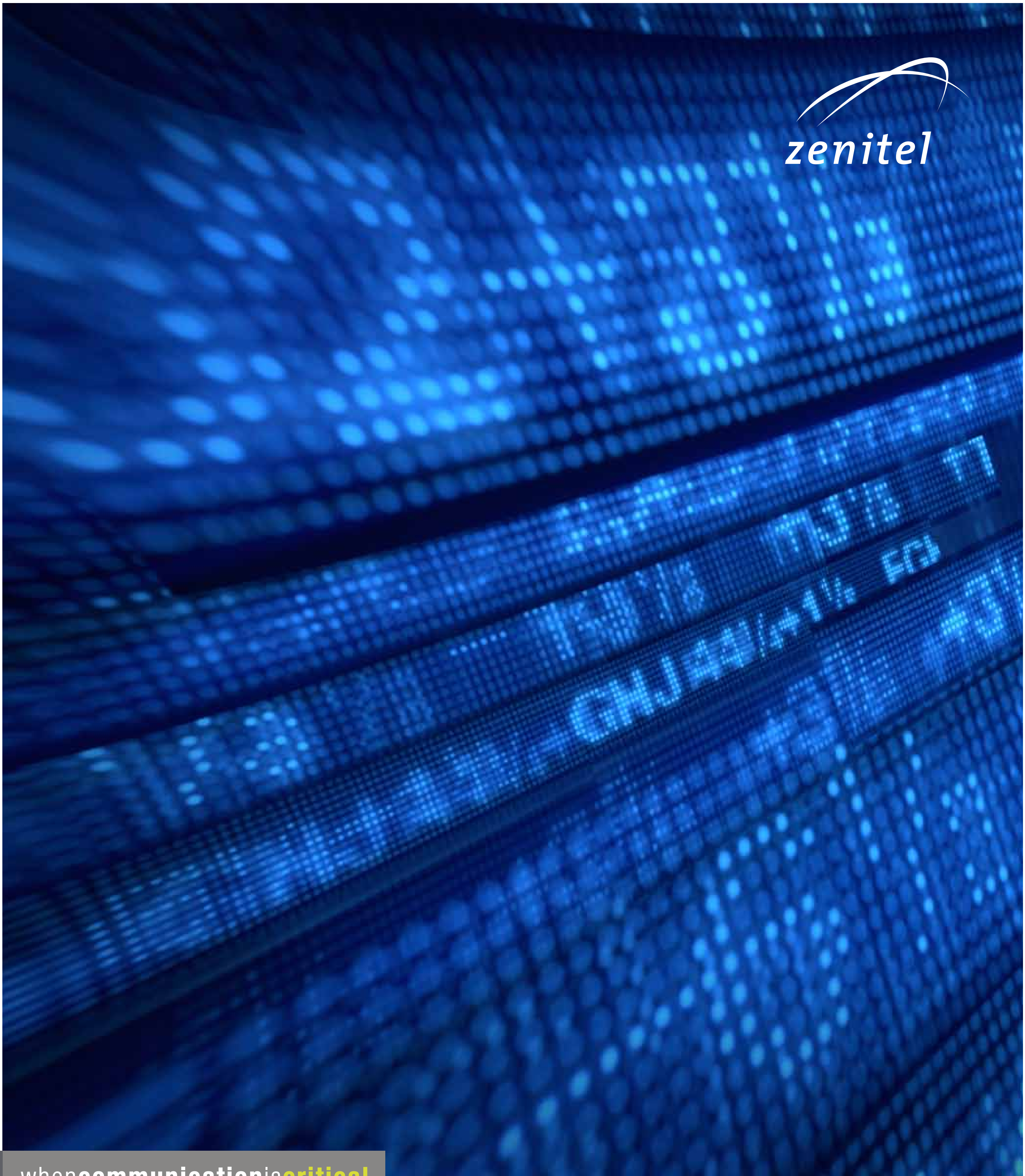


zenitel

when**communication**is**critical**

ANNUAL REPORT
2011

THE ZENITEL GROUP

ABOUT THE GROUP

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's products and networks are as secure as they are fast. Zenitel is the preferred choice for situations that involve the protection of human lives, or the managing of critical activities.

Zenitel is organized into two key segments, each of which has a focus on, but is not exclusively dedicated to, one of Zenitel's key principle offerings: Own Intercom Products and Third Party Products and Network Services.

As a listed company on the Euronext stock exchange, Zenitel's statutory headquarters is situated in Belgium, while its operational headquarters is in Norway.

MISSION & VISION

Zenitel - the leading provider of high quality audio solutions for critical, security and safety communication.

OUR CORE VALUES

PRIDE - We are proud of who we are and what we do.

ACCOUNTABILITY - We follow through on our commitments.

RESULTS - We want to create value for our customers, suppliers, employees, and shareholders.

TEAM WORK - We work as one team.

INNOVATION - Our company culture fosters creativity, continuous improvement and innovation.

OUR BRANDS

VINGTOR

STENTOFON

ChuChubi TRUNKING fast, reliable and secure communications !

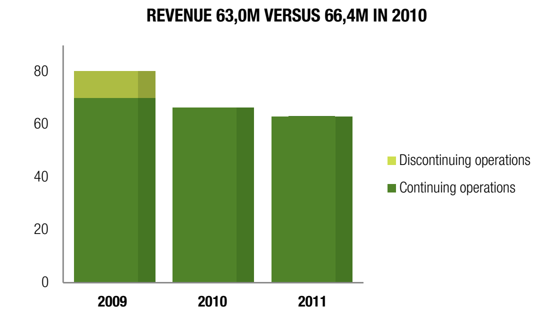
A zenitel SERVICE

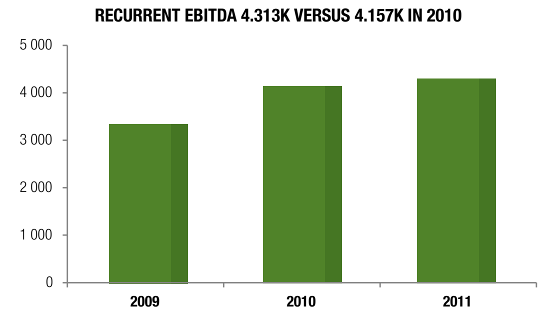
zenitel

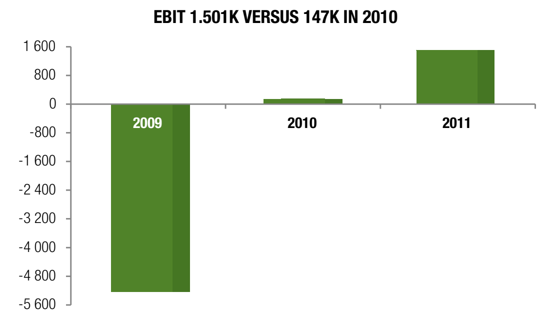
ANNUAL REPORT 2011

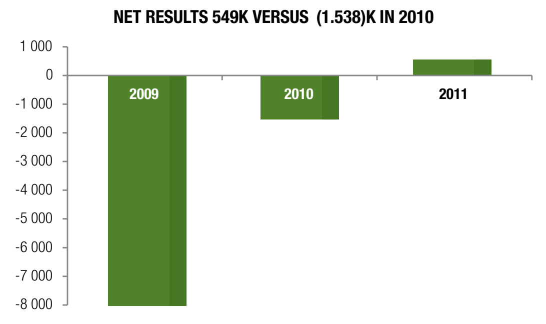
(1) These chapters form an integral part of the Report of the Board of Directors and contain the information required by the Belgian Company Code.

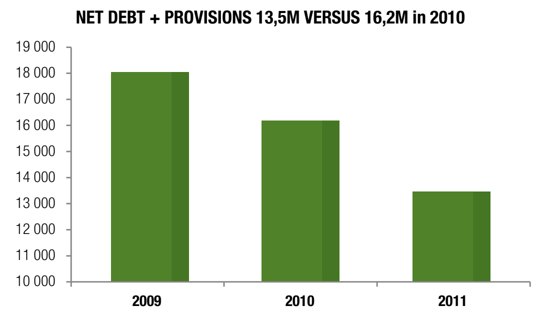
CONSOLIDATED KEY FIGURES

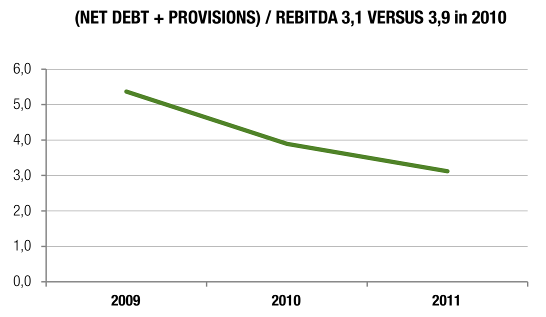












NB: All values in Euros

CONSOLIDATED KEY FIGURES

(thousands of EUR)	2011	2010	2009	2008	2007
FROM INCOME STATEMENT					
Revenue	62 977	66 390	80 246	92 166	95 264
Recurrent EBITDA (1)	4 313	4 157	3 361	(2 627)	(249)
Operating profit (EBIT)	1 501	147	(5 229)	(12 978)	(10 646)
Net result	549	(1 538)	(8 053)	(13 490)	(12 465)
FROM BALANCE SHEET					
Total balance sheet	41 221	42 712	46 255	69 535	84 127
Shareholders' equity	5 862	5 262	5 179	8 034	24 133
Working capital	2 171	2 210	2 790	4 540	5 253
Total Debt (2)	11 475	12 809	14 263	19 560	15 067
Total Provisions (3)	6 270	7 484	9 307	12 043	12 993
Cash and cash equivalents	4 294	4 113	5 529	3 850	6 929
FROM CASH FLOW STATEMENT					
Total cash flow	(584)	(1 386)	5 686	(6 272)	7 353
Cashflow from operations	5 686	3 901	10 273	(950)	(4 447)
RATIOS					
Equity ratio	14,2%	12,3%	11,2%	11,6%	28,7%
Net debt (4) / recurrent EBITDA	1,7	2,1	2,6	NA(6)	NA(6)
Net debt (4) and provisions (3) / recurrent EBITDA	3,1	3,9	5,4	NA(6)	NA(6)
Cashflow from operations/revenue	9,0%	5,9%	12,8%	-1,0%	-4,7%
Weighted average number of shares (in thousands)	16 441	16 441	16 441	16 441	13 984
Equity/share (EUR)	0,36	0,32	0,31	0,49	1,73
Earnings/share (EUR)	0,03	(0,09)	(0,49)	(0,82)	(0,89)
ROCE (5)	13,2%	1,2%	-41,2%	-50,1%	-26,5%
OTHER KEY FIGURES					
Personnel	246	282	299	451	441

(1) Recurrent EBITDA: earnings before interest & taxes, depreciation and amortization plus write-offs on current assets and one-time results
(2) Total debt: long term and short term interest bearing loans and borrowings
(3) Total provisions: Retirement benefit obligations plus provisions (both current and non current)
(4) Net debt: Total debt minus cash and cash equivalents
(5) ROCE: EBIT / (tangible assets + intangible assets + working capital)
(6) NA: Multiple not shown, meaningless because of negative EBITDA in this period

DEAR SHAREHOLDERS,

Two years have passed since the strategic re-organization of the Zenitel Group in 2009. At the time, we felt confident that by focusing all our energies on the profitable businesses of the company, it would allow the group to continue its investments in the Secure Communication Systems and ChuChubi businesses, as well as to facilitate the reduction of financial debt. The results of the Zenitel Group in 2010 and 2011 have proven that these assumptions were correct.

The 2011 financial results of our company show positive figures on net results. This achievement reflects the combination of two factors: the re-organization and strategic focus on our core business, as well as the hard work and dedication of all our employees worldwide, across all areas of the company.

Today, we are happy to report that both Secure Communication Systems as well as the ChuChubi Network operations confirmed its profitability in line with our expectations for the second year in row, thanks to a motivated and cost-conscious workforce.

In 2011 our revenues were negatively impacted by the ongoing financial crisis around the world. Overall revenues are down with 3,4 million Euro or 5,1%, mainly due to less project business in Scandinavia and reduced opportunities in the marine markets worldwide. On the other hand, we notice an increase in revenues from our STENTOFON activities in the Far East and France.

The reduction in revenues has been compensated by better margins due to our cost-reduction programs, as well as our strategic move to replace hardware components with software.

At the end of 2009 we expanded our ChuChubi network on the islands of Bonaire, St. Eustatius and Saba (the BES project). This one time coverage expansion positively impacted our revenues in the region by around 30% for 2010 and therefore explains the revenue decrease in 2011.

We introduced several new products to the market during 2011:

- In April we launched the new server-less STENTOFON Pulse IP Intercom System and our new STENTOFON recording solutions.
- Later in Q2 we launched the STENTOFON redundancy solution and a set of new IP stations.
- We have also launched SIP intercom master stations for heavy duty, clean-room and control rooms.
- Finally, in September we brought video intercom stations to the market.

All products have been very well received by our customers.

Careful management of our cash resources has allowed paying for the restructuring obligations resulting from the 2009 reorganization, as well as redeeming our debts to the banks and financial creditors. The total liabilities have been reduced with EURO 2,1 million since the end of last year.

Our 2011 results can be summarized as follows:

- The total Secure Communication Systems business continues to generate solid revenues from Marine as well as from its Onshore operations, totaling 58,0 million Euro with a recurrent EBITDA of 3,9 million Euro.
- Drops in sales in certain areas were partially compensated by new business and growth in other areas.
- We have continued to secure orders on our interfaces enabling our customers to expand their old systems with new modern STENTOFON solutions.
- We continue to be successful in the area of solutions for prisons and penitentiary institutions where we delivered both new IP-based intercom systems and analogue systems in several countries including Italy, France, USA, Singapore, Belgium and Spain.
- Our operations in Denmark have won several large orders and increased its profitability despite the restructuring that took place in 2010 and 2011.
- At the end of 2011 the ChuChubi network has 6411 subscribers. Revenue decreased by 0,5 million Euro to 4,9 million Euro in 2011. This revenue decrease is mainly explained by the large BES islands network coverage expansion project which was included in the 2010 revenues and by an unfavorable foreign currency translation impact. Adjusting for both, the rest of the business is showing a revenue growth of 3%. The EBITDA continues to be strong and reached 30%, the same level as for 2010.
- The Group EBITDA ended at 4,3 million Euro, up 0,2 million Euro compared to last year.
- The Group net results ended at 0,5 million Euro positive, against a loss of 1,5 million Euro in 2010.

Zenitel will continue to focus on its core business by bringing new products and solutions to the market in 2012. During the coming year we will launch a new set of IP stations, the Turbine series and a new digital Public Address system for our strategic investment in the Oil & Gas segment.

While the world economies continue to be fragile, the operational improvements that we have implemented over the past years, as well as the quality of our product offerings are expected to enable us to continue our financial performance and further improve our balance sheet.

Finally we wish to extend our thanks and gratitude to the efforts of our employees, our management and our Board of Directors for their commitment to the company. We would also like to express our sincere thanks to our shareholders and customers for their faith and trust in Zenitel.

Focused on the execution of our strategy, we are well positioned to meet and overcome tomorrow's challenges and to continue the growth of our company.

Beckers Consulting BVBA
Eugeen Beckers
Chairman

Kenneth Dastol
CEO

OUR **BUSINESS**

OVERVIEW

Since its inception in 1901, Zenitel has been a global leader in providing effective communication solutions for demanding and extreme environments. In today's ever changing world, security has quickly become our primary market. Zenitel's goal is to provide reliable communications for numerous environments where human life, money and assets are at stake.

We lead the market in advanced technology by providing Critical Communications over IP (CCoIP®). The Company's knowledge, expertise, and understanding of both current technologies and customer needs have elevated communication standards worldwide, allowing Zenitel to create a distinct position in the global market.

After divesting all non-core activities in 2009, the group was organized into two business units, Secure Communication Systems (SCS) and the network business in the Caribbean. The SCS unit consists of operations in Norway, Denmark, Singapore, China, France, Finland, Italy, UK, Germany, Croatia, Brazil, USA and a worldwide distributor network. The business in the Caribbean consists of the TETRA network operated under the ChuChubi brand.

Significant Assets

Zenitel's primary asset is knowledge - knowledge of its end users, technology and the industry it serves. The STENTOFON and VINGTOR names are recognized worldwide along with other Zenitel brands including STEENHANS, Ring-Master, M100, ASACOM and ChuChubi. STENTOFON and VINGTOR have a strong distribution and partner network and a large, growing customer and distributor base. The Company has an impressive 13.000 vessels in the marine segment, 1.300.000 intercom points, and is a licensed owner to operate TETRA networks in the Dutch Antilles and Aruba. A key element in our system design is providing a backwards compatibility standard for new IP platforms. All IP platforms integrate with older systems/stations and with a wide-band codec G.722 (7kHz), the audio quality is clearer than any standard telephone. Zenitel provides a full range of indoor and outdoor stations including tamper resistant stations with scream alarm and integrated light signaling for prison cells, control room master (CRM) stations with programmable direct access keys, and weather resistant, noise cancelling stations ideal for parking, road, rail and industrial applications.

"Zenitel's knowledge, expertise, and understanding of both current technologies and customer needs have elevated communication standards **worldwide**."

Environmental Policy

Globally suppliers, distributors and customers are encouraged to conduct business in an environmentally responsible manner. Zenitel Marine complies with the IMO resolution (A.962 Clean Design/Green Passport)

by documenting all materials in a vessel's construction that may be hazardous to humans or the environment. Zenitel complies with the European WEEE (Waste Electrical and Electronic Equipment) directive for environmental conservation, ensuring that discarded equipment is recycled appropriately. The Company is focused on a better and cleaner environment and is committed to the goals of the RoHS (Restriction on use of Hazardous Substances) directive that ensures all products meet applicable requirements. Zenitel Norway complies with the REACH European Directive (N 1907/2006) related to the registration, evaluation and authorization of chemicals to protect human life and the environment.

Quality Assurance

Maintaining quality assurance is a management requirement and standard throughout the organization. Zenitel is in compliance with the ISO (9001:2008) standard and is annually audited by independent accreditation organizations. To be in compliance with equipment used in explosive environments, Zenitel Norway obtained ISO and ATEX certification in 2009. Zenitel Denmark received the Security Quality Systems (SKS) certification; a requirement for companies that perform high voltage installation and repair.

Social Responsibility

When standard communication systems fail, during emergencies or at critical moments, Zenitel's solutions and systems stand above all others. It's in those moments when life is at stake that proven, reliable communication systems are vital. This is Zenitel's most significant contribution, in helping to insure a safe and secure environment by enabling its customers to protect life, property and assets.

Secure Communication Systems

In the past five years, security has become our leading market. The SCS Division is built on the STENTOFON® and VINGTOR® brands. These brands are recognized globally with a reputation for superior quality and innovative communication solutions. Zenitel's SCS Division develops and markets Critical Communications over IP (CCoIP®) systems designed to interface with other security devices including CCTV, access control and alarm systems for a comprehensive, interactive security solution.

Analog & Digital Radio Systems

Analog radio networks are maintained for the highest level of reliability while networks are expanded to improve coverage and accommodate more users as the need for critical radio increases. Zenitel has extensive experience with technical and commercial support of analogue radio systems with a number of system installations for offshore rigs and industrial sites.

"TETRA offers much more than traditional (analogue) radio systems, and when it comes to frequency usage, TETRA is **four times** more efficient than GSM."

TETRA

Zenitel's partnership and knowledge of TETRA (Terrestrial Trunked Radio) systems comes from designing and building TETRA networks for the Caribbean. Unlike GSM or CDMA, TETRA is a command driven technology developed for communications in critical situations. It includes features such as priority calling (emergency call, man down alarms allowing network priority), group calling (addressing multiple people) and quick call set-up times. With its enhanced data capacity and GPS location possibilities, TETRA offers much more than traditional (analogue) radio systems, and when it comes to frequency usage, TETRA is four times more efficient than GSM.

Digital Modular Radio

Radio systems based on Digital Modular Radio (DMR) technology offer more than just point-to-point communications. They provide multiple waveforms and multi-level information security for voice and data communications. The IP structure of DMR is conducive to STENTOFON's IP and VINGTOR systems providing a unique product offering.

SCS Markets

Systems are used in the most demanding of environments including vessels, prisons, hospitals, airports, financial institutions, educational institutions, infrastructure like road, rail, ports and airports, industry and building security. STENTOFON, VINGTOR and ZENITEL have a distribution and partner network spanning over 60 years and a distributor base with over 13,000 vessels in the marine segment and 1,300,000 intercom units worldwide. The future success and continued growth of the SCS Division is contingent upon the sustained research, development and technological advancements that meet the high demands of today's security market.

CARIBBEAN

Solutions and Products

Zenitel initially offered ChuChubi Trunking Network services in 1993 to the Dutch Antilles. The quality of services and success of the network resulted in further expansion on Bonaire, St Eustatius and Saba in 2010. The ChuChubi network offers a range of features and benefits providing voice, data and GPS for an optimal communication system.

