306
From continuing and discontinued operations		
Basic earnings per share (restated ¹)	0.74	0.77
Diluted earnings per share (restated ¹)	0.74	0.77

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

Press Release

Regulated information

Annex 2: Consolidated statement of profit or loss and other comprehensive income of the Zenitel group for the year ended 31 December 2017

(thousands of euro)	Year ended 31 December	
	2017	2016
Profit for the year	2 459	2 561
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations *	-2 251	1 284
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
OCI actuarial gains & losses	7	5
Other comprehensive income for the period (net of income tax)	-2 244	1 289
Total comprehensive income for the period	215	3 850
Attributable to:		
Owners of the Company	215	3 850
Non-controlling interests	-	-

* In 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.

Press Release

Regulated information

Annex 3: Consolidated statement of financial position of the Zenitel group as at 31 December 2017

(thousands of euro)	Year ended 31 December	
	2017	2016
ASSETS		
Non-current assets		
Property, plant and equipment	446	569
Goodwill	3 279	3 553
Other intangible assets	987	2 382
Deferred tax assets	1 194	2 072
Financial assets	240	260
Total non-current assets	6 147	8 836
Current assets		
Inventories	7 525	6 392
Contracts in progress	180	75
Trade and other receivables	10 751	11 603
Deferred charges and accrued income	1 149	1 339
Cash and cash equivalents	18 950	19 249
Total current assets	38 555	38 658
TOTAL ASSETS	44 702	47 494

Press Release

Regulated information

(thousands of euro)	Year ended 31 December	
	2017	2016
EQUITY AND LIABILITIES		
Capital and reserves		
Capital	20 000	20 000
Share premium account	5 340	5 340
Reserves	-517	1 734
Retained earnings	2 165	-301
Treasury shares	-65	-55
<i>Equity attributable to owners of the Company</i>	<u>26 923</u>	<u>26 718</u>
Total equity	26 923	26 718
Non-current liabilities		
Borrowings	81	107
Retirement benefit obligations	312	380
Deferred tax liabilities	25	11
Total non-current liabilities	418	497
Current liabilities		
Trade and other payables	10 634	13 026
Borrowings	1 525	2 404
Current tax liabilities	0	13
Retirement benefit obligations	59	107
Provisions	5 143	4 728
Total current liabilities	17 361	20 278
TOTAL EQUITY AND LIABILITIES	44 702	47 494

Press Release

Regulated information

Annex 4: Consolidated statement of changes in equity of the Zenitel group for the year ended 31 December 2017

(thousands of euro)	Share capital	Share premium	Cost of Capital increase	Treasury shares	Foreign currency translation	Retained Earnings	Attributable to owners of the parent	Total
Balance at 1 January 2016	20 000	5 624	-284	0	450	2 099	27 889	27 889
Profit for the year						2 561	2 561	2 561
OCI actuarial gain and losses						5	5	5
Other comprehensive income for the year, net of income tax					1 284	-	1 284	1 284
<i>Total comprehensive income for the year</i>					1 284	2 566	3 850	3 850
Cash dividends						-4 966	-4 966	-4 966
Acquisition of treasury shares				-55		0	-55	-55
Balance at 31 December 2016	20 000	5 624	-284	-55	1 734	-301	26 718	26 718
Balance at 1 January 2017	20 000	5 624	-284	-55	1 734	-301	26 718	26 718
Profit for the year						2 459	2 459	2 459
OCI actuarial gains & losses						7	7	7
Other comprehensive income for the year, net of income tax					-2 251	0	-2 251	-2 251
<i>Total comprehensive income for the year</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-2 251</i>	<i>2 466</i>	<i>215</i>	<i>215</i>
Cash dividends	0	0	0		0	0	0	0
Acquisition of treasury shares				-10		0	-10	-10
Balance at 31 December 2017	20 000	5 624	-284	-65	-517	2 165	26 923	26 923

Press Release

Regulated information

Annex 5: Consolidated statement of cash flows of the Zenitel group for the year ended 31 December 2017

(thousands of euro)	Year ended 31 December	
	2017	2016
Cash flows from operating activities		
Net profit / (Loss) for the year	2 459	2 561
Income tax expense recognized in profit or loss	864	56
Finance cost recognized in profit or loss	304	364
Finance income recognized in profit or loss	-96	-139
Impairment loss recognized on trade receivables	-226	231
Impairment loss recognized on inventory	187	284
Profit on sale of discontinued operations, net of tax	-	-
Depreciation and amortization of non-current assets	1 666	1 830
Cash generated from operating activities before changes in working capital	5 158	5 187
Changes in working capital	-3 016	839
Interest paid	-302	-364
Income taxes paid	-133	-4
Net cash generated from operating activities	1 707	5 658
Cash flows from investing activities		
Interest received	17	35
Proceeds received from minority interest	42	42
Net cash outflow on acquisitions of subsidiaries	-	-
Payments for property, plant and equipment	-224	-220
Disposal of discontinued operations, net of cash	0	186
Payments for intangible assets	-77	-35
Net cash (used in) / generated by investing activities	-242	8
Cash flows from financing activities		
Proceeds from acquiring subsidiary	-	-
Dividend paid to equity holders of the parent	0	-4 966
Acquisition of treasury shares	-10	-55
Movement in used factoring facility	-753	642
Repayment of borrowings	-28	-19
Net cash received / (used) in financing activities	-791	-4 398
Net (decrease)/increase in cash and cash equivalents	673	1 266
Movement in cash and cash equivalents		
At start of the year	19 249	17 551
Increase / (decrease)	673	1 267
Effect of exchange rate changes of cash held in foreign currencies	-972	431
At the end of the year	18 950	19 249
Total Cash and cash equivalents	18 950	19 249
Net cash and cash equivalents at the end of the year	18 950	19 249