Network services subscription formats:

Voice Only - provides customers with voice communication on a mission critical wireless network

Data and GPS Only - allows critical data to be sent immediately without delays

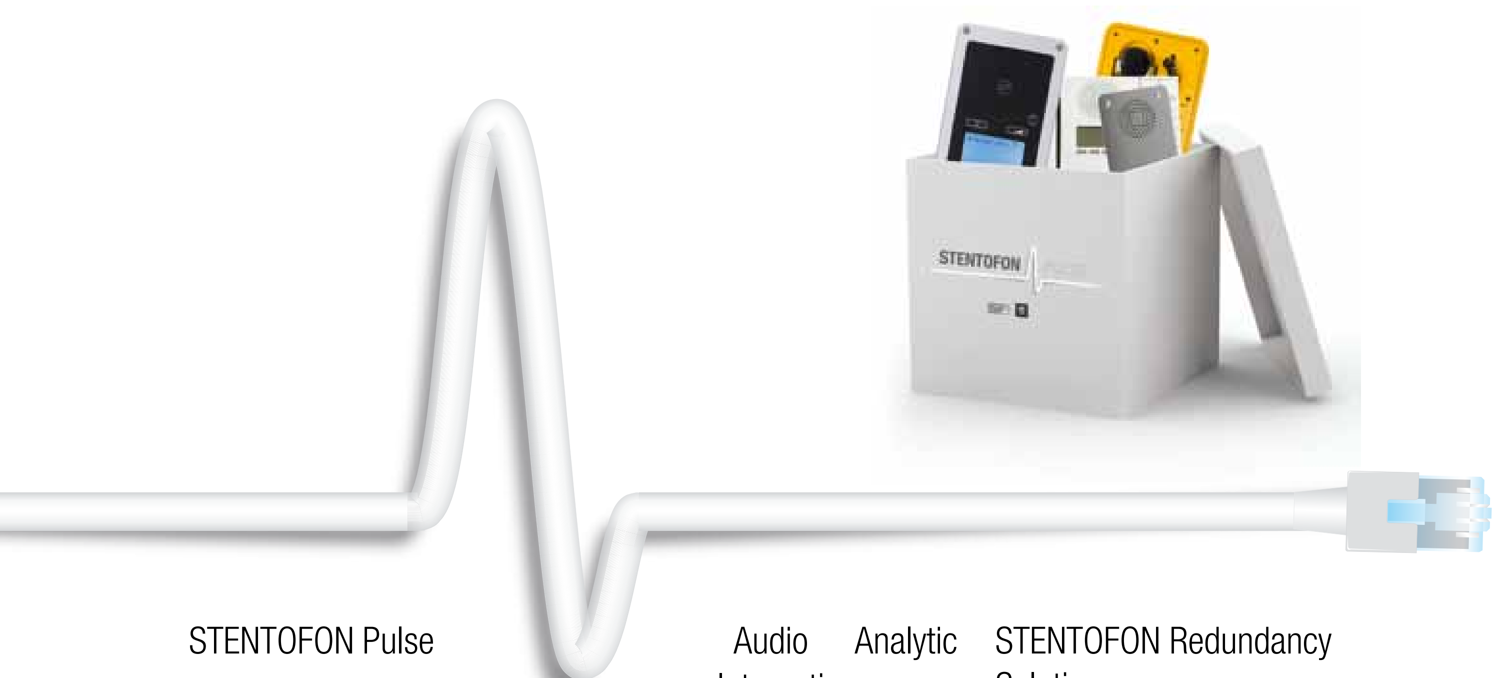
All-in Voice, Data and GPS

These services are offered in combined packages including end-user devices, preventive and corrective maintenance services and leasing.

Markets

Zenitel offers mobile communication services through its TETRA networks in the Caribbean. The segments include industry, buildings and professional security services, hospitality organizations, utilities, local authorities, public transport companies and anyone requiring Private Mobile Radio (PMR) communication. As a TETRA airtime provider, Zenitel aims to improve the quality of emergency services and provide better business and public safety communications. In the Caribbean, the addressed segments include Public Safety and Security services (police, fire brigade and ambulance).

ZENITEL REVIEW 2011



STENTOFON Pulse

In May 2011, Zenitel was proud to announce STENTOFON Pulse, a new server-less IP intercom system. Intended for smaller applications, the STENTOFON Pulse is an ideal economical solution. The system requires no central server equipment, allowing for extremely simple and easy installations - a basic installation can be completed within 10 minutes. It also offers High Definition voice quality, Active Noise Cancellation, and employs open standards that enable simple integration and expansion with other STENTOFON and even third-party systems.

Audio Analytic Integration

Last year also saw an exciting collaboration with Audio Analytic, an emerging leader in sound classification. STENTOFON intercom systems will now be able to analyze and detect an assortment of questionable audio cues, including car alarms, breaking glass, verbal and physical aggression and even gun shots. Upon detection of one of these cues, security personnel will automatically be alerted to the event, effectively decreasing response time. This new audio technology will substantially extend the scope of standard CCTV security to areas outside their visual range.

STENTOFON Redundancy Solution

An essential solution for the safety and security of AlphaCom systems, the STENTOFON Redundancy Solution was released in December 2011 and protects against system and environmental failures and planned outages, as well as automating disaster recovery.

VINGTOR IP TV Entertainment

Last year Zenitel made an exciting progression into on-board entertainment systems with their VINGTOR IP TV Entertainment System. The Entertainment System is a complete integrated digital HD entertainment and information system for maritime use.

Zenitel Marine successfully handled the project management and delivery of a complete IP TV entertainment system on-board a Cargo/Passenger vessel. The final system accommodated a total of 460 seats and 102 cabins, all with IP TV entertainment. This resulted in the largest IP TV Entertainment system ever delivered from VINGTOR.

Accompanying the system, the delivery also included an Access Control System with Vingcard, a fully integrated intercom communication system comprising Auto-Telephone, Talk-Back, Batteryless Telephones and wireless IP Dect, P.A. & General Alarm System, Computer and Data System, TV Aerial and SAT TV system.

Zenitel's Largest VINGTOR installation

Zenitel Marine has recently delivered the largest VINGTOR installation for a single RO-PAX vessel (freight vehicle transport with passenger accommodation). Built in accordance to the BV class in Croatia (with final delivery to France), the complete installation includes a fully integrated intercom communication system with all additional features.

VINGTOR Wireless Integration

Zenitel is pleased to announce that VINGTOR Wireless is now fully integrated with both fixed intercom terminals and radios in the same conference. This development not only allows users to easily coordinate all operations and activities within a group, but also greatly extends normal radio coverage in areas where signal interference may occur. Zenitel released three new solutions last year that utilize this wireless integration: the Vingtor DECT, the Vingtor TETRA, and the VINGTOR UHF.

Regulatory Requirements

Last year saw Zenitel attain several new and renewed certifications from numerous international regulatory boards. To name only a few, these include: Design Assessment Certificates from the American Bureau of Shipping (ABS) for the VINGTOR SPA-V2 and ACM systems, a renewed Type Examination Certificate from Det Norske Veritas (DNV) for the VSS system, a renewed Certificate of Design Assessment from ABS for the VSP systems, Type Approval certificates of RINA type approval system for the VINGTOR ACM Exchanges and VSP systems, and two new Type Approval certificates from Russian River Register (RRR) for both the VINGTOR SPA-V2 system and the VINGTOR ETB and VSP systems.

Other Products

Zenitel also introduced STENTOFON IP Video Stations and an IP version of the Dual Display station for table-top mounting in bank/finance and office environments. February saw the release of the STENTOFON IP Loudspeaker and Ceiling Speaker, complete with water and dirt resistant IP67 housing. And finally, Zenitel launched the STENTOFON Recorder Software in September, a complete software package that registers audio from any station connected to AlphaCom systems, both STENTOFON intercom stations (IP and Analog) and other third-party telephones (SIP and Analog).

REPORT OF THE BOARD OF DIRECTORS

Zenitel is focusing on its core intercom business as well as the Tetra Radio network in the Caribbean. The main focus in 2011 has been to continue establishing a good foundation for future growth and expansion. This year we have continued to invest in our own branded products like STENTOFON, VINGTOR, ZENITEL and ChuChubi. 2011 has however, been a year with new financial difficulties around the world, but our focus on core operations has enabled Zenitel to have a growth of 3,7% on EBITDA, despite a revenue decrease of 5,1%. The focus on profitable revenues and cost cautiousness has enabled Zenitel to generate positive net results for the first time in many years.

STRATEGY

INTRODUCTION

Zenitel is organized around its two centers of excellence: Secure Communication Systems (SCS) and the ChuChubi network in Caribbean. The focus of Secure Communication Systems continues to be around the development and marketing of its own products and brands, STENTOFON for the onshore market, VINGTOR for the marine market and the ZENITEL brand for wireless solutions and applications.

It is a trend in the market that customers require more integrated solutions. Consequently, Zenitel has high focus on developing its products and solutions to fulfill the customers' needs in this world of integrated solutions. Together with our customers and partners, Zenitel has the needed expertise and knowledge to integrate our products and solutions with existing customer systems, as well as to distribute 3rd party products.

Zenitel is the largest TETRA network operator in the Dutch Antilles with our ChuChubi Network in the Caribbean. With the completion of the network expansions into Bonaire, St Eustatius and Saba, the BES islands, and the growth in the underlying business during 2011, Zenitel is well positioned to expand its business further and to introduce new solutions to our customers in this region.

ACTION PLAN

Zenitel will continue to focus on developing the Secure Communication System business. In 2011 Zenitel's turnover decreased by 5% compared to 2010, the main reason being less project business in Scandinavia as well as the overall slowdown in the worldwide marine market, particularly in Asia. High focus on replacing hardware with our own developed software, as well as general cost reductions, enabled the SCS business to deliver the same level of EBITDA as last year, despite the decreased revenue. This shows how important it is to focus on developing our own products, as well as maintaining a close cooperation with our suppliers in order to find more cost efficient ways to bring our products to the customers. The company remains committed to continue its investments in Research & Development in order to realize revenue growth and improved margins.

The STENTOFON AlphaCom XE, was launched to the market in 2010. This IP based audio server represents the core of Zenitel's large product portfolio. The previous generation, known as AlphaCom E, was well received by Zenitel's customers since its launch in 2006, and has been further developed with new functionalities to what the AlphaCom XE series offers today. The combination of both the IP platform and the IP stations results in a substantial decrease of the total cost of ownership for Zenitel customers, since there is no need for proprietary cabling.

Zenitel will continue its strategy to develop additional IP applications and equipment in 2012, serving our main customer segments and addressing more customer needs. During 2012 Zenitel will launch a broad range of new STENTOFON Turbine series, both IP and analogue stations, to strengthen its leading position in the security industry.

All our product developments are done with our customers in mind, enabling them to work in a more efficient and effective way, especially in critical situations. In 2012 the development efforts will also continue to focus on increasing the VINGTOR offering and applications. Our objective is to increase the revenue per vessel equipped with Zenitel products and solutions.

The revenues from our ChuChubi TETRA network amount to 4,9 million Euro in 2011, a reduction of 9,1% compared to last year. If we however adjust for the 2010 one time revenues related to the BES expansion as well as the 2011 negative currency conversion impact, the underlying business shows a growth of 3,0%. The margins continue to be good and in combination with careful spending we keep the EBITDA margin at 30%, at same level as last year.

IFRS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union. These consolidated financial statements are prepared under the historical cost convention, except for certain financial instruments (including derivatives) which are measured at fair value.

In the current year, the Group has adopted all of the new and revised Standard and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2011, all of which were endorsed by the European Union.

An overview of the new standards that became applicable for 2011, and the standards and interpretations that will become applicable after 2011, is included in the valuation rules section in the Financial Report chapter. The company did not early adopt or determine the effect of the new standards applicable after 2011.

FINANCIAL YEAR 2011

The Board of Directors is pleased to present you with its report for the 2011 financial year. The present report covers both the consolidated (Group) and the unconsolidated (parent company) accounts in accordance with Article 119, second clause of the Belgian Company Code.

CONSOLIDATED INCOME STATEMENT 2011

Total turnover in 2011 amounts to 63,0 million Euro which represents a decrease by 3,4 million Euro or 5,1% compared to 2010. Secure Communication Systems (SCS) recorded 58,0 million Euro revenue in 2011 against 61,0 million Euro in 2010, a decrease by 2,9 million Euro (-4,8%). Caribbean realized 4,9 million Euro of turnover against 5,4 million Euro in previous year or a decrease of 0,5 million Euro (-9,1%). The SCS revenue decrease in 2011 relates to less project business in Scandinavia and reduced opportunities in the marine markets. The Caribbean revenue decrease is explained by the one-time coverage expansion in 2010 and the currency conversion impact. We refer to the segments discussion further in this report.

Despite the reduction in turnover, by working on our operational efficiency, we have been able to grow our recurrent EBITDA (Earnings before Interests and Tax, Depreciation and Amortization) with 3,8% to 4,3 million Euro.

Year ended December 31st

(thousands of EUR)	**2011**	**2010**
Recurrent EBITDA *	**4 313**	**4 157**
One-time-items with EBITDA impact	-373	-1 641
Impact of divestments	0	209
EBITDA **	**3 940**	**2 725**
Depreciation/amortization/impairments	-2 439	-2 578
Operating profit (EBIT)	**1 501**	**147**

* EBITDA is a non-GAAP measure and is defined as operating profit + depreciation +amortization + impairments

** EBIT is a non-GAAP measure and is defined as operating profit or earnings before interests and taxes.

Operating profit or EBIT (Earnings before Interest and Tax) amounted to 1,5 million Euro compared to 0,1 million Euro in 2010.

Both 2011 and the 2010 results were impact by **non-recurrent items.** In 2011 the non-recurrent items totaled -0,4 million Euro compared to -1,6 million Euro in 2010. The 2010 non-recurrent items mainly related to the discontinued operations in France.

The **net financial expense** amounted to -0,9 million Euro compared to -1,6 million Euro in 2010. The decrease of the net finance expense is attributable to the decrease of the net foreign exchange rate losses by 0,3 million Euro, a realized gain on the disposal of financial assets of 0,2 million Euro and the 0,2 million Euro decrease of interest charges as a result of debt repayments.

The **profit of the year from continuing operations** amounts to 0,5 million Euro against 0,1 million Euro in 2010.

The **total consolidated net result** of the Zenitel Group shows a profit of 0,5 million Euro against a loss of 1,5 million Euro in 2010.

Earnings per share, after corrections for the treasury shares, were 0,03 Euro positive compared to -0,09 Euro negative in 2010.

SEGMENT REPORTING

The Group is organized in two business units: Secure Communication Systems (SCS) and the network business in Caribbean. The SCS unit consists of operations in Norway, Denmark, Singapore, China, France, Finland, Italy, Germany, Croatia, Brazil, USA and a worldwide distributor network. The business in Caribbean consists of the TETRA network run under the ChuChubi brand.

(thousands of EUR)		*Year ended December 31st*
Secure Communication Systems (SCS)	**2011**	**2010**
Revenue	58.031	60.950
Recurrent EBITDA	3.869	3.923
EBIT	2.423	3.089
FTE	208	243

Secure Communication Systems, strong in own products and third party products, is reporting a 2,9 million Euro or 4,8 % decrease in turnover. This decrease is mostly due to less project business in Scandinavia and reduced opportunities in the marine markets. The sales of onshore products dropped slightly due to reductions in USA and Italy; however this was compensated by growth in France and Asia.

Recurrent EBITDA ended at 3,9 million Euro, more or less in line with previous years, as operational efficiency in the supply chain compensated for the revenue decrease. Total operating profit (EBIT) in 2011 reduced to 2,4 million Euro against 3,1 million Euro in 2010 after an increase in inventory impairments of 0,4 million Euro.

(thousands of EUR)		*Year ended December 31st*
Caribbean	**2011**	**2010**
Revenue	4.946	5.440
Recurrent EBITDA	1.480	1.617
EBIT	520	376
FTE	34	35

The Caribbean unit is specialized in network operating services on its own TETRA network (ChuChubi) and the offering of related secure communication solutions. The Caribbean realized a turnover value of 4,9 million Euro in 2011, a decrease of 0,5 million Euro compared to 2010. In 2010 we expanded our ChuChubi network on the islands of Bonaire, St. Eustatius and Saba (the BES project), which resulted in extra non-recurring revenues in 2010. This explains a turnover decrease of 0,4 million Euro in 2011. An unfavorable foreign currency conversion impact of 0,3 million Euro in 2011 also affected the Caribbean topline negatively. Both unfavorable impacts on turnover were compensated by the growth of the normal business by 3,1%.

Recurrent EBITDA from unallocated operations amounts to -1,0 million Euro and improved by 0,3 million Euro or 25%, mainly as a result of the cost reduction measures at the Group's holding company. The operating loss from unallocated operations amounted to -1,4 million Euro, against -3,3 million Euro in 2010. The improvement of the operating result in 2011 compared to 2010 is mainly explained by non-recurring costs in 2010 relating to discontinued operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Property, plant and equipment decreased from 4,2 million Euro to 3,6 million. Total capital investments amounted to 0,6 million Euro while depreciation charges amounted to 1,2 million Euro.

Goodwill increased slightly to 4,2 million Euro due to currency transactions.

Other intangible assets increased from 1,4 million Euro to 1,5 million Euro in 2011, and consist mainly of capitalized development costs. Deferred tax assets stayed in line with previous years at 2,5 million Euro. Long term financial assets decreased from 1,4 million Euro to 1,2 million Euro. The decrease is mainly explained by received payments for proceeds receivable relating to sold activities in 2009.

Inventories amount to 6,9 million Euro against 8,0 million Euro previous year. Contracts in progress increased from 0,7 million Euro in previous years to 1,0 million Euro in 2011. The increase is mainly due to project activities in Denmark.

Trade and other receivables amount to 14,8 million Euro against 15,1 million Euro the previous year.

Equity totals 5,9 million Euro an increase of 11,4% or 0,6 million Euro.

Total non-current liabilities decreased from 11,5 million Euro to 9,8 million Euro. The decrease is the result of the loan, pension and re-structuring payments in 2011, and the corresponding shift from long term to short term of an important part of the long term borrowings, pension and restructuring liabilities.

Total current liabilities decreased slightly with 0,4 million Euro to 25,6 million Euro in 2011. Trade and other payables amount to 17,3 million Euro an increase of 0,7 million Euro. Short term borrowings increased from 3,6 million Euro to 4,0 million Euro. Total long term and short term borrowing decreased from 12,8 million Euro to 11,5 million Euro, which is explained by the loan repayments done in 2011. Short term provisions decreased from 5,2 million Euro to 4,0 million Euro. The movement is mainly explained by payments performed with respect to pension obligations and litigations and reversals of provisions.

The Board of Directors has evaluated the net book value of capitalized development costs, the net book value of the network investments, positive consolidation differences, deferred tax assets, contracts in progress and restructuring and other provisions, and is of the opinion that the amortizations and provisions are sufficient. With regards to the going concern of Zenitel NV (art 96 Belgian Company Code), the Board of Directors wishes to refer to the separate paragraph on the justification of the application of the valuation rules under the going concern assumption further in this report.

SOURCES AND APPLICATIONS OF FUNDS

The cash flow of the Zenitel Group amounted to -0,6 million Euro in 2011, against -1,4 million in 2010. In total 2,2 million Euro borrowings were repaid in 2011. The cash flow from investment activities amounted to -3,0 million Euro in 2011. In total 2,5 million Euro was spent on product development and related activities. The cash flow generated from operations amounted to 5,7 million Euro in 2011 against 3,9 million Euro in 2010. After deduction of interest and tax charges, this resulted in a cash flow from operating activities of 4,7 million Euro. At the end of 2011, Zenitel's net cash position amounted to 2,4 million Euro.

HUMAN RESOURCES

The number of full time equivalents (FTE) at December 31, 2011 is 245,6.

The following table gives an evolution of the FTEs in the Zenitel group during the past three years:

FTE	31/12/2009	31/12/2010	31/12/2011
Secure Communication Systems	257,3	243,3	208,0
Networks	32,0	35,0	34,0
Support Centers	7,4	3,7	3,6
Divested entities and operations	2,6	0,0	0,0
Total	**299,3**	**282,0**	**245,6**

The decrease in 2010 and in 2011 is mainly explained by the reorganizations performed in Denmark. Total FTEs in Denmark decreased by 11 in 2010 and by 29 in 2011. The remaining decrease in SCS in 2011 is mainly explained by the restructuring of part of the Norwegian operation (-6,6 FTEs).

IMPORTANT SUBSEQUENT EVENTS

No important subsequent events to report which took place after the end of the financial year 2011.

INFORMATION ON RESEARCH AND DEVELOPMENT

The company continued to invest in the development of new products and services which resulted in several new product launches in 2011, like the new server-less STENTOFON Pulse IP Intercom System, new STENTOFON recording solutions, a STENTOFON redundancy solution, new IP stations, new SIP intercom master stations and video intercom stations.

CONFLICT OF INTEREST

In 2011, the procedure relating to conflicts of interests linked to article 523 of the Belgian company code has been applied one time.

The procedure related to conflicts of interests within the meaning of article 524 of the Belgian company code has not been applied in 2011. The minutes of the Board of Directors relating to the application of article 523 have been included in a separate chapter in this annual report.

INFORMATION REGARDING CIRCUMSTANCES THAT CAN SIGNIFICANTLY INFLUENCE THE DEVELOPMENT OF THE COMPANY GROUP AS A WHOLE

Please refer to the paragraphs below relating to the risk factors and uncertainties and the justification of application of valuation rules under going concern (provided in accordance with Article 96°6 of the Belgian Company Code), where Zenitel provides information on the main risks and uncertainties that could negatively impact the development, the financial results or the market position of the Company. The same risks and uncertainties are applicable to the Group as a whole and may influence significantly the further development of the Group.

STATEMENT ON AUDIT COMMITTEE

The Board of Directors confirms the independence and knowledge of at least one member of the audit committee regarding accounting and audit. Also collectively, the audit committee has sufficient expertise in accounting and auditing, given the careers and education of each of the members of the audit committee.

RISK FACTORS AND UNCERTAINTIES

The Board of Directors considers the following risk factors to be important and takes them into consideration when performing risk assessments, since these risk factors could impair the Group's business operation or have an adverse effect on the Group's cash flows, profitability, financial condition, its ability to continue as a going concern and the price of its shares.

- Technological evolution in the secure communications market could impact our competitive position or technological (r)evolutions might cause important impairments of assets.

- The economic cycle where the company operates is a significant risk factor. The activity levels in the building and marine industry are important markets for the company.

- When offering secure communication services, the Group guarantees to its customers a minimum level of coverage, quality and availability and minimum response times in case of interruptions. Changes in the landscape, legislation, regulations or environmental considerations could prevent the Group from meeting such obligations.

- Project risks and guarantees given. There is no certainty that the Group will always succeed in estimating and managing project risks adequately. This might have an impact on the performance of the Group and on the project related guarantees given by the Group to its customers. The notes to the financial statements provide more information on guarantees issued by the Group.

- Product and general liabilities: the Group has an extensive insurance program, which amongst other risks, covers this liability. The Group has not had any major problems in the past that have made it necessary to call upon this insurance, however there is no guarantee that this insurance program will be sufficient for every possible claim that could arise.

- Litigations: the Group has certain pending files that can be qualified as contingent liabilities according to the definition of IFRS. Please refer to note 29 of the consolidated financial statements for more information on this aspect.

Next to these risk factors, the Board of Directors also considers the financial situation of the Group (see separate paragraph on the justification of the application of the valuation rules under going concern further in this report), currency exchange rate risk (see also next paragraph), risks of tax disputes, uncertainties relating to changing regulations, dependence on major customers, uncertainties relating to the outlooks and the risks relating to the long Group history.

USE OF FINANCIAL INSTRUMENTS

Financial risk management

Zenitel uses bank forward exchange contracts in order to secure Zenitel's commercial transactions in foreign currencies. In 2011 these transactions related only to minor values. No other hedging mechanisms are used.

Incurred price risk, credit risk, liquidity risk and cash flow risk

The Group has countered the price risk and the risk for inflation in the Caribbean by fixing local credit facilities in local currencies, on a non-recourse basis. This implies that both revenues and the repayment of credit facilities are in local currency. The same is valid for Norway, since the Group concluded credit facilities in NOK to finance the trade receivables and inventory in Norway.

Fees paid to the statutory auditor or associates offices:

Audit fees:		**Non audit fees:**	
Zenitel NV:	31.155 Euro	Tax & legal assistance:	34.474 Euro
Zenitel Group:	114.608 Euro		

OUTLOOK 2012

While the world economies continue to be fragile, the operational improvements we have implemented over the past years as well as the quality of our product offerings are expected to enable us to continue our financial performance and further improve our balance sheet.

DECLARATION WITH REGARDS TO CORPORATE GOVERNANCE

Rules and regulations regarding corporate governance have changed significantly during the past few years. Besides the existing prescriptions of the Belgian Corporate Governance Code 2009 (CG-Code 2009), with its "comply or explain" approach and the Act of 6 April 2010 to reinforce corporate governance (CG-Law 2010), the Act of 20 December 2010 on the exercise of certain rights of shareholders in listed companies has been published in 2011.

The Company has adopted the Belgian Corporate Governance Code 2009 as reference code. The Belgian Corporate Governance Code 2009 is available at the following website: www.corporategovernancecommittee.be. No other corporate governance practices are applied by Zenitel NV.

The Corporate Governance Charter of the Company was updated in April 2011 in order to be in line with the new Belgian rules and regulations with respect to Corporate Governance. An update has also been made in March 2012 in order to update the Charter provisions of the Act of 20 December 2010 on the exercise of certain rights of shareholders in listed companies. A copy of this Corporate Governance Charter is available on the Zenitel website.

We refer to the separate chapter *Declaration with regards to corporate governance* in this annual report for further information with respect to Zenitel's corporate governance which should be provided in accordance with Article 96§2 of the Belgian Company Code and the Corporate Governance Code 2009. In the cases where Zenitel does not follow the prescriptions of the Corporate Governance Code 2009, you will find an explanation for this in the chapter *Declaration with regards to corporate governance* in this annual report.

The chapter *Declaration with regards to corporate governance* and the chapter *Annex to the report of the Board of Directors* which are included elsewhere in this Annual Report 2011 booklet, form an integral part of this report of the Board of Directors.

STATUTORY ACCOUNTS OF ZENITEL NV (UNCONSOLIDATED)

BALANCE SHEET

Fixed assets include 0,1 million Euro formation expenses. This relates to the capitalization of the both the capital increases of February 2005 and May/June 2007.

Financial fixed assets amount to 43,5 million Euro and consist of the participations in Zenitel group companies. There were no changes in financial fixed assets in 2011.

Amounts receivable more than one year increased by 0,5 million Euro, which is explained by the takeover of receivables from affiliate Zenitel Finance Netherlands BV in 2011. The outstanding receivable amount of 0,6 million Euro relates mainly to proceeds receivable with respect to discontinued operations.

Amounts receivable within one year amount to 1,8 million Euro or 4,2 million Euro lower than the previous year and consist mainly of amounts receivable from other Zenitel Group entities. The decrease by 4,2 million Euro is mainly explained by the impact of a waiver of debt that was granted in 2011 to affiliate Zenitel Finance Netherlands BV. Cash and deferred charges stayed in line with the previous year.

The change in equity from 27,7 million Euro to 23,3 million Euro is due to the result of the year (see lower).

Provisions for pensions decreased from 1,9 million Euro as per year end 2010 to 1,7 million Euro as per year end 2011 as a result of payments performed in 2011. Provisions for risk and other liabilities decreased by 0,8 million Euro to 3,1 million Euro. This provision decrease is the result of payments performed in 2011 and the reversal of provisions.

Total financial debts decreased from 10,4 million Euro as per year end 2010 to 8,6 million Euro as per year end 2011 as result of the debt repayments performed in 2011. The long term liabilities decreased by 1,6 million Euro to 7,1 million Euro and the short term financial debts decreased from 1,8 million Euro to 1,5 million Euro.

The remaining increase of the short term liabilities is mainly explained by the increase of the accounts payable (+1,1 million Euro) and the other debts (+2,2 million Euro). Both increases are explained by increases of debt towards other Zenitel Group companies.

INCOME STATEMENT

Other operating income decreased from 5,1 million Euro to 4,6 million Euro. The reported other operating income consists mainly of management and license fees charged to other Zenitel Group companies. The total amount of management and license fees charged amounted to 4,5 million Euro in 2011, in line with previous years. The decrease of other operating income by 0,5 million Euro is mainly explained by less cost cross charges to other Zenitel Group companies or third parties.

Operating expenses amounted to 5,4 million Euro in 2011, in line with previous year.

The above mentioned movements resulted in an operating loss of -0,9 million Euro in 2011 against an operating loss of -0,3 million Euro in 2010.

Financial income stayed in line with prior year and amounts to 0,6 million Euro.

Financial costs amount to 4,6 million Euro and consist in 2011 mainly of the impact of a waiver of debt granted to affiliate Zenitel Finance Netherlands BV (-3,9 million Euro) and of interests paid on the outstanding borrowings.

The net extraordinary result amount to 0,3 million Euro in 2011, against a loss of -2,7 million Euro in 2010.

The net loss of the year amounts to -4,5 million Euro against -3,3 million Euro in 2010.

RESEARCH AND DEVELOPMENT

There were no research and development activities at the level of the holding company during the year under review.

APPROPRIATION OF RESULT

Considering the loss of the year of –4.478.638,90 Euro the Board of Directors proposes to appropriate the result as follows:

Result carried forward prior year:	(58.863.598,61) Euro
Result of the year:	(4.478.638,90) Euro
Result carried forward:	**(63.342.237,51) Euro**

After appropriation, the equity of Zenitel NV can be detailed as follows:

Share capital:	25.274.722,95 Euro
Share premium:	28.725.676,81 Euro
Reserves:	32.604.535,83 Euro
Result carried forward:	(63.342.237,51) Euro
Total:	**23.262.698,08 Euro**

ADDITIONAL HONORARIA PAID TO STATUTORY AUDITOR

During the year under review, 11.215 Euro additional fees for tax and legal advice have been paid to the statutory auditor of Zenitel NV.

CONFLICT OF INTEREST

In 2011, the procedure relating to conflicts of interests in accordance with Article 523 of the Belgian Company Code has been applied one time within Zenitel NV. No procedure related to conflicts of interests within the meaning of Article 524 of the Belgian company code has been applied in 2011. The minutes of the Board of Directors relating to the application of Article 523 of the Belgian Company Code have been included in the Annex to the report of the Board of Directors at the end of this Annual Report 2011.

IMPORTANT SUBSEQUENT EVENTS

No subsequent events to report which took place after the end of the financial year 2011.

AUTHORIZED CAPITAL

On April 28, 2010, an extraordinary shareholders meeting decided to renew the powers of the Board of Directors to increase the capital up to an amount of EUR 25.274.722,95 for a period of five years. The Board of Directors has not used its capacity regarding the authorized capital since then.

INFORMATION REGARDING CIRCUMSTANCES THAT CAN SIGNIFICANTLY INFLUENCE THE DEVELOPMENT OF THE COMPANY

Please refer to the paragraph below relating to the justification of the application of the valuation rules under going concern (provided in accordance with Article 96,6° of the Belgian Company Code), and the paragraph on risk factors and uncertainties where information is provided on the main risks and uncertainties that could negatively impact the development, the financial results or the market position of the Company.

RISK FACTORS AND UNCERTAINTIES

We refer to the section on risks and uncertainties earlier in this report of the Board of Directors, which apply mutatis mutandis to Zenitel NV.

EXISTENCE OF BRANCH OFFICES

The company has no branch offices.

JUSTIFICATION OF APPLICATION OF VALUATION RULES UNDER GOING CONCERN

The statutory balance sheet of Zenitel NV shows as per December 31st 2011 losses carried forward from the past of 63,3 million Euro. Nevertheless, the Board of Directors is of the opinion that the application of the existing valuation rules, undergoing concern is still justified.

Since the strategic reorganizations in 2009, the Company has been able to continue to focus on its Secure Communication System and Caribbean business, and at the same time the Company was able to reduce loans and restructuring obligations. The further reduction of loans and restructuring obligations will continue to be an important factor in the company's cash flow going forward. The financial results for 2011 show that the company is able to generate the cash needed to serve its obligations.

Therefore, the Board of Directors is of the opinion that the application of the existing valuation rules under going concern is still justified.

USE OF FINANCIAL INSTRUMENTS

We refer to the section on the use of financial instruments set out earlier in this report of the Board of Directors which applies, mutatis mutandis, to Zenitel NV.

STOCK & SHAREHOLDER INFORMATION

SHARE QUOTATION

Per 31 December 2011, the subscribed capital amounts to EUR 25.274.722,95. It is represented by 16.554.422 shares without nominal value and is fully paid up. The par value per share is EUR 1.5268. The shares are quoted on Euronext Brussels (double fixing) with symbol ZENT.

ZENT LISTED NYSE EURONEXT

TRANSPARENCY

In accordance with Article 6 of the Act of 2 May 2007 on the publication of important participations in issuers whereof shares are admitted for trading on a regulated market, 3D NV and De Wilg GCV did a transparency notification in 2008. There has not been a threshold crossing since their transparency notification of 2008.

SHAREHOLDERS AND CAPITAL STRUCTURE

The shareholders structure per 31 December 2011 is the following as it appears from the notifications Zenitel NV received.

Shareholders	Number of shares	% of total
De Wilg GCV*	2 000 000	12,08 %
3D NV*	5 053 600	30,53 %
The Company (Zenitel Norway AS)	113 113	0,68 %
QuaeroQ CVBA	1 961 564	11,85 %
Freefloat	7 426 145	44,86 %
Total	**16 554 422**	**100,00 %**

*Acting in concert

All shares have the same rights and obligations. There are no different kinds of shares.

All shares have the same rights and obligations. There are no different kinds of shares. At the end of 2011 there were no warrants outstanding and there was no stock option plan for employees applicable. The Company has not issued any non-voting shares. No special control rights have been granted to certain securities, which could have an impact in the event of a public take-over-bid.

VOTING RIGHTS

Zenitel Norway AS, a subsidiary of Zenitel NV, holds 113.113 shares of Zenitel NV. The voting rights attached to these shares are suspended.

There are no legal limitations or limitations in the articles of association of Zenitel NV with respect to the exercise of the voting rights, which could have an impact in the event of a public take-over bid.

TRANSFER OF SECURITIES

There are no legal limitations or limitations in the articles of association with respect to the transfer of securities of Zenitel NV, which could have an impact in the event of a public take-over bid.

SHAREHOLDER'S AGREEMENTS

Zenitel NV is not aware of any shareholders' agreement which may lead to a limitation of the transfer of securities and/or the exercise of voting rights, which could have an impact in the event of a public take-over bid.

Zenitel NV does not know the content of the shareholders' agreement concluded between De Wilg CGV and 3D NV, acting in concert.

RULES FOR THE APPOINTMENT AND REPLACEMENT OF DIRECTORS AND MODIFICATIONS TO THE ARTICLES OF ASSOCIATION

There are no specific rules applicable for the appointment and replacement of directors and modifications to the articles of association other than those provided for by law, which could have an impact in the event of a public take-over bid.

DIVIDEND

No dividend payments have been performed or are planned.

ACQUISITION AND DIVESTMENT OF OWN SHARES

The Board of Directors is authorized by means of an amendment of the articles of association of 28 April 2011, to acquire the shares, VVPR-strips, bonus shares and certificates which relate thereto of Zenitel NV by sale or exchange, or to divest them, without a prior resolution of the general meeting, either directly or indirectly trough a person who acts in its own name but on behalf of the Company, or through a direct subsidiary in the meaning of Article 627 of the Belgian Company Code, if the acquisition or divestment is necessary to avoid a threatening serious disadvantage for the Company. This power is valid for a period of three years as from the publication of the decision in the Annexes to the Belgian State Gazette, i.e. until 13 May 2014, and is renewable.

The general meeting of 28 April 2011 has moreover empowered the Board of Directors to acquire by sale or exchange the maximum number of shares, VVPR-strips, bonus shares and certificates which relate thereto as set forth in Article 620 §1 and 622 §2 of the Belgian Company Code, and to divest those, either directly or indirectly through a person which acts in its own name but on behalf of the company, or through a direct subsidiary in the meaning of Article 627 of the Belgian Company Code, against a consideration which cannot be lower than 20 % and not higher than 20% of the average stock exchange rate of the relevant security on Euronext during the five dealing days preceding the acquisition or exchange or divestment. This power is valid for a period of five years as from the resolution of the general meeting, i.e. until 28 April 2016.

The Board of Directors is also empowered in accordance with Article 630 §1 of the Belgian Company Code, to take a pledge, directly or indirectly trough a subsidiary of a person who acts in its own name but on behalf of that subsidiary or the Company, as stipulated in Article 630 §1 of the Belgian Company Code, on the Company's shares, VVPR-strips, bonus shares or certificates which relate thereto and this in accordance with the conditions and duration for the acquisition and divestment of own shares set forth above.

The Board of Directors is also empowered to divest the shares or certificates of the company in accordance with Article 622, §2, 1° of the Belgian Company Code.

AUTHORIZED CAPITAL

The Board of Directors is authorized for a period of five years starting from the publication of the decision of the extra-ordinary shareholders meeting of 28 April 2010 in the Annexes to the Belgian State Gazette, i.e. until 6 August 2015, to increase the share capital in one or more times with a maximum of EUR 25.274.722,95. The Board of Directors may issues shares, convertible bonds and warrants, or non-voting shares, shares with a preferential dividend and liquidation preference and convertible shares. This authorization of the Board of Directors is also valid for incorporation of reserves. The Board of Directors can remove or limit the preferential subscription rights of the shareholders, also to the benefit of one or more determined persons.

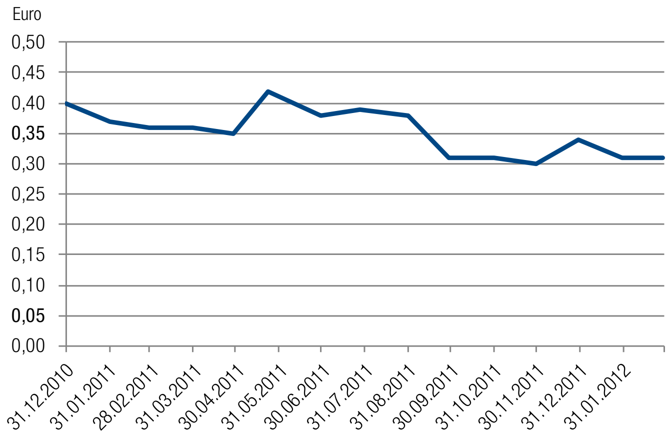
Particularly, the general meeting of shareholders of 28 April 2010 has authorized the Board of Directors to increase the share capital of the Company in one or more times, as from the date the Company has received the notice of the FSMA that a public take-over bid has been launched on the securities of the Company, and this by means of a contribution in cash with removal or limitation of the preferential subscription rights of the existing shareholders or by means of contributions in kind in accordance with Article 607 of the Company Code. This power is granted for a period of three years.

AGREEMENTS AFFECTED BY A CHANGE OF CONTROL OF THE COMPANY

Zenitel is not aware of any important agreements to which it is a party, that enter into force, experience amendments or are terminated in the event of a change of control of the Company following a public take-over bid. In addition, the Company is not aware of any agreements between it and its directors or employees for the provision of compensation in the event that, as a consequence of a public take-over bid, the Directors resign or are dismissed without valid reason or the employment of employees is terminated.

STOCK PRICE EVOLUTION

The graph below shows the development of the closing share price of Zenitel shares since 1 January 2011 until 28 February 2012. (see also Euronext website, www.euronext.com)



FINANCIAL CALENDAR

22/03/2012	Results 2011
30/04/2012	Annual General Shareholders' Meeting (11:00 am)
10/05/2012	Q1 Trading update
30/08/2012	Half-Year results 2012
05/11/2012	Q3 Trading update

ABOLISHMENT OF BEARER SHARES

As instructed by the law of December 14th 2005, all bearer shares for both listed and unlisted companies must be converted into registered form no later than December 31st 2013. We would like to draw the attention of our shareholders to the fact that bearer shares which have not been converted by that date will be dematerialized by operation of law.

DECLARATION WITH REGARDS TO CORPORATE GOVERNANCE

This Section summarizes the rules and principles by which the corporate governance of Zenitel is organized pursuant to Belgian company law, Zenitel's articles of association and the Zenitel Corporate Governance Charter.

The Zenitel Corporate Governance Charter has been construed in accordance with the recommendations set out in the Belgian Corporate Governance Code issued on 12 March 2009 (hereinafter, the "Belgian Corporate Governance Code 2009" as well as in accordance with any applicable Belgian legislation.

Zenitel has adopted the Belgian Corporate Governance Code 2009 as reference code. The Belgian Corporate Governance Code 2009 is available at the following website: www.corporategovernancecommittee.be. No other corporate governance practices are applied by Zenitel.

The Board of Directors of Zenitel intends to comply with the Belgian Corporate Governance Code 2009, but it believes that certain deviations from the provisions and principles of the Belgian Corporate Governance Code 2009 are justified in view of Zenitel's particular situation and size. These deviations are further explained at the end of this declaration with regards to corporate governance.

The Board of Directors of Zenitel reviews its Corporate Governance Charter from time to time and makes such changes as it deems necessary and appropriate. The charter is available free of charge on Zenitel's website (www.zenitel.com) and at the registered office of Zenitel NV.

SHAREHOLDERS AND SHARES

The information as referred to in article 96§2,4° of the Belgian Company Code can be found back in the chapter *Stock and Shareholder Information* of this Annual Report 2011.

BOARD OF DIRECTORS

The Board of Directors of the Company may perform all acts necessary or useful for achieving the Company's corporate purpose, with the exception of those acts that are by law or the Company's articles of association expressly reserved to the shareholders' meeting. The Board of Directors can transfer its competencies for special and specific activities to an authorized representative, even if this person is not a shareholder or a director.

The Board of Directors of the Company is composed of a minimum of three and a maximum of twelve members. Today there are six board members, of which five members are non-executive directors. Two directors are independent directors within the meaning of article 526ter of the Belgian Company Code. The articles of association state that directors are elected for a renewable term of six years maximum, with the term ending at the relevant annual shareholders' meeting. However, all current directors are appointed for three years. Directors may be dismissed by the shareholders' meeting at all times. Resigning directors may be reappointed.

If a directorship becomes vacant before the expiry of its term, the remaining directors will have the right to temporarily appoint a new director to fill the vacancy until the shareholders resolve at a shareholders' meeting to appoint a new director. This item must be put on the agenda of the next shareholders' meeting.

A meeting of the Board of Directors is validly constituted if there is a quorum, consisting of at least half of the members present in person or represented at the meeting. If such quorum is not met, a new board meeting must be convened to deliberate and decide on the matters on the agenda of the board meeting for which a quorum was not present. In any event, the Board of Directors may only validly proceed if at least two directors are present or represented. Meetings of the Board of Directors are convened by the Chairman of the Board or by at least two directors whenever the interests of the Company so require.

The Board of Directors met seven times during 2011. The following significant matters were discussed at the meetings of the Board of Directors during 2011:

- Approval year-end figures, annual report, agenda of the general shareholders meeting
- Verification of the trading updates
- Status discussions and decisions on ongoing litigation cases
- Discussion on forecasts
- Status discussion on ongoing restructuring and reorganization processes
- Information and decisions on important projects
- Strategy of the company and of the various business segments
- Approval of budget 2012
- HR issues
- Reporting of audit committee and nomination and remuneration committee

CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman is elected among the members of the Board of Directors for a period which, in principle, corresponds to his term as a director.

The Chairman is responsible for ensuring that the Board of Directors operates in accordance with the corporate governance charter. Where necessary, he is assisted with this task by the committees.

The Chairman is responsible for leading the board. He plans the meetings of the Board of Directors and, in cooperation with the CEO and the Company secretary, draws up the schedule of meetings of the Board of Directors and the committees. He prepares, together with the CEO and Company secretary, the general agenda for meetings of the Board of Directors, covering the topics that have to be discussed during the year, as well as the agenda for each meeting, indicating for each item on the agenda whether this is for information, discussion or decision.

The Chairman promotes continuous interaction and dialogue within the Board of Directors. The Chairman ensures that the Board of Directors receives up-to-date and relevant information about important aspects of the strategy, the business activities and the financial situation of Zenitel, including developments regarding competition. He takes initiatives to help establish a climate of respect, trust and openness within the Board of Directors in general and between the non-executive members of the Board of Directors and the senior or executive management in particular.

INDEPENDENT DIRECTORS

A director is considered being an independent director if he or she meets the criteria set out in article 526ter of the Belgian Company Code.

The Corporate Governance Charter contains further explanations on this matter, under the chapter 'Composition of the Board of Directors', and can be found on the website of www.zenitel.com on the 'Investor Relations'- pages.

COMPOSITION OF THE BOARD OF DIRECTORS

Per December 31st 2011, the Board of Directors consists of six members:

Name and position	Independent / dependent	Executive / non-executive	Term*
Beckers Consulting BVBA, permanently represented by Eugeen Beckers, Chairman	Dependent	Non-executive	2014
Blanco Blad BVBA, permanently represented by Jo Van Gorp	Independent	Non-executive	2013
Kenneth Dastol, CEO	Dependent	Executive	2013
Frank Donck	Dependent	Non-executive	2013
Duco Sickinghe	Independent	Non-executive	2012
VZH NV, permanently represented by Eric Van Zele	Dependent	Non-executive	2012

*The term of the mandates of the directors will end immediately after the annual shareholders' meeting held in the year set out next to the director's name.

The Board of Directors met seven times during 2011. On these occasions either all or a large majority of the directors at that point in time where present or attended through conference call.

There is no family relationship between any of the directors.

One director, Beckers Consulting BVBA, permanently represented by Eugeen Beckers, was (re)appointed in 2011. He was also reappointed as Chairman of the Board of Directors. Beckers Consulting BVBA, represented by Eugeen Beckers, was CEO of Zenitel from January 2008 till December 2009. His appointment as Chairman of the Board of Directors is in the interest of the Company given his extensive knowledge of the activities, organization and operations of the Company and the fact that he led the strategic restructuring of the Zenitel Group in 2009.

VZH NV, permanently represented by Eric Van Zele, who was in 2009 appointed as an independent director, cannot be considered independent in accordance with Art 526 ter of the Belgian Company Code anymore due to the fact that Crescent NV participated in transactions relating to the sale of respectively the majority share (in 2009) and the remaining minority share (in 2011) in Zenitel Belgium NV. VZH NV is shareholder and director of Crescent NV.

The biography and the principal activities outside Zenitel performed by the members of the Board of Directors or their permanent representatives (in the event the director is a legal person) are set out below. Where it is indicated that a permanent representative held a certain position, this may also be through the respective legal person or another management company.

Eugeen Beckers (permanently representing Beckers Consulting BVBA) (°1953) – Mr. Beckers is the current Director of Zenitel. From January 2008 until December 2009 Mr. Beckers was CEO of Zenitel. In this role he led the Company through large restructuring operations. Since 2010 Mr. Beckers is Chairman of the Board of Directors. From the end of 2003 until the beginning of 2007, Mr. Beckers was CEO of Telecom Malagasy, the privatized telecom provider of Madagascar. Before that Mr. Beckers held senior positions in the BT Group for more than ten years. Amongst others, he was VP Operations BT Ignite, Managing Director of Cegetel Enterprises in France, Director of Sales and Service for BT Europe and Country Manager BT Belgium Ltd. Mr. Beckers obtained a Master's degree in Applied Economics in Antwerp.

Jo Van Gorp (permanently representing Blanco Blad BVBA) (°1964) – Mr. Van Gorp has been a member of Zenitel's Board of Directors since 2010. In June 2011 he became CEO of Dacentec NV. From May 2010 until June 2011 he was CEO of Topcom Europe NV, and from October 2009 until March 2010 he was interim CEO of DNS BE. Mr. Van Gorp was member of the Telenet executive team consecutively in his role of EVP & General Council (2004-2006) and Executive Vice President of residential markets (2006-2009). Before joining Telenet in 2004, Mr. Van Gorp had been CEO at Level 3 Communications NV (1998-2004), Vice President of legal & regulatory affairs/business development at Verizon Business (1994-1998) and senior advisor European regulation at BT Global Services (1992-1994). Mister Van Gorp obtained Master's degrees in both Law at the KU Leuven and European Law at the Europa Institut from the University of Saarland.

Kenneth Dastol (°1969) – Mr. Dastol became CEO and Managing Director of Zenitel in 2010. He has worked for Zenitel since 2000. As from 2005 he became Executive Vice President of the SCS operations. Before joining Zenitel, he worked as Controller and afterwards as Finance Manager for Kongsberg Norcontrol Systems AS (1995-2000). He holds a Master's degree of Management and a degree in Commercial Economics, Organizational Development.

Frank Donck (°1965) – Mr. Donck has been a director of Zenitel since 2003. Since 1998, he manages the family owned investment companies 3D NV and Ibervest NV. He is Chairman of Telenet Group Holding NV and Atenor Group NV and holds mandates as Director in KBC Group NV and several privately owned companies. He started his career as Investment Manager for Investco NV (now KBC Private Equity NV). Mr. Donck received a Master's in Finance, from the Vlerick Leuven Gent Management School and graduated from the Law School of the University of Ghent. Mr. Donck is a member of the Belgian Commission for Corporate Governance.

Duco Sickinghe (°1958) – Mr. Sickinghe has been a director of Zenitel since 2003. Mr. Sickinghe is the CEO and Managing Director of Telenet and has worked for more than 20 years in the technology and media industry. He holds a Dutch Master's degree in Law and a Master's degree in Business Administration from Columbia University. Mr. Sickinghe started his career in Finance with Hewlett-Packard (HP) in its European headquarters in Switzerland. He then moved to Germany to head up the LaserJet product line for Europe. He served at NeXt Computer as Vice President of Marketing, then as General Manager for France. He was co-founder and Chief Executive Officer of Software Direct, which later became a joint venture with Hachette in Paris. Mr. Sickinghe joined Wolters Kluwer in 1996 and, as manager of Kluwer Publishing in the Netherlands, oversaw its transition to electronic media, re-engineering the company's traditional business. In early 2001 he joined Cable Partners Europe and was appointed as CEO of Telenet in the summer of 2001.

Eric Van Zele (permanently representing VZH NV) (°1948) – Mr. Van Zele joined the Board of Directors of Zenitel in 2006. He is President and CEO of Barco NV since January of 2009. He also serves as Chairman of the Board of Reynaers Aluminium NV in Duffel, Belgium. Prior to 2009, Mr. Van Zele was Director on the management board of the Indian Avantha Group and served as President and CEO of Pauwels International from 2004 through 2008. Prior to that, he was President and CEO of Telindus NV (2000-2003) and Vice

President of Raychem Corporation (Menlo Park, CA, 1972-1999). Eric Van Zele holds a Master's degree in Mechanical Engineering (KU Leuven 1972) and post-graduate degrees in management from Stanford University (1992).

Currently, the Board of Directors has no female members. The Board of Directors is aware of the new legislation regarding gender diversity and supports the recommendations of the Commission Corporate Governance with regards to this matter. The Board of Directors will propose to the general assembly in April 2012 the nomination of two new female directors. Next to these first steps towards more gender diversity in the composition of the Board of Directors, this will stay a continuous attention point going forward.

AUDIT COMMITTEE

The Board of Directors has appointed an Audit Committee (AC), which must consist of at least three members, all of which are non executive directors and one of them is independent. Given the size of the Company, Zenitel has decided not to appoint two independent board members into the Audit Committee as suggested by the Belgian Corporate Governance Code 2009. The Audit Committee assists the Board of Directors in fulfilling its monitoring responsibilities in respect of control in the broadest sense.

The Audit Committee reports regularly to the Board of Directors on the exercise of its duties and on any matters in respect of which the Audit Committee considers that action or improvement is needed. It also makes recommendations as to the necessary steps to be taken.

The role of the Audit Committee is to supervise financial reporting, administrative, legal and tax procedures and follow up on financial and operational audits, as well as recommend the choice and remuneration of the statutory auditor. The committee should report regularly to the Board of Directors on its findings and conclusions. Furthermore, it should inform the Board of Directors regarding all areas in which, in its opinion, action or improvement is necessary. The Audit Committee should produce recommendations concerning the necessary steps that need to be taken. The audit review and the reporting on that review should cover the Company and its subsidiaries as a whole.

The committee has specific tasks, including the Company's financial reporting, internal controls and risk management, and the internal and external audit process. These are further described in the terms of reference of the Audit Committee, as set out in the Company's Corporate Governance Charter. In principle, there should be at least four Audit Committee meetings per year. The committee also meets at least twice a year with the statutory and internal auditors to discuss the auditing process.

The members of the committee shall at all times have full and free access to the Chief Financial Officer, as well as to any employee to whom they may require access to in order to fulfil their responsibilities.

As at December 31st 2011, the Audit Committee consists of:

Name and position	**Term***
Beckers Consulting BVBA, permanently represented by Eugeen Beckers	2014
Blanco Blad BVBA, permanently represented by Jo Van Gorp, Chairman and independent director	2013
Frank Donck	2013

* The term of the mandates of the directors will end immediately after the annual shareholders' meeting held in the year set out next to the director's name.

The Audit Committee met four times during 2011.

The following significant matters were discussed at the meetings of the Audit Committee in 2011:

- Presentation of the external auditor and financial statements of 2010
- Financial statements per 30 June 2011, opinion limited review of the external auditor and forecast
- Impacts of the pending litigations
- Forecasts for the year
- Discussion and evaluation of internal controls and risk management
- Discussion of internal audit reports
- Discussion with statutory auditor in absence of management

NOMINATION AND REMUNERATION COMMITTEE

The Board of Directors decided to merge the Remuneration Committee and the Nomination Committee into one. The Nomination and Remuneration Committee is responsible for the selection of suitable candidates for the appointment to the board and may make recommendations to the Board of Directors with regards to the appointment of directors and the members of the executive management. The Nomination and Remuneration Committee also makes recommendations and proposals to the Board of Directors on the remuneration policy of Zenitel and the individual remuneration of board members and the members of the executive management, and where appropriate, on the resulting proposal to be submitted by the Board of Directors to the general meeting. It also prepares the remuneration report as set out further in this declaration with regards to corporate governance and provides explanations to this report at the annual general meeting of shareholders.

The Nomination and Remuneration Committee ensures that the procedure for appointing and reappointing directors, committee members, CEO, and senior managers of Zenitel and its subsidiaries is as objective as possible. The committee ensures that the remuneration policy applied, in this respect, is as objective as possible.

The Nomination and Remuneration Committee consists of three non-executive directors, with two of them being independent. The CEO participates to the Nomination and Remuneration Committee meetings but leaves the meeting whenever he and/or his remuneration are being discussed. Furthermore, the Chairman of the Board of Directors has an open invitation to attend the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee advises the Board of Directors on applications for, and the appointment of directors, committee members, CEO and senior managers; the scope and composition of the Board of Directors, the committees, CEO and senior management; the remuneration policy for the directors, committee members, CEO, and senior managers. More information on the tasks of the Nomination and Remuneration Committee can be found in Zenitel's Corporate Governance Charter which is available on the website (www.zenitel.com).

When carrying out its duties with regards to remuneration, the Nomination and Remuneration Committee takes account of what is customary in Belgium, Norway and abroad in the sector in which Zenitel operates and in companies of a similar scope to Zenitel.

Once a year, the Nomination and Remuneration Committee discusses the operation and performance of the key staff. The parameters in this respect are clearly specified by the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee meets at least twice a year and in any case that changes have to be made to the composition of the Board of Directors, the committees or senior management.

As at December 31st 2011, the Nomination and Remuneration Committee consists of:

Name and position	Term*
Blanco Blad BVBA, permanently represented by Jo Van Gorp, independent director	2013
Frank Donck, Chairman	2013
Duco Sickinghe, independent director	2012

*The term of the mandates of the directors will end immediately after the annual shareholders' meeting held in the year set out next to the director's name.

The Nomination and Remuneration Committee met three times in 2011.

Following significant matters were discussed at the meetings of the Nomination and Remuneration Committee in 2011:

- Decision on 2010 bonus payments and timing of these payments
- Decision on the 2011 bonus schedules for the Executive Team and the Senior Management Team
- Discussion of the organization structure and nomination of Senior Management Team members
- Discussion and approval of the remuneration report 2010
- Proposal of reappointment of a director
- Search for new directors
- Evaluation of functioning of the Board of Directors

REPORT OF ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

In the table below an overview is given of the attendance of each director to the various meetings in 2011:

Name	BOD (Total 7)	AC (Total 4)	NRC (Total 3)
Beckers Consulting BVBA, permanently represented by Eugeen Beckers	7/7	4/4	1/1
Blanco Blad BVBA, permanently represented by Jo Van Gorp	6/7	3/4	2/2
Kenneth Dastol	7/7	NA	NA
Frank Donck	7/7	4/4	3/3
Duco Sickinghe	6/7	NA	3/3
VZH NV, permanently represented by Eric Van Zele	4/7	NA	NA

CHIEF EXECUTIVE OFFICER

The Board of Directors appoints and dismisses the Managing Director, also referred to as the Chief Executive Officer or CEO. The Board of Directors appointed Kenneth Dastol as CEO of the Zenitel Group on January 1st, 2010.

The Managing Director (CEO) is authorized to decide on all matters of daily management ("dagelijks beleid") to the extent permitted by law and as defined in the articles of association. He is responsible and accountable for the complete, timely, reliable and accurate preparation of Zenitel's financial statements, in accordance with the accounting standards and policies of Zenitel and he presents to the Board of Directors a balanced and understandable assessment of Zenitel's financial situation.

The Managing Director (CEO) has the power to resolve on any issue of daily management and reports to the Board of Directors. He cannot be the Chairman of the Board. He works in close cooperation with the Board of Directors and its committees to enable the board, the Chairman and the committees to exercise their responsibilities. The Managing Director and the Chairman of the Board meet regularly to discuss the strategic initiatives and all relevant matters of daily management, and to determine in dialogue the agenda for the Board of Directors.

EXECUTIVE TEAM

The Executive Team is appointed by the Board of Directors. The team consists of the Chief Executive Officer (Kenneth Dåstøl) and the Chief Financial Officer (Glenn Wiig), and reports to the Board of Directors.

The role of the Executive Team is, among others, to review envisaged acquisitions, mergers and divestments, review corporate restructuring programs, update and develop alternative long term strategies and present this to the Board of Directors and to execute actions based on decisions of the Board of Directors. The team is established to ensure the fast and efficient management and control of the activities and to enable adequate reporting and exchange of information with the Board of Directors and within the Senior Management Team.

The Executive Team does not act as a management committee in the meaning of Article 524bis of the Belgian Company Code.

SENIOR MANAGEMENT TEAM

The operations of the Company are managed by a Senior Management Team. As of 31 December 2011 the Senior Management Team consists of the following members: Kenneth Dastol, Glenn Wiig, Thomas Haegh, Svein Damre, Svein Lindhjem, Hanne Eriksen and Eric Goeyvaerts.

The Senior Management Team does not act as a management committee in the meaning of Article 524bis of the Belgian Company Code.

The Senior Management Team meets at least every two months and discusses the operations of the Zenitel Group.

DIRECTOR AND EXECUTIVE MANAGEMENT CONFLICTS OF INTERESTS

Article 523 of the Belgian Company Code contains special provisions, which must be complied with whenever a director has a direct or indirect conflicting interest of a patrimonial nature in a decision or transaction within the authority of the Board of Directors.

In the year 2011, the procedure relating to conflicts of interest within the meaning of Article 523 of the Belgian Company Code has been applied one time. The procedure relating to conflicts of interest within the meaning of 524 of the Belgian Company Code has not been applied in 2011. The minutes relating to the application of Article 523 of the Belgian Company Code have been included in this annual report.

The procedure which has been established by the Board of Directors for transactions and other contractual relationships between the Company (including its affiliates) and the directors or Executive Team and Senior Management Team members as set forth in the Corporate Governance Charter, has not been applied in 2011.

REMUNERATION REPORT

THE PROCEDURES APPLIED

It is the Remuneration and Nomination Committee's responsibility to develop the remuneration policy for non-executive board members and executive management.

Based on bench mark analysis, input from external advisers, input from executive management and the Company's strategy, the Remuneration and Nomination Committee develops a remuneration policy and remuneration levels for directors and the executive management.

The Remuneration and Nomination Committee of March 8th 2011 evaluated the 2010 variable remuneration, the 2011 salary increases and the 2011 bonus schemes for executive management and proposed its conclusions to the Board of Directors for their approval. The Board of Directors of March 8th, 2011 approved the Remuneration and Nomination Committee's proposals of March 8th, 2011.

The remuneration of non-executive directors are fixed amounts and did not change in 2011 compared to 2010.

THE APPLIED 2011 REMUNERATION POLICY

The Company's remuneration policy has been consistent with the remuneration policy in previous years. The executive management's remuneration policy is based on a fixed and a variable remuneration in cash. The variable part of the remuneration is on the one hand based on the realization of the budgeted group results, and on the other hand of specifically defined quantitative and qualitative financial and operational targets in their field of responsibility. In 2011 no remuneration was granted to executive management based on shares, warrants or any other rights to acquire shares. The directors' remuneration policy is based on a fixed remuneration in cash. No performance based, variable remuneration or remuneration based on shares, warrants or any other rights to acquire shares, has been granted. Members of the Remuneration and Nomination Committee are not specifically remunerated for their task. The members of the Audit Committee receive an extra fixed remuneration in cash.

The Company intends to continue its current remuneration policy in the coming years.

DIRECTORS REMUNERATION

The annual remuneration for a non-executive director is a fixed fee of 20,000 Euro. The Chairman receives double this amount. Similarly, the members of the Audit Committee receive a fixed fee of 7,500 Euro and their Chairman 15,000 Euro on an annual basis, for their specific task in the Audit Committee. No benefits in kind, neither variable remuneration are granted to the non-executive members of the Board of Directors. No amounts have been set aside or accrued by Zenitel or its subsidiaries to provide pension, retirement or similar benefits to the non-executive directors. The CEO, as the only executive director, is not remunerated for his work in the Board of Directors. A summary of the remuneration of the board members in 2011 is shown in the table below.

Name		Remuneration in EUR
Beckers Consulting BVBA, permanently represented by Eugeen Beckers, Chairman	Non-executive	47.500
Blanco Blad BVBA, permanently represented by Jo Van Gorp	Non-executive	35.000
Kenneth Dastol	Executive	NA
Frank Donck	Non-executive	27.500
Duco Sickinghe	Non-executive	20.000
VZH NV, permanently represented by Eric Van Zele	Non-executive	20.000

As of the 1st of January 2010, Beckers Consulting BVBA entered into a separate consulting agreement with Zenitel NV. As per this agreement, Beckers Consulting BVBA reports directly to the Board of Directors and the scope of his advisory services covers limited and well defined areas. This agreement has been discussed by the Remuneration & Nomination Committee in 2010, and approved by the board in 2010 taking into account the conflict of interest procedure. The agreement foresees in assistance by Mr. Eugeen Beckers, on a time and material basis. The fees have been set at arm's length. With reference to this agreement, Beckers Consulting BVBA, invoiced in 2011 41.890,25 Euro to the Company for consulting services performed besides the above mentioned remuneration for his directorship.

EVALUATION CRITERIA FOR THE REMUNERATION OF THE EXECUTIVE TEAM

The CEO and the rest of the Executive Team have a bonus scheme which is included in their variable remuneration. The variable remuneration of the Executive Team is based on the realization of certain targets for a period of one year. The targets can be the budgeted group financial results and/or specifically defined quantitative and qualitative operational targets in their field of responsibility.

Measurement of financial targets is typically Recurrent EBITDA and Turnover. Each target will have a weight and a score where the actual performance is measured against the set targets. Annually each executive member is reviewed and the actual performance on quantitative and qualitative operational targets which were set and agreed upon in advance, are compared to the actual results. Based on this comparison between actual performance and upfront agreed targets, the variable remuneration is determined. The evaluation period follows the financial year of the Company.

In order to earn a bonus, the average score needs to be higher than 75%. All members of the Executive Team earned a bonus in 2011. The level of bonus is based on a percentage of the annual salary.

REMUNERATION OF THE CEO AND EXECUTIVE TEAM

The remuneration of the CEO and the Executive Team can be summarized as follows:

	CEO		Executive Team excluding the CEO	
	2011	**2010**	**2011**	**2010**
Basic Remuneration	273,605	212,907	135,556	118,250
Variable Remuneration*	90,182	114,020	52,416	49,110
Group insurance premiums	7,482	6,902	7,469	6,902
Other Benefits	30,241	29,412	22,712	22,089
Total	**401,509**	**363,241**	**218,153**	**196,351**

* Variable remuneration relating to the bonus agreements for the Executive Team. The amounts shown relates to remuneration earned in relevant year and paid in cash the year after.

Group insurance premiums are pension costs associated to a direct contribution pension plan. Other benefits mainly consist of car benefits.

SHARES, SHARE OPTIONS AND OTHER RIGHTS TO ACQUIRE SHARES

No shares, share options or any other rights to acquire shares have been granted, exercised or lapsed during the financial year 2011.

RECLAIM PROVISIONS

No reclaim provisions in favor of the Company are included in the contracts of the CEO and executive management, in case variable remuneration is granted based on wrong financial figures.

THE MAIN TERMINATION CLAUSES INCLUDED IN THE CONTRACTUAL RELATIONS BETWEEN THE COMPANY AND THE EXECUTIVE TEAM.

The contractual termination clauses for the Executive Team including the CEO do not exceed notice periods that are longer than one year.

MOTIVATION AND DECISIONS OF THE BOARD OF DIRECTORS ON SEVERANCE PACKAGES

Not applicable.

SIGNIFICANT CHARACTERISTICS OF EVALUATION PROCESS OF THE BOARD OF DIRECTORS, THE COMMITTEES AND THE INDIVIDUAL MEMBERS OF THE BOARD OF DIRECTORS

When the mandate of a member of the Board of Directors is up to renewal, the individual contribution of the board member is being evaluated. The chairman of the Board of Directors has also on a regular basis discussions with each individual board member in order to evaluate both the functioning of the members of the Board of Directors individually and as a whole. When doing so, the following aspects are taken into account: the quality of the interaction between management and the board, of the information and documents submitted to the board, the preparation of the board meetings, the quality of the discussions and decision-making of the board, the extent to which all relevant strategic, organizational and managerial issues are addressed by the board and the contribution of all board members to the decision-making process at the board. On a regular basis, the Board of Directors is also doing a self-evaluation.

The Nomination and Remuneration Committee evaluates the candidates for the nomination or renewal of the mandates of the Board of Directors. The Nomination and Remuneration Committee advises the Board of Directors who will then propose the withheld candidates to the general shareholders' meeting.

INSIDER TRADING POLICY

The Company has drawn up a policy with respect to insider trading which has been signed by all key employees. This policy is part of Zenitel's Corporate Governance Charter.

THE STATUTORY AUDITOR

The statutory auditor of Zenitel NV is BDO Bedrijfsrevisoren Burg. Venn. CVBA, The Corporate Village, Da Vincilaan 9 Bus E6, 1935 Zaventem, permanently represented by Ms.Veerle Catry. BDO Bedrijfsrevisoren was appointed for a period of three years at the general shareholders' meeting of April 28th 2010. The statutory auditor is a member of the Institute for Company Auditors ('Instituut der bedrijfsrevisoren'). Its remuneration amounts to 31.155 Euro per year. The total fee for BDO for the Group audit amounts to 114.608 Euro per year.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

This chapter contains a description of the most important characteristics of Zenitel's internal control and risk management systems. These internal control and risk management systems fulfill a crucial role when steering the activities and managing the risks and enable the Company and the Group to achieve the goals it has set, both from an operational point as from a financial reporting point of view. Listed below is a description of the following components of internal control: control environment, risk management process, control activities, information and communication and monitoring. When preparing this description, the Company and the Group have taken into account the relevant statutory provisions, the provisions of the Belgian Corporate Governance Code 2009 and guidelines of the international COSO framework on internal controls.

CONTROL ENVIRONMENT

The Board of Directors is responsible for the definition and creation of the Zenitel company culture. In order to do so, it sets the tone at the top with respect to integrity and ethics. One of the instruments in setting the tone at the top is the Corporate Governance Charter which defines clearly the responsibilities of the governing bodies of the company and the insider trading policy with respect to transactions in Zenitel shares. This Corporate Governance Charter is continuously under review and updated in order to keep it up to date with the requirements of the stakeholders of the Company. A clear governance structure is in place in which the roles and responsibilities of each level of management are determined taking into account the company structure. In order to achieve this, clear and detailed company guidelines exists with respect to proxy rules and the hiring and firing of personnel. These guidelines are available to all Zenitel employees via the Company's intranet. The Board of Directors pays careful attention that employees in key management positions have the right qualifications to take on their responsibilities, and that the Company rules are complied with. Some members of the Board of Directors are closely coaching the Group's executive management. This management philosophy of proximity is extended further in the group structure, which results in a limited number of hierarchical levels in the Company and a strong and hands-on involvement of executive management in the day-to-day operations of the Group companies.

Also with respect to the accounting and financial reporting, clear roles and responsibilities are defined. A Zenitel accounting manual exists in order to ensure the consistency and compliance of the reported figures for consolidation purposes. In order to enable accurate and timely reporting, guidelines and reporting deadlines are communicated through the organization.

The evaluation of the appropriateness of the control environment is regularly subject to the evaluation of the Audit Committee, the Board of Directors and the executive management.

RISK MANAGEMENT

At least once per year the Audit Committee evaluates the effectiveness of the risk management systems of the Company. These risk management systems are put in place by the Company's management and it is the Audit Committee who challenges that the main risks are appropriately addressed by management. In order to be able to identify the key risks, the main Company goals from a strategic, an operational, a financial reporting and a legal compliance point of view are defined. Risks are then identified by analyzing which internal or external factors might prevent the achievement of the goals set by the Company. For each risk an analysis is performed that evaluates the importance, the probability and the possible control measures that are or could be put in place (taking also into account their costs). Also the Company's ability to identify and react to changing external and internal conditions that might cause risks to increase, are subject to an evaluation process. Finally the Audit Committee is being informed on the status of additional measures taken by management when responding to risk changes.

The abovementioned risk management process is less formalized within the Company given its small size. The cornerstone of this process is however the annual evaluation of the effectiveness of the risk management systems by the Audit Committee.

With respect to the financial reporting process, the goals, responsibilities, external communications on risks and deadlines are clearly known by all involved personnel of the Company. Changing regulations or conditions that might cause the external reporting to be impacted are timely identified and discussed at management and - if significant - at board level. The identification of these changing conditions and regulations are both based on the skills and continuous learning of the Zenitel employees involved, and on advice received from external consultants.

CONTROL ACTIVITIES

Different control activities are put in place in order to ensure that the Group rules are complied with at all levels of the organization.

Based on weekly, monthly, quarterly and annual reports of each of the reporting entities, Group management performs analyses and a close follow up of the operational and financial results of each Group entity. On a monthly basis the Group results are consolidated, further analyzed by the Group controllers and by Group management. Based on these analyses, further discussions are held with the local managers and controllers of the reporting entities. The financial results are closely tracked on a monthly basis against well-defined and agreed targets. Each quarter a new forecast is established. The correct and consistent data gathering is ensured by the use of customized and web-based reporting software, which is managed centrally.

Next to all controls based on the local entities' reporting, Group management makes sure to have regular review meetings with local management and with the local controllers. During these meetings all issues with respect to operations and financial reporting are discussed, and thanks to the involvement of Group management in the local operations, Group management can make sure that operational and financial reporting issues are dealt with in a consistent and effective manner, in line with the goals set by the Company.

The Audit Committee has installed an internal audit function, whereby the local entities are subject to an internal audit. These internal audits will focus on risks both from an operational and a financial reporting point of view. Furthermore internal audits focus on compliance with the Group rules, local rules and regulations and adequate internal controls. The findings of these internal audits are communicated to the Audit Committee and follow up is performed on specific improvement actions taken, resulting from these internal audits. Changes in rules and regulations that affect the consolidated financial statements are monitored centrally and appropriate instructions and guidance are sent to the local reporting entities in order to be able to manage and comply with these changes in an effective way. Finally all important reporting units are subject to external audits.

Based on its evaluation of the abovementioned control activities and taking into account the size of the Company, it is the executive management's opinion that these control activities are sufficient to guarantee an effective execution of the Company guidelines, which are issued by executive management.

INFORMATION AND COMMUNICATION

The Company has set up an internal reporting system that enables it to comply in a timely and effective manner with the legal requirements in terms of information that the Group has to give to the market. On the one hand, financial information is gathered monthly through a customized and centrally managed web-based reporting tool. On the other hand, management of the local entities has to report on an ad hoc and on a monthly basis on well-defined and communicated items to Group management. Currently there are different information processing systems in the different reporting entities of the Group. Through the use of this web-based and customized reporting tool, it is possible to gather and consolidate all financial information of the individual reporting entities in a consistent manner. The Company is currently in the process of standardizing the information processing systems throughout the different reporting entities of the Group, but expects that this project will take a few more years to be completed.

On a quarterly basis the Company has to issue periodic financial information to the market. All press releases are approved by the Board of Directors before they are issued. In case information is to be issued on an ad hoc basis, also the approval of at least two board members is required. The Company's relations and communications with regulators, analysts and shareholders are the responsibility of the executive management team. Internal communications are mainly performed via the Company's intranet which has been specifically developed for these purposes. Via this communication tool all Group guidelines, instructions, product information and market information are made available to all Zenitel employees. All information based data information gathering and communication systems are subject to security measures protecting the confidentiality of, the restricted access to, and the consistency of the gathered and communicated information. Taking into account the size of the Company and the existing systems and procedures in place, executive management is of the opinion that these are sufficient in order to be able to comply with all legal information and communication requirements.

MONITORING

It is mainly the Audit Committee's responsibility to monitor the effectiveness of the internal control and risk management systems. Based on its annual review of the internal controls and risk management systems, the Audit Committee makes recommendations to the Board of Directors. Given the constantly changing environment, the internal control and risk management systems are subject to a continuous process of change. For instance, when based on findings of an internal or external audit, deficiencies in the internal controls system are identified, an action plan will be proposed to the Audit Committee and thereafter feedback on the status of the actions is to be reported to the Audit Committee thereafter. This process of identification, remediation and follow up upon the remediation is considered key in the continuous improvement process of the internal controls and risk management system. The practice is in place that the internal controls procedures are periodically challenged and that the necessary actions are put in place in order to adapt it to the changing internal and external conditions. Based on this practice and the abovementioned descriptions of the components of the internal controls and risk management system, and taking into account the limited size of the Company and the means available, the Company is of the opinion that the internal controls and risk management system of the Company is sufficient to meet the expectations of the stakeholders of the Company.

COMPLY OR EXPLAIN

Zenitel complies with most of the nine principles of the Belgian Corporate Governance Code 2009 as well as with the majority of the provisions. Some of the provisions are not complied with but their objectives are reached by other measures.

Hereafter is given an overview of the provisions that are not complied with, with an explanation and the measures that Zenitel has taken in order to reach their aims.

- Principle 2.3 of the Belgian Corporate Governance Code 2009 stipulates inter alia that at least half of the members of the Board of Directors should be non-executive directors and that at least three directors should be independent. Zenitel has currently only two independent directors and intends to propose to the next general shareholders' meeting the appointment of an extra independent director in order to be able to comply with this principle.
- Due to the size of the Company, the Board of Directors has decided to combine the nomination committee and the remuneration committee and therefore does not follow principle 5.3 and principle 5.4 of the Belgian Corporate Governance Code 2009 on these topics.
- Principle 5.2/4 of Appendix C Audit Committee of the Belgian Corporate Governance Code 2009 states that at least the majority of the members of the Audit Committee should be independent. Due to the small size of the Company, only one member of the Audit Committee is independent. This independent member is also the chairman of the Audit Committee.
- Principle 4 of the Belgian Corporate Governance Code 2009 stipulates that the Company should have a rigorous and transparent procedure for the nomination and evaluation of its Board of Directors and its members. The Company is confident that it fulfills the individual requirements stipulated in this principle, however not as formalized as indicated in Principle 4 of the Corporate Governance Code 2009. Through the regular discussions of the chairman with the individual members of the Board of Directors and through an evaluation of each board member at the moment of the nomination or the renewal of the mandate, the Board of Directors is confident that it meets the objectives of Principle 4 of the Belgian Corporate Governance Code 2009. On a regular basis a self-evaluation is also performed by the Board of Directors.

FINANCIAL REPORT 2011

CONSOLIDATED INCOME STATEMENT OF THE ZENITEL GROUP

(thousands of EUR)		*Year ended December 31st*	
CONTINUING OPERATIONS	**Notes**	**2011**	**2010**
Revenue	1	62 977	66 390
Other gains and losses		0	1
Raw materials and consumables used	4	-29 887	-32 457
Employee benefits expenses	5	-20 686	-20 842
of which reorganization expenses		*-145*	*-499*
Depreciation and amortization expenses	15,16,17	-1 789	-2 159
Impairment of goodwill	16	0	-225
Net impairment on current assets	18	-650	-194
Consulting expenses		-722	-1 566
Facility expenses	6	-4 059	-4 015
Other expenses	7	-3 684	-3 168
OPERATING PROFIT / (LOSS)		**1 501**	**1 767**
Finance income	9	277	86
Finance costs	10	-953	-1 156
Net foreign exchange gains / (losses)	11	-213	-516
PROFIT / (LOSS) BEFORE TAX		**612**	**181**
Income tax expenses / (income)	12	-63	-78
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**549**	**103**
DISCONTINUED OPERATIONS			
Profit / (Loss) from discontinued operations	3	0	-1 641
PROFIT / (LOSS) FOR THE YEAR		**549**	**-1 538**
Attributable to:			
Equity holders of the parent		549	-1 538
Non controlling interest		0	0
EARNINGS PER SHARE			
Weighted average number of ordinary shares in issue ('000)		16 441	16 441
From continuing and discontinued operations			
Basic earnings per share	14,1	0,03	-0,09
Diluted earnings per share	14,2	0,03	-0,09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ZENITEL GROUP

(thousands of EUR)	*Year ended December 31st*	
PROFIT / (LOSS) FOR THE YEAR	**549**	**-1 538**
Exchange differences arising on translation of foreign operations	51	1 621
Income tax related to components of other comprehensive income	0	0
OTHER COMPREHENSIVE INCOME FOR THE PERIOD (NET OF TAX)	**51**	**1 621**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**600**	**83**
Total comprehensive income attributable to:		
Equity holders of the parent	600	83
Non-controlling interests	0	0

The accounting policies and notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ZENITEL GROUP

(thousands of EUR)		*Year ended December 31st*	
ASSETS	**Notes**	**2011**	**2010**
NON-CURRENT ASSETS			
Property, plant and equipment	15	3 568	4 155
Goodwill	16	4 161	4 139
Other intangible assets	17	1 496	1 391
Deferred tax assets	13	2 484	2 460
Financial assets	19	1 134	1 431
Total non-current assets		**12 844**	**13 575**
CURRENT ASSETS			
Inventories	20	6 870	7 978
Contracts in progress	21	969	700
Trade and other receivables	22	14 755	15 136
Financial assets	19	327	430
Deferred charges and accrued income		1 163	780
Cash and cash equivalents	23	4 294	4 113
Total current assets		**28 377**	**29 137**
TOTAL ASSETS		**41 221**	**42 712**

(thousands of EUR)		*Year ended December 31st*	
EQUITY AND LIABILITIES	**Notes**	**2011**	**2010**
CAPITAL AND RESERVES			
Capital		25 274	25 274
Share premium account		15 115	15 115
Reserves		3 509	3 658
Retained earnings		-35 078	-35 827
Treasury shares		-2 958	-2 958
Equity attributable to equity holders of the parent		*5 862*	*5 262*
Total equity		**5 862**	**5 262**
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	25	7 487	9 258
Retirement benefit obligations	26	1 725	626
Deferred tax liabilities	13	12	14
Provisions	27	585	1 625
Total non-current liabilities		**9 810**	**11 523**
CURRENT LIABILITIES			
Trade and other payables	24	17 324	16 620
Borrowings	25	3 988	3 552
Current tax liabilities	12	278	522
Retirement benefit obligations	26	307	86
Provisions	27	3 653	5 147
Total current liabilities		**25 550**	**25 927**
TOTAL EQUITY AND LIABILITIES		**41 221**	**42 712**

The accounting policies and notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE ZENITEL GROUP

(thousands of EUR)	Share capital	Share premium	Treasury shares	Equity-settled employee benefits reserve	Foreign currency translation reserve	Retained Earnings	Attributable to equity holders of the parent	Total
Year ended December 31st, 2010								
BALANCE ON JANUARY 1, 2010								
As previously reported	25 274	15 115	-2 958	200	1 837	-34 290	5 178	**5 178**
Net loss 2010						-1 538	-1 538	**-1 538**
Other comprehensive income for the year					1 621	0	1 621	**1 621**
Total comprehensive income for the year	*0*	*0*	*0*	*0*	*1 621*	*-1 538*	*83*	*83*
BALANCE ON DECEMBER 31, 2010	**25 274**	**15 115**	**-2 958**	**200**	**3 458**	**-35 828**	**5 262**	**5 262**

(thousands of EUR)	Share capital	Share premium	Treasury shares	Equity-settled employee benefits reserve	Foreign currency translation reserve	Retained Earnings	Attributable to equity holders of the parent	Total
Year ended December 31st, 2011								
BALANCE ON JANUARY 1, 2011	**25 274**	**15 115**	**-2 958**	**200**	**3 458**	**-35 828**	**5 262**	**5 262**
Transfer upon expiration of remaining warrants per January 1, 2011				-200		200	0	**0**
Net profit 2011						549	549	**549**
Other comprehensive income for the year					51	0	51	**51**
Total comprehensive income for the year	*0*	*0*	*0*	*-200*	*51*	*749*	*600*	*600*
BALANCE ON DECEMBER 31, 2011	**25 274**	**15 115**	**-2 958**	**0**	**3 509**	**-35 079**	**5 862**	**5 862**

The accounting policies and notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ZENITEL GROUP

(thousands of EUR)		*Year ended December 31st*	
	Notes	**2011**	**2010**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows generated from operations	32	5 686	3 901
Interest paid		-953	-1 176
Taxes paid		-63	-104
Net cash generated by / (used in) operating activities		**4 670**	**2 621**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		75	86
Proceeds from repayment of loans and other non-current receivables		2	-2
Payments for property, plant and equipment	15	-617	-474
Proceeds from disposal of property, plant and equipment	15	87	138
Payments for intangible assets	17	-724	-651
Development costs paid	8	-1 856	-1 571
Proceeds from disposal of business - net of cash disposed off	3	0	37
Net cash (used in) / generated by investing activities		**-3 033**	**-2 437**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	25	-2 221	-1 570
Net cash received / (used) in financing activities		**-2 221**	**-1 570**
Net (decrease)/increase in cash and cash equivalents		**-584**	**-1 386**
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At start of the year		2 954	4 231
Increase / (decrease)		-584	-1 386
Effect of exchange rate changes on the balance of cash held in foreign currencies		1	109
At the end of the year		**2 371**	**2 954**
Total Cash and cash equivalents	**23**	**4 294**	**4 113**
(Used factoring facility)	25	-1 923	-1 159
Net cash and cash equivalents at the end of the year		**2 371**	**2 954**

The accounting policies and notes form an integral part of these consolidated financial statements.

VALUATION RULES AND FINANCIAL RISK FACTORS

Zenitel (the "Company" or the "Group") is a limited liability company domiciled in Belgium. The consolidated financial statements of the company for the year ended 31 December 2011 comprise the company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Group are described in this annual report.

The financial statements were authorized for issue by the directors on March 19th, 2012.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. These consolidated statements have been prepared under the historical cost convention except for certain financial instruments (including derivatives) which are measured at fair value.

CHANGES IN PRESENTATION COMPARED TO PREVIOUS YEAR

In previous years, early retirement obligations that arose during the restructuring operations of 2009 and before were included in the restructuring provisions of these consolidated financial statements. In 2011 the early retirement obligations were transferred from the restructuring provisions to the retirement benefit obligations. For comparative purposes, the 2010 comparative figures included in note 26 Retirement obligations, have been updated in order to present comparable figures, comprising the early retirement obligations in both the 2010 and 2011 schedules and differ therefore from the 2010 figures included in the same note of the earlier published 2010 consolidated financial statements.

ADOPTION OF NEW & REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

During the current financial year, the Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, that are relevant to its operations and effective for the accounting period starting on January 1, 2011. The Group has not applied any new IFRS requirements that are not yet effective in 2011.

The following new Standards, Interpretations and Amendments issued by the IASB and the IFRIC are effective for the current period:

- IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment)
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Improvements to IFRSs (2010)
- IFRS 3 Business Combinations – Improvements to IFRSs (2010)
- IFRS 7 Financial Instruments: Disclosures – Improvements to IFRSs (2010)
- IAS 1 Presentation of Financial Statements – Improvements to IFRSs (2010)
- IAS 24 (Revised) Related Party Disclosures
- Consequential Amendments from IAS 27 Consolidated and Separate Financial Statements to IAS 21, IAS 28 and IAS 31
- IAS 32 Classification of Rights Issues (Amendment)
- IAS 34 Interim Financial Reporting – Improvements to IFRSs (2010)
- IFRIC 13 Customer Loyalty Programmes – Improvements to IFRSs (2010)
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

These abovementioned standards and interpretations did not have a significant impact on the financial statements of Zenitel.

The Group has not yet proceeded to early adoption of the following new standards and interpretations, which on the date of the approval of these annual accounts, had been issued, but were not yet effective:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs';
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional exemption for entities ceasing to suffer from severe hyperinflation;
- IFRS 7 Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets;
- IFRS 9 Financial Instruments – Classification and Measurement;
- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities;
- IFRS 13 Fair Value Measurement;
- IAS 1 Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented;

- IAS 12 Income Taxes – Limited scope amendment (recovery of underlying assets);
- IAS 19 Employee Benefits – Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects;
- IAS 27 Consolidated and Separate Financial Statements – Reissued as IAS 27 'Separate Financial Statements' (as amended in 2011);
- IAS 28 Investments in Associates – Reissued as IAS 28 'Investments in Associates and Joint Ventures' (as amended in 2011).

The company did not early adopt these standards and has not yet determined the potential impact of the interpretation of these standards.

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

Subsidiaries

The consolidated financial statements include all the subsidiaries that are controlled by the Group. Control is achieved where Zenitel has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when Zenitel owns, directly or indirectly, more than 50 % of an entity's voting rights of the share capital. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-Group transactions, balances income and expenses are eliminated in full on consolidation.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The cost of an acquisition is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group at the date of exchange, in exchange for control of the acquired entity, plus any costs directly attributable to the acquisition. The identifiable assets of the acquired entity, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date, except for non-current assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less cost to sell. The excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized, is recorded as goodwill. If, after reassessment, the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquired entity is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Investments in Associates

Associates are those companies in which the Group has, directly or indirectly, a significant influence but not the control to govern the financial and operating policies. This is presumed when the Group holds between 20% and 50% of the voting rights. An investment in an associate is accounted for under the equity method.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interests in Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. A joint venture is consolidated under the proportional method.

FOREIGN CURRENCIES

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Euro, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet currency rate. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in the income statement as a financial result. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group companies, using a different functional currency then the Euro, are expressed in Euro using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified in equity and transferred to the Group's "Cumulative translation reserve". Such exchange differences are recognized in profit or loss in the period in which the entity is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing date.

INTANGIBLE ASSETS

Acquired Intangible Assets

Licences, patents, trademarks, similar rights and software are measured initially at cost. In process Research & Development obtained in a business combination is initially measured at fair value. After initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses. They are amortized on a straight-line basis over their estimated useful life which is not considered to exceed 20 years. At the end of each annual reporting period the amortization method and period are reviewed with the effect of any changes in estimate being accounted for on a prospective basis.

Computer Software Development Costs

Generally, costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the Group that have probable economic benefits exceeding the cost beyond one year, are recognized as assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads that are necessary to generate the asset and that can be allocated on a reasonable and consistent basis to the asset.

Computer software costs that have been capitalized are amortized on a straight-line basis over the period of their expected useful lives, not exceeding a period of five years.

Internally Generated Intangible Assets - Research & Development Expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognized in the income statement as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when the asset can be clearly identified, when the development costs can be measured reliably and to the extent that it is probable that the asset created will generate future economic benefits. Other development expenditures are recognized as an expense as incurred. Development cost previously recognized as an expense is not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit. The amortization periods adopted do not exceed five years.

GOODWILL

Goodwill arises when the cost of a business combination at the date of acquisition is in excess of the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognized. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. The cash-generating unit(s) to which the goodwill has been allocated are tested for impairment annually, and whenever there is an indication that it may be impaired, by comparing its carrying amount with its recoverable amount. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investments in associates' above.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

In case the fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess remaining after reassessment is recognized immediately into profit and loss.

TANGIBLE ASSETS

Property, Plant & Equipment

Land is carried at cost less accumulated impairment losses. All other property, plant and equipment are carried at cost less accumulated depreciation and impairment losses except for property, plant and equipment under construction which is carried at cost less accumulated impairment losses. Cost includes all directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method to their estimated residual value. The depreciation is computed from the date the asset is ready to be used.

The estimated useful life, residual value and depreciation method of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives are applicable to the main property, plant and equipment categories:

Industrial buildings:	40 years
Office buildings:	50 years
Machines-tools and heavy equipment:	10 years
Network infrastructure	7-10 years
Electronic measuring appliances:	5 years
Quality control appliance:	10 years
Workshop and laboratory equipment:	4 years
Furniture in industrial buildings:	10 years
Vehicles - cars:	4-5 years
Vehicles - trucks:	4 years
Office furniture:	10 years
EDP (hardware):	3 years
Facilities for the staff:	10 years

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

LEASING

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Zenitel as lessee

Finance Leases

Assets held under finance leases are recognized as assets of the Group at the lower of their fair value and the present value of the minimum lease payments less cumulative depreciation and impairment losses. The corresponding liability to the lessor is included in the balance sheet as obligations under finance leases.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise the asset is depreciated over the shorter of the lease term and its useful life.

Operating Lease

Lease payments under an operating lease are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 26, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Group's policy is to borrow centrally, using a mixture of long term and short term capital market issues and borrowing facilities, to meet the anticipated funding requirements. These borrowings together with cash generated from operations, are on-lent or contributed as equity to certain subsidiaries.

The Board of Directors reviews the capital structure on a quarterly basis. As a part of this review, the Board of Directors considers the cost of capital and the risk associated with each class of capital. Based on the recommendations of the Board of Directors, the Group balances its overall capital structure through new share issues and the issue of new debt or the redemption of existing debt. When analyzing the capital structure of the Group, the same debt/equity classifications are used as the classifications applied in our IFRS reporting. Besides the statutory minimum equity funding requirements that apply to our subsidiaries in the different countries, Zenitel is not subject to any externally imposed capital requirements.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revaluated amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

INVENTORIES

Inventories are stated at the lower of cost and net realizable value.

Raw materials, consumables and goods purchased for resale are valued at the lower of their cost or their net realizable value. Cost is determined using the method most appropriate to a particular class of inventory, with the majority of these classes of inventories being valued using the weighted average cost method. The cost of work in process and finished goods comprise all the costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The conversion costs include the cost of production and the related fixed and variable production overhead costs (including depreciation).

Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

CONTRACTS IN PROGRESS

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Where costs incurred and recognized profits (less recognized losses) exceed progress billings, the balance is shown as an asset under the heading “Contracts in progress”.

Where progress billings exceed costs incurred plus recognized profits (less recognized losses), the balance is shown as due to customers on construction contracts, under the heading ‘Other payables’.

Contract Revenue

Contract revenue comprises:

- The initial amount of revenue agreed in the contract; and
- Variations in contract work, claims and incentive payments to the extent that:
- it is probable the they will result in revenue; and
- they are capable of being reliably measured.

Contract Costs

- Costs that relate directly to the specific contract;
- Costs that are attributable to contract activity in general and can be allocated to the contract; and
- Such other costs as are specifically chargeable to the customer under the terms of the contract

FINANCIAL INSTRUMENTS

Trade Receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. When a trade receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Investments

Investments are recognized and derecognized on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortized cost would have been had the impairment not been recognized.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Other Receivables & Financial Assets Related to Divestments

In 2009 the Company sold its MCCN network operations in Belgium and The Netherlands. The transaction price was composed of a fixed amount payable in the period until September 2012 and a contingent amount payable in the period until September 2014. The contingent part is based on new subscriptions from existing customers that would come up onto the network until September 2014 (limited to maximum 2000 users). The buyer has the possibility to buy off this contingent part of the price at any time during this five year period ending in September 2014. With respect to the contingent part of the proceeds, income has already been recognized in the 2009 financial statements based on the assumption that there will no users growth and that the current customer contracts will be extended until September 2014 (no churn). Both the fixed price as the contingent part of the proceeds from the sale of the MCCN operations have been included in the financial assets line of the financial statements and are further disclosed in note 19 to these financial statements.

Cash & Cash Equivalents

Cash and cash equivalents comprise cash on hand and demandable deposits.

Financial Liabilities & Equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Trade Payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Interest expense is recognized by applying the effective interest rate, except for short term payables when the recognition of interest would be immaterial.

Equity Instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Derivative Financial Instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Group does not engage in speculative transactions nor does it issue or hold financial instruments for trading purposes.

Derivatives are initially recorded at fair value and re-measured at the subsequent reporting dates.

Derivatives that do not qualify for hedge accounting

Certain forward exchange rate transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of forward exchange rate contracts that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

Treasury Shares

When the Group purchases its own shares, the amount paid, including attributable direct costs is accounted for as a deduction of equity. The proceeds from sales of shares are directly included in net equity with no impact on net income.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal Groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal Group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal Groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

GOVERNMENT GRANTS

Government grants are recognized when there is a reasonable assurance that:

- the Group will comply with the conditions attached to them;
- the grants will be received.

Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized as income of the period in which they become receivable.

Government grants related to assets are deducted from the carrying amount of the asset.

PROVISIONS

Provisions are recognized in the balance sheet when:

(a) there is a present obligation (legal or constructive) as a result of a past event; and
(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
(c) a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Restructurings

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Warranty

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

Onerous Contracts

The Group recognizes a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

REVENUE RECOGNITION

Revenue is recognized when it is probable that future economic benefits associated with the transaction will flow to the entity and that these benefits can be measured reliably.

Turnover is reported net of sales taxes, rebates and other similar allowances.

Sale of Goods

Revenue from sales of goods is recognized when the following conditions are satisfied:

- The significant risks and rewards of the ownership of goods are transferred to the buyer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Provisions for rebates and discounts are recorded as a reduction of revenue at the time the related revenues are recorded or when the incentives are offered.

Cash discounts are offered to customers to encourage prompt payment. They are recorded as a reduction of revenue at the time of invoicing.

Rendering of Services

Revenue from rendering of services is recognized by reference to the stage of completion when the outcome of a transaction involving the rendering of services can be estimated reliably. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Revenue from construction contracts is recognized in accordance with the accounting policy outlined above under the heading 'Contracts in progress'.

Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangement.

Interest

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimate future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividends

Dividends are recognized when the shareholder's right to receive the payment is established.

Rental Income

Rental income is recognized on a straight-line basis over the term of the relevant lease.

INCOME TAXES

The income tax charge is based on the results for the year and includes current and deferred taxation.

Current tax is the amount of tax to pay based on the taxable profit of the period, as well as any adjustments relating to previous years. It is calculated using local tax rates adopted (or substantially enacted) at the closing date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited of debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

EMPLOYEE BENEFITS

Pension Obligations

The Group operates a number of defined benefits and defined contribution retirement benefit plans, the assets of which are held in separate trustee-administered funds or Group insurances. Payments to defined contribution benefit plans are charged as an expense as they fall due.

The Group's commitments under defined benefits plans, and the related costs, are valued using the "projected unit credit method" with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Other Long-Term Employee Benefits

These benefits are accounted for on the same basis as post-employment benefits except that all actuarial gains and losses are recognized immediately and no "corridor" is applied and all past service cost is recognized immediately.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Profit-Sharing & Bonus Plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

EMPLOYEE STOCK OPTION PLANS

The Group operated several equity-settled share-based compensation plans. In accordance with IFRS 1, IFRS 2 Share-based Payment has been applied to all equity instruments granted after 7 November 2002 that was unvested as of 1 January 2005.

The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

FINANCIAL RISK FACTORS

Fluctuations in foreign currency exchange rates on sales and purchases, inter-company loans and interest rate variances are inherent risks in the performance of the business. The Group entities seek to minimize potential adverse effects of these financial risks on the financial performance from their local businesses. Given the Group's significant borrowing and its current financial position, the Group's interest charges are important.

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors the financial risks relating to the operations. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

FOREIGN EXCHANGE RISKS

Zenitel is exposed to fluctuations in exchange rates which may lead to profit or loss in currency transactions. As Zenitel has substantial activities in the United States, Norway, the Caribbean and Asia, changes in the exchange rate of the USD, the NOK, the ANG and the SGD against the EUR may affect the Company's consolidated accounts. Moreover, the Group operates internationally and is exposed to foreign exchange risks as a result of the foreign currency transactions entered into by its different subsidiaries in currencies other than their functional currency, primarily with respect to USD, ANG, NOK, SGD, DKK, and SEK.

TRANSACTIONAL FOREIGN CURRENCY RISK

As much as foreign currency risk on borrowing is concerned, it is the Company's policy to have debt in the subsidiaries as much as possible in the functional currency of the subsidiary. The transactional currency risk mainly arises from the open foreign currency positions outstanding of group companies against respectively the Danish krone, the Swedish krone, the Norwegian krone, the US dollar and the Singaporean dollar. On the basis of the average volatility during the last 5 years of these currencies against the Euro for respectively 2011 and 2010, we estimated the reasonably possible changes of exchange rate of these currencies as follows:

1 Euro equals	Closing Rate 31st Dec 2011	Possible volatility of rates in %	Rates used for the sensitivity analysis	Closing rate 31st Dec 2010	Possible volatility of rates in %	Rates used for sensitivity analysis
NOK	7,78	3,8%	7,48 - 8,08	7,82	3,6%	7,54 - 8,10
USD	1,29	4,8%	1,23 - 1,35	1,33	5,9%	1,25 - 1,40
SEK	8,94	5,2%	8,47 - 9,41	9,00	4,9%	8,56 - 9,44
SGD	1,68	6,9%	1,57 - 1,80	1,71	4,3%	1,64 - 1,78
DKK	7,43	0,1%	7,43 - 7,44	7,45	0,1%	7,45 - 7,46

If the above-indicated currencies had weakened/ strengthened during 2011 and 2010 by the above estimated changes against the Euro, with all of the other variable held constant, the 2011 and 2010 net result would not have been significantly affected (less than EUR 50 K) both in 2011 and 2010. Neither would there have been a material impact on other components of equity both in 2011 and 2010.

TRANSLATIONAL FOREIGN CURRENCY RISK

Around 98 % (2010: 95 %) of Zenitel's revenue is generated by subsidiaries, of which the activities are conducted in a currency other than the Euro. A currency translation risk arises when the financial data of these foreign operations are converted in Zenitel's presentation currency, the Euro.

The foreign currencies in which the main Zenitel subsidiaries operate are the Norwegian krone, the Swedish krone, the Danish krone, the American dollar, the Singaporean dollar and the Antillean guilder. On the basis of the average volatility during the last 5 years of these currencies against the Euro for respectively 2011 and 2010, we estimated the reasonably possible change of the exchange rate of these currencies against the euro as follows:

				Rates as used in the sensitivity analysis for 2011					*Rates as used for the sensitivity analysis 2010*	
1 Euro equals	**Closing Rate 31 Dec 2011**	**Ave. Rate 2011**	**Possible volatility of rates in 2011**	**Possible closing rate**	**Possible average rate**	**Closing rate 31 Dec 2010**	**Ave. rate 2010**	**Possible volatility of rates in 2010**	**Possible closing rate**	**Possible average rate**
NOK	7,78	7,80	3,85%	7,48 - 8,08	7,50 - 8,10	7,82	8,02	3,60%	7,54 - 8,10	7,73 - 8,30
SEK	8,94	9,03	5,24%	8,47 - 9,41	8,56 - 9,51	9,00	9,53	4,91%	8,56 - 9,44	9,06 - 9,99
DKK	7,43	7,45	0,07%	7,43 - 7,44	7,44 - 7,46	7,45	7,45	0,08%	7,45 - 7,46	7,44 - 7,45
USD	1,29	1,40	4,85%	1,23 - 1,35	1,33 - 1,46	1,33	1,32	5,87%	1,25 - 1,40	1,24 - 1,40
SGD	1,68	1,75	6,94%	1,57 - 1,80	1,63 - 1,88	1,71	1,80	4,26%	1,64 - 1,78	1,72 - 1,87
ANG	2,35	2,54	4,85%	2,24 - 2,47	2,42 - 2,67	2,41	2,40	5,78%	2,27 - 2,55	2,26 - 2,54

If the Euro had weakened/strengthened during 2011 and 2010 by the above estimated possible changes against the above listed currencies with all other variables held constant, the 2011 profit would have been EUR 0,04 million or 8,1% of net income higher/ lower (2010: EUR 0,1 million or 6,9% of net income) while the translation reserves in equity would have been EUR 1,2million or 20% of total equity higher/lower (2010: EUR 0,8 million or 15% of total equity)

CREDIT RISKS

Credit risk encompasses all forms of counterparty exposure, i.e. where counterparties may default on their obligations to Zenitel in relation to lending, hedging and other financial activities. The Company has policies in place to monitor and control counterparty credit risk.

Zenitel mitigates its exposure to counterparty credit risk through counterparty credit guidelines, diversification of counterparties, working within agreed counterparty limits and through setting limits on the maturity of financial assets. For major projects the intervention of credit insurance companies or similar organizations is requested. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk.

An ageing analysis of the current trade and other receivables is included in note 22.

The Group considers its maximum exposure to credit risk to be as follows:

Millions of Euro		*Year ended December 31st*
	2011	**2010**
Finance lease receivables	0,0	0,0
Other financial assets	1,1	1,4
Trade & other receivables	14,8	15,1
Bank deposits	0,5	0,6
Total	**16,4**	**17,1**

The majority of the Group's receivables are due within 90 days and largely comprise receivables from consumers and business customers.

LIQUIDITY RISKS

Liquidity risk is linked to the evolution of our current assets and current liabilities. The Group monitors the changes in these current assets and liabilities through regular monitoring and ratio-calculation. In order to increase the flexibility in funding, the Group is continuously aiming to increase the available committed credit lines. Further information on the existing credit lines is given in note 25.

The following table sets forth details of the remaining contractual maturities of financial liabilities as at December 31, 2011 and 2010.

Millions of Euro	*31st December 2011*				*31st December 2010*			
	Total	**Payment due within 1 year or less**	**Payment due later than 1 year but not later than 5 years**	**Payment due later than 5 years**	**Total**	**Payment due within 1 year or less**	**Payment due later than 1 year but not later than 5 years**	**Payment due later than 5 years**
Used factoring credit facility	1,9	1,9	0,0	0,0	1,2	1,2	0,0	0,0
Trade payables	17,3	17,3	0,0	0,0	16,6	16,6	0,0	0,0
Bank borrowings*	10,1	1,6	8,5	0,0	12,0	2,4	8,5	1,1
Shareholder loans	1,0	1,0	0,0	0,0	1,5	0,5	1,0	0,0
Finance lease liabilities*	0,2	0,0	0,1	0,1	0,0	0,0	0,0	0,0
Total	**30,6**	**21,9**	**8,6**	**0,1**	**31,3**	**20,7**	**9,5**	**1,1**

** Including future undiscounted interest payments*

INTEREST RATE RISKS

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between mixed and floating rate borrowings. As per year end 2011 and 2010, the Group has no interest rate swap contracts or forward interest rate contracts. The following table sets forth details of the remaining outstanding debt as per year end, with their corresponding average interest rates.

Millions of Euro	**Outstanding debt 31 Dec 2011**	**Interest charge 2011**	**Ave. interest rate 2011**	**Possible volatility of rate in 2011**	**Outstanding debt Dec 31 2010**	**Interest charge 2010**	**Ave. interest rate**	**Possible volatility of rate in 2010**
Used factoring facility	1,9	0,1	6,12%	5,4%	1,2	0,1	4,16%	7,2%
Bank borrowings	8,4	0,6	5,13%	5,4%	10,1	0,7	6,46%	7,2%
Shareholder's loans	1,0	0,1	4,19%	5,4%	1,5	0,1	3,60%	7,2%
Finance lease liabilities	0,2	0,0	5,00%	Fixed Rate	0,0	0,0	4,00%	Fixed Rate
Other financial liabilities	0,0	0,0	0,00%	NA	0,0	0,0	0,00%	NA
Total	**11,5**	**0,8**			**12,8**	**0,8**		

INTEREST RATE SENSITIVITY

The Group's sensitivity to interest rate is mainly determined by the floating rate on both the short term bank borrowings and the shareholder loans, on which variable interest rates are applicable.

When we apply the reasonably possible increase/decrease in the market interest rate (volatilities as indicated in the table above), with all other variables held constant, 2011 net result would have been EUR 0,01 million lower/higher (2010: EUR 0,02 million lower/ higher). The impact on interest income on interest bearing financial assets (such as finance lease receivables and cash deposits) was not included in this calculation as this impact is only limited.

The estimated volatilities in 2011 and 2010 as indicated in the table above are based on average deviations of the interest rate during the respective years.

EQUITY RISK

The company holds investments in TetraNet Denmark (0,6%), Beijing Nera Stentofon Comm. Equipment (China) (14%) and Zenitel UK (15%). All equity instruments are at costs minus impairments. Refer to note 19 of these financial statements.

CRITICAL JUDGMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in this section, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis, especially given the current economic and financial market crisis, and given the Group's current financial position. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effects on the amounts recognized in the financial statements.

IMPAIRMENT OF GOODWILL

Goodwill arising from acquisitions represents the excess of the cost of the acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. In accordance with IFRS 3, goodwill arising on consolidation is tested annually for impairment or more frequent if there are indications that the goodwill might be impaired, in accordance with IAS 36, Impairment of Assets. This standard also requires that the goodwill should, from the acquisition date, be allocated to each of the cash generating units (CGU's) or groups of cash generating units that are expected to benefit from the synergies of the business combination. The CGU's to which goodwill has been allocated were tested for impairment at the balance sheet date by comparing the carrying amount of the unit with the recoverable amount (higher of its fair value less cost to sell and its value in use).

In application of the value-in-use method, Zenitel management prepared cash flow forecasts for the CGU or group of CGU's, where the CGU's are considered to be the Company's legal entities or business unit. The key assumptions included in the value in use calculation comprise the discount factor and the projected future net cash flows on products and services.

The (pre tax) discount rate applied to cash flow projections is the weighted average cost of capital (WACC) of 9,7%. The components for the determination of the WACC are based on sector-specific parameters received from various banks and analysts and taking into account the financial position of Zenitel and historical performance of the individual CGU.

A growth rate of 2% has been used and the assumed inflation rate is 1,7%.

Sensitivity analysis shows that 0,9% is to be subtracted from the growth rate before goodwill is impaired. CGU Intercom requires a WACC exceeding 14,5% before goodwill is impaired.

Management determined these assumptions based on past performance and its expectations with respect of the market development.

The Company can not predict whether an event that triggers impairment will occur, when it will occur or how it will affect the asset values reported. Zenitel believes that all of its estimates are reasonable: they are consistent with the internal reporting and reflect management's best estimates. However, inherent uncertainties exist that management may not be able to control. While a change in estimates used could have a material impact on the calculation of the fair values and trigger an impairment charge, the Company is not aware of any reasonably possible change in key assumptions used that would cause a business unit's carrying amount to exceed it's recoverable amount.

CONTINGENCIES

Critical judgment was applied in evaluating and determining the contingent assets and liabilities as further disclosed in note 29.

GOING CONCERN

The statutory balance sheet of Zenitel NV shows as per December 31st 2011 a loss carried forward of 63,3 million Euro. Nevertheless, the Board of Directors is of the opinion that the application of the existing valuation rules, under going concern is still justified.

Since the strategic reorganizations in 2009, the Company has been able to continue to focus on its Secure Communication System and Caribbean business and at the same time the Company was able to reduce loans and restructuring obligations. The further reduction of loans and restructuring obligations will continue to be an important factor in the company's cash flow going forward. The financial results for 2011 show that the company is able to generate the cash needed to serve its obligations.

Therefore, the Board of Directors is of the opinion that the application of the existing valuation rules under going concern is still justified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REVENUE

(thousands of EUR)	*Year ended December 31st*	
	2011	**2010**
Revenue from the sale of goods	51 903	53 546
Revenue from the rendering of services	11 074	12 844
Total Revenue	**62 977**	**66 390**

In the tables above, the goods that are part of an entire system integration project have been included as service revenues, as these goods are part of an entire solution sold by the Company.

2. SEGMENT INFORMATION

After divesting all non core activities in 2009, the group is organized in two business units, Secure Communication Systems (SCS) and the network business in Caribbean. The SCS unit consists of operations in Norway, Denmark, Singapore, China, France, Finland, Italy, UK, Germany, Croatia, Brazil, USA and a worldwide distributor network. The business in Caribbean consists of the TETRA network run under the ChuChubi brand.

The following table gives an overview of the products and services and of the allocation of each legal entity to each segment. Earnings are allocated to each segment based on management's primary business focus of each legal entity of the Zenitel Group.

Segment	**Products and services**	**Location of servicing subsidiaries**
Secure Communication Systems	Mainly own products (Intercom) and wireless solutions	Norway, Sweden, Denmark, Finland, Singapore, USA, Italy, France
Caribbean	Mainly networks	Caribbean

(thousands of EUR)		
Revenues from external customers attributed to:	**2011**	**2010**
Belgium (Country of domicile)	0	0
Norway	26 026	26 608
Denmark	10 398	11 335
Singapore	8 979	10 309
Caribbean	4 946	5 440
Other foreign countries	12 628	12 697
Total	**62 977**	**66 390**

The following table gives an overview of the non current assets that are located in the entity's country of domicile and in other foreign countries. Non current assets located in individual countries have only been disclosed if considered material.

(thousands of EUR)		
Non current assets, located in:	**2011**	**2010**
Belgium (Country of domicile)	725	112
Caribbean	3 020	3 701
Netherlands	0	852
Norway	7 345	7 155
Other foreign countries	1 754	1 755
Total	**12 844**	**13 575**

For further information about geographical area's, we refer to note 2.d below. The three largest customers account for 5,1 %, 2,7 % and 2,4% respectively of Group net sales in 2011. The highest amounts of trade accounts receivable outstanding are 5,5 %, 3,3 % and 3,1 % respectively of the Group's accounts receivable at December 31, 2011.

2.a SEGMENT REVENUES AND SEGMENT RESULTS

Segment Report

(1) Recurrent EBITDA: earnings before interest & taxes, depreciation and amortization plus write-offs on current assets and one-time results.

(2) in this table the Segment result per segment comprises earnings before interest & taxes, including one-time results, excluding gains or losses on disposals of subsidiaries.

(thousands of EUR)	**Segment revenue**		**Recurrent EBITDA(1)**		**One time items**		**Segment result(2)**	
For the 12 months ended Dec 31	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Secure Communication Systems (SCS)	58 031	60 950	3 869	3 923	(126)	242	2 423	3 089
Caribbean	4 946	5 440	1 480	1 617	55	0	520	376
All Segments	**62 977**	**66 390**	**5 349**	**5 540**	**(70)**	**242**	**2 943**	**3 466**
Unallocated continuing operations	0	0	(1 036)	(1 351)	(373)	(86)	(1 442)	(1 474)
Goodwill impairment continuing operations					0	(225)	0	(225)
Unallocated discontinued operations	0	0	0	(32)	0	(1 796)	0	(1 829)
Net gain / (loss) on deconsolidation or disposal of subsidiaries					0	209	0	209
Continuing operations	62 977	66 390	4 313	4 189	(443)	(70)	1 501	1 766
Discontinued operations	0	0	0	(32)	0	(1 587)	0	(1 620)
Total continuing and discontinued operations	**62 977**	**66 390**	**4 313**	**4 157**	**(443)**	**(1 657)**	**1 501**	**147**
Financial results - continuing operations					202	0	(889)	(1 586)
Financial results - discontinued operations					0	0	0	(20)
Total financial results					**202**	**0**	**(889)**	**(1 606)**
Income tax expense - continuing operations					0	0	(63)	(78)
Income tax expense - discontinued operations					0	0	0	(1)
Total income tax expenses					**0**	**0**	**(63)**	**(79)**
Profit / (loss) for the period - continuing operations					(241)	(70)	549	103
Profit / (loss) for the period - discontinued operations					0	(1 587)	0	(1 641)
Total profit / (loss) for the period					**(241)**	**(1 657)**	**549**	**(1 538)**

Revenue reported above represents revenue from external customers. Inter segment sales amounted to EUR 23K (2010: EUR 13K).

The unallocated recurrent operating expenses in 2011 consist of the costs included in the support center Zenitel NV (holding costs). These costs relate to the operating expenses for holding costs, such as publications, stock exchange, controlling, insurance, facilities, general management and depreciation and amortization costs.
Please also refer to the report of the Board for EBIT and recurrent EBITDA figures per segment.

2.b SEGMENT ASSETS AND SEGMENT LIABILITIES

(thousands of EUR)				*Year ended December 31st*
	Assets		**Liabilities**	
	2011	**2010**	**2011**	**2010**
Secure Communication Systems	34 574	35 266	16 204	16 447
Caribbean	5 262	5 473	3 536	3 885
Unallocated	1 385	1 973	15 620	17 118
Consolidated	**41 221**	**42 712**	**35 360**	**37 450**

Unallocated liabilities consist mainly of the group borrowings contracted by Zenitel NV (refer to note 25) and by pension obligations and provisions related to reorganization and other risks and liabilities included in Zenitel NV.

2.c OTHER SEGMENT INFORMATION

(thousands of EUR)				*Year ended December 31st*
	Depreciation, amortization & goodwill impairment		**Additions to non-current assets**	
	2011	**2010**	**2011**	**2010**
Secure Communication Systems	1 320	1 306	1 069	902
Caribbean	1 016	1 240	266	587
Unallocated	103	31	6	8
Consolidated	**2 439**	**2 577**	**1 341**	**1 496**

2.d INFORMATION ON GEOGRAPHICAL SEGMENTS

Revenue, assets and capital expenditures are attributed to geographic area's based on the location of the servicing company: Europe, Asia, Americas (USA and the Dutch Antilles) and Other countries.

(thousands of EUR)						*Year ended December 31st*
	Revenue from external customers		**Segment assets**		**Additions to non-current assets**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Europe	44 762	45 585	30 402	29 108	835	868
Asia	8 979	10 309	4 710	6 128	163	13
Americas	9 236	10 496	6 109	7 476	303	615
Consolidated	**62 977**	**66 390**	**41 221**	**42 712**	**1 301**	**1 496**

3. DISCONTINUED OPERATIONS

In 2011 there were no discontinued operations.

In 2010, the following entities have been deconsolidated:

JUDICIAL LIQUIDATION OF NRSFRANCE SA (PREVIOUSLY CALLED ZENITEL WIRELESS FRANCE SA)

Following the decision of the commercial court section of the Tribunal de Grande Instance of Thionville on September 2nd, 2010 NRSFRANCE SA has been placed in judicial liquidation and has been deconsolidated as from this date. The results of NRSFRANCE SA until this date are included in the 2010 financial statements as a loss from discontinued operations. We refer to the tables below for the accounted loss/profit upon deconsolidation in 2010.

VOLUNTARY LIQUIDATION OF ZENITEL DEVLONICS NV

In order to further simplify the Group structure in 2010 Zenitel Devlonics NV, a non operational company, was liquidated. The liquidation was closed on October 26th, 2010. The results of Zenitel Devonics NV until this date are included in the 2010 financial statements as a loss from discontinued operations.

We refer to the tables below for the accounted loss/profit upon deconsolidation.

VOLUNTARY LIQUIDATION OF ZENITEL DEVLONICS II NV (PREVIOUSLY CALLED MCCN NV)

In order to further simplify the Group structure in 2010 Zenitel Devlonics II NV, a non operational company, was liquidated. The liquidation was closed on December 23th, 2010. The operating results of Zenitel Devonics II NV until this date are included in the 2010 financial statements as a loss from discontinued operations.

We refer to the tables below for the accounted loss/profit upon deconsolidation.

PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS

The results of the liquidated and sold subsidiaries and activities until the date of the transfer of control and the realized gains or losses upon each disposal have been included in the income statement as profit / (Loss) from discontinued operations. In the following tables further details are given with respect to operating results of each liquidated or sold operation and with respect to each deconsolidation or disposal transaction.

In thousands of Euro	**For the twelve months ended December 31st, 2010**			
The profit (loss) for the period from the discontinued operation is analyzed as follows:				
	NRSFRANCE (1)	**Zenitel Devlonics NV (2)**	**Zenitel Devlonics II NV (3)**	**Total**
Profit / (loss) of the operation for the period	(1 539)	(4)	(12)	(1 555)
Profit / (loss) on disposal	(128)	10	32	(86)
	(1 667)	**6**	**20**	**(1 641)**
The results of the operations for the relevant period were as follows:				
Revenues (external)	0	0	0	0
Operating costs	(1 518)	(4)	(12)	(1 534)
Finance costs	(20)	(1)	0	(21)
Profit / (loss) before tax	(1 538)	(4)	(12)	(1 554)
Income tax (charge) / credit	(1)	0	0	(1)
PROFIT / (LOSS) AFTER TAX	**(1 539)**	**(4)**	**(12)**	**(1 555)**
The net assets at the date of the disposal and the realized profit / (loss) upon disposal were as follows:				
Net assets disposed of	(2 434)	5	32	(2 397)
Attributable goodwill	0	0	0	0
Profit / (loss) on disposal	167	10	32	209

(1) NRSFRANCE SA: refers to the non rail activities of Zenitel Wireless France SA that were not divested in 2009. The presented figures for the twelve mtonths ended December 31, 2010 refer to the period from January till September 1th, 2010.

(2) Zenitel Devlonics NV: The presented figures for the twelve months ended December 31, 2010 refer to the period from January till October 26th, 2010.

(3) Zenitel Devlonics II NV: The presented figures for the twelve months ended December 31, 2010 refer to the period from January till December 23th, 2010.

The cash flow from discontinued operations can be summarized as follows:				
Net cash inflow / (outflow) from operating activities	(231)	(8)	67	(172)
Net cash inflow / (outflow) from investing activities	0	0	0	0
Net cash inflow / (outflow) from financing activities	0	0	0	0
NET CASH FLOW	**(231)**	**(8)**	**67**	**(172)**

4. RAW MATERIALS AND CONSUMABLES USED

(thousands of EUR)		*Year ended December 31st*
Continuing operations	**2011**	**2010**
Supplies	28 316	30 212
Subcontractors	265	235
Changes in inventories of finished goods and work in progress	305	1 238
Other	1 001	772
Total raw materials and consumables used	**29 887**	**32 457**

5. EMPLOYEE BENEFITS EXPENSES

(thousands of EUR)		*Year ended December 31st*
Continuing operations	**2011**	**2010**
Wages and salaries	16 708	16 789
Social security costs	2 290	2 063
Reorganization expenses	126	476
Other employee benefits	544	611
Short term employee benefits	**19 668**	**19 939**
Termination benefits	**19**	**23**
Pension costs - defined contribution plans	757	752
Pension costs - defined benefit plans	242	128
Pension costs	**999**	**880**
Share based compensation	**0**	**0**
TOTAL EMPLOYEE BENEFITS EXPENSES	**20 686**	**20 842**
Average number of employees	**270**	**286**
Workers	0	0
Employees	256	271
Management	14	15

6. FACILITY EXPENSES

(thousands of EUR)		*Year ended December 31st*
Continuing operations	**2011**	**2010**
Housing costs (rent & common charges)	1 981	1 998
Telecom expenses	484	565
Insurances	301	293
Utilities	411	394
Other facility costs	881	765
Total facility expenses	**4 058**	**4 015**

7. OTHER EXPENSES

(thousands of EUR)		*Year ended December 31st*
Continuing operations	**2011**	**2010**
Advertising, publicity and fairs	424	347
Travel & related costs	1 559	1 612
Car expenses	1 145	1 025
Other	556	184
Total other expenses	**3 684**	**3 168**

8. RESEARCH & DEVELOPMENT COSTS

(thousands of EUR)		*Year ended December 31st*
Continuing operations	**2011**	**2010**
Research and development costs	**1 856**	**1 571**

Whereof EUR 1.751K (EUR 1.474K in 2010) were included in the Employee benefits expense (Wages and salaries).

Besides these expensed research & development costs, EUR 680K were capitalized in 2011 (EUR 346K in 2010).

9. FINANCE INCOME

(thousands of EUR)		*Year ended December 31st*
Continuing operations	**2011**	**2010**
Realized gain on the sale of shares	202	0
Other (aggregate of immaterial items)	75	86
Total finance income	**277**	**86**

10. FINANCE COSTS

(thousands of EUR)		*Year ended December 31st*
Continuing operations	**2011**	**2010**
Interest on bank overdrafts, used factoring facility and loans	759	858
Interest on obligations under finance lease	1	1
Other financial charges	193	297
Total finance costs	**953**	**1 156**

The weighted average interest rate on funds borrowed generally is 4,5% per annum (2010: 6,0% per annum).

11. NET FOREIGN EXCHANGE GAINS / (LOSSES)

(thousands of EUR)		*Year ended December 31st*
Continuing operations	**2011**	**2010**
Foreign exchange rates losses	-224	-522
Other (both realized and unrealized)	*-224*	*-522*
Foreign exchange rate gains	11	6
Other (both realized and unrealized)	*11*	*6*
Net foreign exchange gains / (losses)	**-213**	**-516**

12. INCOME TAXES

(thousands of EUR)		*Year ended December 31st*	
	Notes	**2011**	**2010**
Current tax expense / (income)		85	85
Adjustments recognized in the current year in relation to current tax of prior years		-10	17
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	13	-12	-24
Effect of changes in tax rates and laws		0	0
Write-downs (reversals of previous write-downs) of deferred tax assets		0	0
Total income tax expense/(income) relating to continuing operations		**63**	**78**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country as follows:

(thousands of EUR)	*Year ended December 31st*	
	2011	**2010**
Profit before tax	612	181
Tax calculated at tax rate of 33.99%	208	62
Effects of:		
- Different tax rates in other countries	-47	-99
- Adjustments recognized in the current year in relation to current tax of prior years	-10	17
- Income not subject to tax	-89	-481
- Expenses not deductible for tax purposes	230	180
- Utilization of previously unrecognized tax losses	-378	-695
- Reversal of previous write-downs of tax assets as tax losses	0	0
- Unrecognized tax losses of the current year	149	1 094
Total income tax expense/(income) relating to continuing operations	**63**	**78**

The tax rate used for the 2011 and 2010 reconciliation is the corporate tax rate of 33.99% payable by corporate entities in Belgium on taxable profits under tax law in that jurisdiction

No income tax has been recognized directly in equity or in other comprehensive income in 2011, neither in 2010.

13. DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 28.0% (2010: 28.0 %). This percentage being the weighted average rate of the countries in which deferred taxes were recognized.

Deferred income tax assets are recognized for tax loss as carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The long term business plan has served as input to determine the basis on which the amounts of deferred tax assets have been recognized. The deferred income tax asset relates to a part of the tax losses carried forward of Zenitel Norway AS.

The movement on the deferred income tax account is as follows:

(thousands of EUR)	*Year ended December 31st*	
	2011	**2010**
At the beginning of the year		
- deferred tax liability	14	13
- deferred tax asset	-2 460	-2 285
Exchange differences	-14	-149
Income statement (credit)/charge	-12	-25
Other changes	0	0
At the end of the year	**-2 472**	**-2 446**
Recognized in the balance sheet as		
- deferred tax liability	12	14
- deferred tax asset	-2 484	-2 460

The movement in the deferred tax assets and liabilities (prior to offsetting balances within the same tax jurisdiction) during the period is as follows:

Deferred tax liabilities	on net PBO assets	Accelerated tax depreciation	Provisions	Leasing	Goodwill	Other	Total
At December 31, 2009	**0**	**15**	**0**	**0**	**470**	**0**	**485**
Charged/(credited) to P/L	0	-2	0	0	0	0	**-2**
Other changes	0	0	0	0	0	0	**0**
Exchange differences	0	0	0	0	30	0	**30**
At December 31, 2010	**0**	**13**	**0**	**0**	**500**	**0**	**513**
Charged/(credited) to P/L	0	-3	0	0	0	0	**-3**
Other changes	0	0	0	0	0	0	**0**
Exchange differences	0	4	0	0	2	0	**6**
At December 31, 2011	**0**	**14**	**0**	**0**	**502**	**0**	**516**

Deferred tax assets	Net PBO Liabilities	Impairments	Tax losses	Provisions	Depreciation	Other	Total
At December 31, 2009	**-150**	**-314**	**-1 822**	**-15**	**-366**	**-90**	**-2 757**
Charged/(credited) to P/L	0	0	0	0	0	-22	**-22**
Other changes	0	0	0	0	0	0	**0**
Exchange differences	-10	-20	-118	-1	-24	-7	**-180**
At December 31, 2010	**-160**	**-334**	**-1 940**	**-16**	**-390**	**-119**	**-2 959**
Charged/(credited) to P/L	0	0	0	0	0	-9	**-9**
Other changes	0	0	0	0	0	0	**0**
Exchange differences	-1	-2	-10	0	-2	-5	**-20**
At December 31, 2011	**-161**	**-336**	**-1 950**	**-16**	**-392**	**-133**	**-2 988**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

(thousands of EUR)		*Year ended December 31st*
	2011	**2010**
Deferred tax assets	-2 484	-2 460
Deferred tax liabilities	12	14
Total	**-2 472**	**-2 446**

For companies in the Group with tax losses carried forward, we examined the probability that future taxable profits would be available against which the unused tax loss credits would be utilized. Listed hereafter are the companies of the Group, with specification of the available losses carried forward, for which no deferred tax assets were set up.

(thousands of EUR)		*Year ended December 31st*
Company	**2011**	**2010**
Zenitel NV	51 017	46 384
Zenitel Finance Netherlands BV	8 794	12 479
Zenitel Caribbean	2 008	1 871
Zenitel CSS France	1 411	2 282
Zenitel Finland	1 222	1 047
Zenitel Denmark	7 925	8 408
Zenitel Italy	1 038	857
Zenitel USA	627	499

Tax losses carried forward as per year end 2011 indicated in the table above do not have an expiry date. Tax losses carried forward as per year end 2010 had no expiry date neither.

Unrecognized tax losses of the year relate to the following companies:

(thousands of EUR)	*Year ended December 31st*	
Company	**2011**	**2010**
Zenitel NV	4 459	2 235
Zenitel Finance Netherlands	0	492
Zenitel Caribbean	138	0
Zenitel CSS France	22	224
Zenitel Finland	175	242
Zenitel Denmark	0	589
Zenitel Italy	181	210
Zenitel USA	154	68
TOTAL	**5 129**	**4 060**

14. EARNINGS PER SHARE

14.1 Basic earnings per share

Basic earnings per share are calculated by dividing the net result attributable to shareholders by the weighted average number of ordinary shares issued during the year, excluding ordinary shares purchased by the Company, held as treasury shares.

	Year ended December 31st	
	2011	**2010**
Basic earnings per share	**0,03**	**-0,09**
of which from continuing operations	0,03	0,01
of which from discontinued operations	0,00	-0,10

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Net profit/(loss) attributable to shareholders (thousands of EUR)	**549**	**-1 538**
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures) - See note 31	**16 441 309**	**16 441 309**

14.2 Diluted earnings per share

For the calculation of the diluted earnings per share, the weighted average number of ordinary shares issued is adjusted to assume conversion of all dilutive potential ordinary shares. The Company had one category of dilutive potential ordinary shares: warrants. For these warrants, a calculation were done to determine the number of shares that could have been acquired at market price (the latter being determined as the average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding warrants to determine the 'bonus' element; the 'bonus' shares are added to the ordinary shares in issue. No adjustment is made to net profit. There are no warrants outstanding, and there is no dilutive impact.

	Year ended December 31st	
	2011	**2010**
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures) - See note 31	16 441 309	16 441 309
Adjustments for warrants	-	-
Weighted average number of ordinary shares for diluted earnings per share	16 441 309	16 441 309
Diluted earnings per share	0,03	-0,09
of which from continuing operations	0,03	0,01
of which from discontinued operations	0,00	-0,10

15. PROPERTY, PLANT & EQUIPMENT

(thousands of EUR)	Land & buildings	Installations & machinery	Furniture, fixtures & vehicles	Other tangible assets	Total
Cost or valuation					
Balance as at 1 January 2010	**81**	**3 045**	**4 226**	**8 346**	**15 699**
Additions	0	175	76	594	845
Disposals	0	-6	-10	-131	-147
Transfer from one heading to another	0	3	0	0	3
Net foreign currency exchange differences	0	189	218	534	941
Balance as at 1 January 2011	**81**	**3 406**	**4 510**	**9 343**	**17 341**
Additions	0	98	231	289	617
Disposals	0	-4	-17	-74	-95
Transfer from one heading to another	0	-1	2	-71	-70
Net foreign currency exchange differences	0	34	48	244	326
Balance as at 31 December 2011	**81**	**3 533**	**4 774**	**9 730**	**18 118**
Accumulated depreciation and impairment					
Balance as at 1 January 2010	**-81**	**-2 850**	**-3 846**	**-4 471**	**-11 248**
Depreciation expense	0	-86	-188	-1 027	-1 301
Eliminated on disposals of assets	0	-1	10	0	9
Transferred from one heading to another	0	0	-1	3	2
Net foreign currency exchange differences	0	-176	-192	-280	-648
Balance as at 1 January 2011	**-81**	**-3 113**	**-4 217**	**-5 775**	**-13 186**
Depreciation expense	0	-100	-163	-901	-1 165
Eliminated on disposals of assets	0		16		16
Transferred from one heading to another	0	1	-2	71	70
Net foreign currency exchange differences	0	-30	-44	-211	-285
Balance as at 31 December 2011	**-81**	**-3 242**	**-4 410**	**-6 817**	**-14 550**
Carrying amount					
As at 31 December 2010	**-0**	**294**	**293**	**3 568**	**4 155**
As at 31 December 2011	**-0**	**291**	**364**	**2 914**	**3 568**

16. GOODWILL

(thousands of EUR)		*Year ended December 31st*
Cost	**2011**	**2010**
Balance at beginning of year	**65 221**	**62 130**
Effect of foreign currency exchange differences	247	3 091
Balance at end of year	**65 468**	**65 221**
Accumulated impairment losses		
Balance at beginning of year	**-61 082**	**-58 093**
Impairment losses recognized in the year	0	-225
Effect of foreign currency exchange differences	-225	-2 764
Balance at end of year	**-61 307**	**-61 082**
Carrying amount		
At the beginning of the year	**4 139**	**4 037**
At the end of the year	**4 161**	**4 139**
Which is allocated as follows:		
Intercom: Zenitel Norway AS, Zenitel Marine Sweden AB, Zenitel CSS France SA, Zenitel Italia Srl, Zenitel USA Inc, Zenitel Singapore Ltd	4 161	4 139
	4 161	**4 139**

Goodwill arising from acquisitions represents the excess of the cost of the acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. In accordance with IFRS 3, goodwill arising on consolidation is tested annually for impairment or more frequent if there are indications that the goodwill might be impaired, in accordance with IAS 36, Impairment of Assets. This standard also requires that the goodwill should, from the acquisition date, be allocated to each of the cash generating units (CGU's) or groups of cash generating units that are expected to benefit from the synergies of the business combination. The CGU's to which goodwill has been allocated were tested for impairment at the balance sheet date by comparing the carrying amount of the unit with the recoverable amount (higher of its fair value less cost to sell and its value in use).

In application of the value-in-use method, Zenitel management prepared cash flow forecasts for the CGU or group of CGU's, where the CGU's are considered to be the Company's legal entities or business unit. The key assumptions included in the value in use calculation comprise the discount factor and the projected future net cash flows on products and services.

The (pre tax) discount rate applied to cash flow projections is the weighted average cost of capital (WACC) of 9,7%. The components for the determination of the WACC are based on sector-specific parameters received from various banks and analysts and taking into account the financial position of Zenitel and historical performance of the individual CGU.

A growth rate of 2% has been used and the assumed inflation rate is 1,7%.

Sensitivity analysis shows that 0,9% is to be subtracted from the growth rate before goodwill is impaired. CGU Intercom requires a WACC exceeding 14,5% before goodwill is impaired.

Management determined these assumptions based on past performance and its expectations with respect of the market development.

The Company can not predict whether an event that triggers impairment will occur, when it will occur or how it will affect the asset values reported. Zenitel believes that all of its estimates are reasonable: they are consistent with the internal reporting and reflect management's best estimates. However, inherent uncertainties exist that management may not be able to control. While a change in estimates used could have a material impact on the calculation of the fair values and trigger an impairment charge, the Company is not aware of any reasonably possible change in key assumptions used that would cause a business unit's carrying amount to exceed it's recoverable amount.

17. OTHER INTANGIBLE ASSETS

Capitalized development costs principally comprise internally generated expenditure on major projects where it is reasonably anticipated that the costs will generate future economic benefits.

The amortization expense has been included in the line item 'Depreciation and amortization expenses' in the statement of comprehensive income.

(thousands of EUR)			*Year ended December 31st*
Cost	**Capitalized development**	**Software, licenses**	**Total**
Balance at 1 January 2010	**2 922**	**1 459**	**4 381**
- internally generated	2 203	0	2 203
- externally acquired	719	1 459	2 178
Additions (including internally generated)	346	305	651
Cancellations	0	-6	-6
Net foreign currency exchange differences	163	38	201
Balance at 1 January 2011	**3 431**	**1 796**	**5 227**
- internally generated	2 672	0	2 672
- externally acquired	759	1 796	2 555
Additions (including internally generated)	680	44	724
Cancellations	0	0	0
Transfer from one heading to another	0	-8	-8
Net foreign currency exchange differences	17	7	24
Balance at 31 December 2011	**4 128**	**1 839**	**5 967**
- internally generated	3 365	0	3 365
- externally acquired	763	1 839	2 602
Accumulated amortization and impairment			
Balance at 1 January 2010	**-1 522**	**-1 447**	**-2 969**
Amortization expense	-607	-134	-741
Impairment charge	0	0	0
Amortization cancelled (disposals)	0	3	3
Net foreign currency exchange differences	-103	-26	-129
Balance at 1 January 2011	**-2 232**	**-1 604**	**-3 836**
Amortization expense	-411	-214	-625
Impairment charge	0	0	0
Amortization cancelled (disposals)	0	0	0
Transfer from one heading to another	0	8	8
Net foreign currency exchange differences	-11	-6	-17
Balance at 31 December 2011	**-2 655**	**-1 816**	**-4 470**
Carrying amount			
As at 31 December 2010	**1 199**	**192**	**1 391**
As at 31 December 2011	**1 473**	**23**	**1 496**

Capitalized development costs principally comprise internally generated expenditure on major projects where it is reasonably anticipated that the costs will generate future economic benefits.

The amortization expense has been included in the line item 'Depreciation and amortization expenses' in the statement of comprehensive income.

18. NET IMPAIRMENT ON CURRENT ASSETS

(thousands of EUR)	*Year ended December 31*	
Continuing operations	**2011**	**2010**
Impairment charge on inventories	534	335
Impairment charge on receivables	147	100
Reversal of impairment charge on inventories	0	0
Reversal of impairment charge on receivables	-31	-241
Total impairment on current assets	**650**	**194**

19. FINANCIAL ASSETS

(thousands of EUR)	*Year ended December 31*	
	2011	**2010**
Proceeds receivable arising from the sale of MCCN assets and contracts	977	1 292
Available for sale investments	423	421
Long term guarantee paid in cash	61	148
Others	0	0
Total	**1 461**	**1 861**
of which current	327	430
of which non-current	1 134	1 431

(thousands of EUR)						*Year ended December 31*
Proceeds receivable arising from the sale of MCCN assets and contracts	**2011**			**2010**		
	Current	**Non current**	**Total**	**Current**	**Non current**	**Total**
Fix proceeds receivable arising from sale of MCCN assets and contracts	118	0	118	289	118	407
Contingent proceeds receivable arising from sale of MCCN assets and contracts	209	650	859	141	744	885
Total	**327**	**650**	**977**	**430**	**862**	**1 292**

In 2009 Zenitel sold MCCN network assets and contracts. The proceeds of this sale consisted of a fixed and a contingent part, which is billable in the period from October 2009 till September 2014. The contingent part of the proceeds are valued at fair value through profit and loss. The key assumption in the fair value assessment is that there will not be growth , neither churn in the number of network users contained in the sold MCCN customer contracts during the period from October 2009 till September 2014.

(thousands of EUR)	*Year ended December 31st*	
Available for sale investments	**2011**	**2010**
At the beginning of the year	**421**	**425**
Acquisition	0	0
Disposals	0	-23
Net foreign currency exchange differences	2	19
At the end of the year	**423**	**421**

In 2011 Zenitel NV sold its minority shares in SAIT ZENITEL NV (formerly called Zenitel Belgium NV) and SAIT ZENITEL NETHERLANDS BV (formerly called Zenitel Netherlands BV).

The breakdown of the outstanding balance is as follows:		
- SAIT ZENITEL NV (formerly called Zenitel Belgium NV)	-	0
- SAIT ZENITEL NETHERLANDS BV (formerly called Zenitel Netherlands BV)	-	0
- ZENITEL UK LTD	0	0
- TETRANET(Denmark):	116	116
- BNSC - Beijing Nera Stentofon Comm. Equipment (China):	307	305
Total	**423**	**421**

The available-for-sale investments are accounted at fair value. Fair values are assessed on a regular basis and at the end of 2011, no objective evidence indicates that available-for-sale investments are impaired.

20. INVENTORIES

(thousands of EUR)	*Year ended December 31st*	
	2011	**2010**
Raw material	587	350
Goods purchased for resale	6 283	7 628
Total inventories	**6 870**	**7 978**

Total inventory write offs amounted to EUR 534K in 2011 (EUR 335K in 2010).
Inventory expenses are included in the *Raw materials and consumable used* line of the income statement.

21. CONTRACTS IN PROGRESS

(thousands of EUR)	*Year ended December 31st*	
	2011	**2010**
At the beginning of the year	**700**	**3 311**
Change due to deconsolidation of activities	0	-1 745
Contract costs incurred plus recognized profits less recognized losses to date	8 127	6 090
Less: progress billings during the year	-8 898	-7 407
Net foreign currency exchange differences	2	55
Advances received from customers and included in ‘other payables’	1 037	397
At the year end	**968**	**700**

With respect to contracts in progress, the revenue recognition occurs according to the Percentage of Completion Method. In 2011 the total contract revenue recognized amounted to EUR 8,1 million. (2010: EUR 6,1 million).

The stage of completion is measured based on estimates of the work to be performed to complete the contract.

22. TRADE & OTHER RECEIVABLES

(thousands of EUR)	*Year ended December 31st*	
	2011	**2010**
Trade receivables	15 113	15 371
Allowance for doubtful debts	-980	-982
Total	**14 133**	**14 389**

OTHER RECEIVABLES		
Credits to receive from suppliers	0	0
Tax receivables, other than income tax	393	323
Income tax receivable	9	41
Other receivables	220	383
Total Other receivables	**622**	**747**
Total trade and other receivables	**14 755**	**15 136**

The total amount of trade receivables is presented after deduction of a bad debt allowance of EUR 1,0 million (2010: EUR 1,0 million)

The ageing of our current trade and other receivables can be detailed as follows:

	Gross amount as at 31 Dec 2011	Of which: not past due on the reporting date	*Of Which:* Past due less than 30 days	Past due between 30 and 59 days	Past due between 60 and 89 days	Past due between 90 and 179 days	Past due between 180 and 359 days	Past due more than 359 days	Valuation allowance for doubtful debtors	Net carrying amount as at 31 December 2011
Trade receivables	15 113	8 989	3 536	1 119	552	318	201	398	-980	14 133
Tax receivables, other than income tax	393	393	0	0	0	0	0	0	0	393
Income tax receivable	9	9	0	0	0	0	0	0	0	9
Other receivables	220	167	48	0	0	0	0	5	0	220
Total	**15 735**	**9 558**	**3 584**	**1 119**	**552**	**318**	**201**	**403**	**-980**	**14 755**

	Gross amount as at 31 Dec 2010	Of which: not past due on the reporting date	*Of Which:* Past due less than 30 days	Past due between 30 and 59 days	Past due between 60 and 89 days	Past due between 90 and 179 days	Past due between 180 and 359 days	Past due more than 359 days	Valuation allowance for doubtful debtors	Net carrying amount as at 31 December 2010
Trade receivables	15 371	5 127	6 680	1 481	430	457	263	933	-982	14 389
Tax receivables, other than income tax	323	323	0	0	0	0	0	0	0	323
Income tax receivable	4	0	0	0	0	4	0	0	0	4
Other receivables	420	360	17	42	0	0	0	1	0	420
Total	**16 118**	**5 810**	**6 697**	**1 523**	**430**	**461**	**263**	**934**	**-982**	**15 136**

The average credit period on sales of goods and services is 70,9 days (2010: 77,5 days). No interest is charged on trade receivables for the first 60 days from the date of the invoice. Thereafter the interest charged is charged at 2% per annum on the outstanding balance. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the balance sheet date. An allowance is recognized when there is objective evidence that the individual asset is impaired.

(thousands of EUR)	*Year ended December 31st*	
Movement of the allowance for doubtful debtors	**2011**	**2010**
Balance at beginning of the year	-982	-2 143
Amounts written off during the year	72	112
Amounts recovered during the year	-40	-14
Change due to sales of subsidiaries or operations	0	1 148
Decrease / (Increase) in allowance recognized in profit or loss	-117	-100
Translation difference	87	15
Balance at end of year	**-980**	**-982**

In determining the recoverability of a trade receivable, the Group considers periodically any change in the credit quality of the trade receivable from the date credit was originally granted up to the reporting date. Concentration of credit risk with respect to trade receivables is limited due to the Group's large number of customers who are internationally dispersed. Also in many cases governmental institutions cover the credit risk. Only one customer accounts for 5% or more of the Group's total net sales. The three largest customers account for approximately 5,1%, 2,7% and 2,4% respectively of Group net sales. There is no other significant concentration of credit risk. Therefore, management is of the opinion that inherent credit risk in the group's receivables is limited. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debtors.

23. CASH AND CASH EQUIVALENTS

(thousands of EUR)	*Year ended December 31st*	
	2011	**2010**
Cash at bank and in hand	3 746	3 552
Short term bank deposit	548	561
Total cash and cash equivalents	**4 294**	**4 113**

The weighted average effective interest rate on short-term bank deposits amounts to 0,92 % (2010: 0,63%).

24. TRADE AND OTHER PAYABLES

(thousands of EUR)	*Year ended December 31st*	
	2011	**2010**
Trade payables	**8 513**	**7 509**
Remuneration & staff related liabilities	3 936	3 877
Accrued expenses	2 503	2 755
Advances received on contracts	1 036	890
Other advances received	330	492
Other	1 006	1 097
Other payables	**8 811**	**9 111**
Total trade and other payables	**17 324**	**16 620**

25. BORROWINGS

(thousands of EUR)	*Year ended December 31st*	
	2011	**2010**
Non-current		
Bank borrowings	7 315	8 258
Shareholders' loans	0	1 000
Finance lease liabilities	172	0
	7 487	**9 258**
Current		
Used factoring facility	1 923	1 159
Shareholders' loans	1 000	500
Current installment of long term loan	1 041	1 885
Finance lease liabilities	24	8
	3 988	**3 552**
Total borrowings	**11 475**	**12 810**

The weighted average interest rates per year amounts to (%):	**2011**	**2010**
Leasing	5,00	4,00
Shareholders' loan	4,19	3,60
Bank borrowings LT	5,53	6,46
Used factoring facility	4,72	5,61

The bank borrowings and the shareholder loans are secured by a pledge on the Group's current assets, shares of certain subsidiaries and the eventual proceeds of future divestments. Lease agreements in which Group companies are the lessee, give rise to financial liabilities on the balance sheet, equal at the inception of the lease to the fair value of the leased property, or if lower at the present value of the minimum lease payments.

Bank borrowings and shareholders loan (originally > 1 year) are payable as follows :

	31st December 2011			*31st December 2010*		
	Total future payments	**Unexpired interest expenses**	**Present value**	**Total future payments**	**Unexpired interest expenses**	**Present value**
Not later than one year	2 558	517	2 041	3 017	632	2 385
Between one and five years	8 339	1 024	7 315	10 631	1 373	9 258
Later than five years	0	0	0	63	63	0
Total	**10 897**	**1 541**	**9 356**	**13 711**	**2 068**	**11 643**

The financial lease liabilities are payable as follows :

	31st December 2011			*31st December 2010*		
	Total future payments	**Unexpired interest expenses**	**Present value**	**Total future payments**	**Unexpired interest expenses**	**Present value**
Not later than one year	29	5	24	9	2	8
Between one and five years	95	17	78	0	0	0
Later than five years	115	21	94	0	0	0
Total	**239**	**43**	**196**	**9**	**2**	**8**

In 2009 the Group signed a credit agreement with one of it's main lending financial institutions. After payment of EUR 0,8 million in 2011, the total debt towards this lender amounts to EUR 2,0 million at year end 2011. The next installments on this loan becomes only due in the period from 2013 till 2015. The applied interest rate amounts to EURIBOR + 3%. These bank borrowings are secured by a pledge on Zenitel NV's receivables, shares of certain subsidiaries and the eventual proceeds of future divestments.

In 2007, a long term borrowing was closed for EUR 5 million. In 2011 Zenitel paid a first installment of EUR 0,4million. This borrowing is subordinated towards the other bank debts. The applicable interest rate amounts to 6% with the next installment of 1/12 of the loan due in July 2012 and each time EUR 1 million in the years thereafter.

The long term borrowings in the Caribbean are on a non-recourse basis. These borrowings are secured by customer contracts. The term of the loans, closed in Antillean guilders, are 3 to 6 years. The fixed interest rate of this borrowing amounts to 7,75%. The Caribbean group company uses the local long term borrowings to locally finance its local investments.

In 2004, Zenitel NV/SA took over a loan from its Danish subsidiary. This loan was for an amount of DKK 12 million. Repayment occurs every 3 months for 1,25% of the initial loan amount. The final settlement will occur per 30 September 2014. The outstanding amount per 31 December 2011 is EUR 1,0 million. The interest rate equals the interest on the international inter banks' currency markets plus 3,75%.

In December 2008, a shareholder loan was granted by 3D NV to the Company. EUR 0,5 million was paid in 2011 and the remaining outstanding EUR 1 ,0 million is payable in 2012. The interest rate equals EURIBOR + 3%.

The Norwegian group company has a factoring agreement of NOK 15 million. This factoring agreement allows for borrowing up to 80% of the value of customer invoices. As per 31 December 2011, EUR 1,9 million of this credit facility was used against EUR 1,3 million as per 31 December 2010. The interest rate on this facility on average amounted to 6,1% in 2011 (4,2% in 2010). At the same time, a credit line up to a maximum of NOK 15 million is available. As per year end 2011, none of this credit facility was used (idem year end 2010).

The total credit lines held by the Company amount to EUR 13,4 million (2010: EUR 15.8 million). In addition, the company also holds lines for bank guarantees at different credit institutions for in total almost EUR 8,1 million (2010: EUR 8,3 million) of which EUR 3,6 million (2010: EUR 3,8 million) are used to secure the completion of customer contracts. EUR 1,4 million (2010: 1,6 million) of these used bank guarantees relate to discontinued activities and are counter guaranteed by the purchasers of these discontinued activities.

26. RETIREMENT BENEFIT OBLIGATIONS

Some group companies provide pension plans that under IFRS are considered as defined benefit plans for their employees. Provisions for pension obligations are established for benefits payable in the form of retirement, disability and surviving dependents' pensions. The benefits offered vary according to legal, fiscal and economic conditions of each country. Benefits are dependent on years of service and respective employee's compensation and contribution.

The obligation resulting from defined benefit pension plans is determined using the projected unit credit method. Unrecognized gains and losses resulting from changes in actuarial assumptions are recognized as income (expenses) over the expected remaining service life of the active employees.

Assets have been subject to the recoverability test as described by the IAS 19 statement. The assets have only been recognized to the lower sum of the unrecognized actuarial losses and past service costs and the present value of future economic benefits available in the form of refunds from the plan or reduction in future contributions of the plan (see adjustments for limit on net asset).

(thousands of EUR)	**2011**	**2010**
Opening retirement benefit obligation	**712**	**1 608**
Transfer from restructuring provision	2 005	0
Additions to provisions	383	21
Payments	-1 089	-284
Reversal of provisions	-12	-842
Retirement benefit obligations disposed of as a result of divestments	0	0
Exchange differences	33	209
Retirement benefit obligation at end of year	**2 032**	**712**
Non-current	1 725	626
Current	307	86
	2 032	**712**

In previous years, early retirement obligations that arose during the restructuring operations of 2009 and before, were included in the restructuring provisions of these consolidated financial statements. As from 2011, the early retirement obligations are presented as retirement benefit obligations instead of restructuring obligations.

The total amount of EUR 2.005K that was included in the restructuring provision as per year end 2010, is presented in the transfer line of the schedule above. For comparative purposes, the 2010 comparative figures included further in this note have been updated in order to present comparable figures (comprising the early retirement obligations in both the 2011 and the 2010 schedules) and will therefore differ from the schedules included in the same note of the earlier published 2010 consolidated financial statements.

The amounts recognized in the balance sheet are determined as follows:

(thousands of EUR)	*Year ended December 31st*	
	2011	**2010**
Present value of funded obligations	5 219	5 393
Fair value of plan assets	-3 935	-3 958
Funded status	**1 285**	**1 435**
Present value of unfunded obligations	1 394	2 113
Unrecognized actuarial gains (losses)	-647	1 022
Unrecognized past service (cost) benefit	0	-1 853
Net Liability	**2 032**	**2 717**

Amounts recognized in the balance sheet

Recognized as non current liability / retirement benefit obligations	1 725	626
Recognized as current liability / retirement benefit obligations	307	86
Recognized as non current liability / provisions / restructuring	0	1 529
Recognized as current liability / provisions / restructuring	0	476
Recognized as non current asset	0	0
Net Liability	**2 032**	**2 717**

The amounts recognized in the income statements are as follows:

	2011	**2010**
Current service cost	120	570
Interest costs	341	576
Expected return on plan assets	-160	-386
Amorization of past service cost	3	4
Net actuarial losses recognized in year	41	1
Gain on curtailment	0	0
Settlement gain	0	0
Total pension costs	**345**	**765**
Actual return on plan assets	**221**	**502**

Changes in the present value of the defined benefit obligation are as follows:

	2011	**2010**
Opening defined benefit obligation	7 506	9 707
Service cost	120	570
Interest cost	341	576
Plan participants' contributions	44	50
Actuarial losses (gains)	-69	666
Expenses paid	-485	-3 387
Losses (gains) on curtailments	0	0
Liabilities extinguished on settlements	0	0
Exchange differences on foreign plans	84	130
Benefits paid	-927	-805
Closing defined benefit obligation	**6 613**	**7 506**

Changes in the fair value of the plan assets are as follows:

	2011	2010
Opening fair value of plan assets	3 958	7 396
Expected return	160	386
Actuarial gains and (losses)	61	116
Contributions by employer	579	834
Plan participants' contributions	44	50
Expenses paid	0	-4 128
Plan settlements	0	0
Exchange differences on foreign plans	60	109
Benefits paid	-927	-805
Closing fair value of plans assets	**3 935**	**3 958**

The group expects to contribute EUR 0,5 million to its defined benefit pension plans in 2012.

			Year ended December 31st
	2011	**2010**	**2009**
Defined benefit obligation	-5 219	-5 393	-7 561
Plan assets	3 935	3 958	7 396
Surplus/(deficit)	**-1 285**	**-1 435**	**-165**
Experience adjustments on plan assets	61	116	17
Experience adjustments on plan liabilities	69	-666	2 633

The major categories of plan assets, and the expected rate of return at the balance sheet date for each category, is as follows:

	Expected return		Fair value of plan assets	
	2011	**2010**	**2011**	**2010**
	%	**%**	**EUR'000**	**EUR'000**
Equity instruments	0.00	0.00	0	0
Debt instruments	2,05	2,30	1 791	2 026
Real estate	0.00	0.00	0	0
Other	4,22	1,95	2 144	1 932
Weighted average expected return	**3,23**	**2,13**	**3 935**	**3 958**

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The principal weighted average actuarial assumptions for all plans used were as follows:

	2011	2010
Weighted average assumptions to determine benefit obligations		
Discount rate	5,00	5,00
Rate of compensation increase	4,00	4,00
Rate of price inflation	2,00	2,00
Weighted average assumptions to determine the net costs		
Discount rate	5,00	5,08
Expected long term rate of return on plan assets during the financial year	4,25	4,38
Rate of compensation increase	4,50	4,37
Rate of price inflation	2,00	2,99

27. PROVISIONS

(thousands of EUR)	Restructuring	Technical Guarantees	Other	Total
On January 1, 2010	**3 339**	**575**	**3 782**	**7 696**
Additions to provisions	434	141	2 085	2 660
Utilization	-1 334	-7	-303	-1 644
Reversal of provisions	0	0	0	0
Provisions disposed of as a result of deconsolidation	158	-69	-2 043	-1 954
Exchange differences	3	11	0	14
On December 31, 2010	**2 600**	**651**	**3 521**	**6 772**
Non-current	1 625	0	0	1 625
Current	975	651	3 521	5 147
	2 600	**651**	**3 521**	**6 772**
On January 1, 2011	**2 600**	**651**	**3 521**	**6 772**
Additions to provisions	187	134	568	889
Utilization	-355	-3	-311	-669
Reversal of provisions	-206	-106	-441	-753
Transfer to retirement benefit obligations	-2 005	0	0	-2 005
Exchange differences	2	2	0	4
On December 31, 2011	**223**	**678**	**3 337**	**4 238**
Non-current	0	0	585	585
Current	223	678	2 752	3 653
	223	**678**	**3 337**	**4 238**

Restructuring

Restructuring provisions comprise employee termination payments and early retirement programs and are recognized in the period in which the Group becomes legally or constructively committed to the obligation. The restructuring payments performed in 2011 and 2010 mainly relate to the restructuring obligations that were taken over from the disposed operations upon the sale of these operations in 2009 and to the restructuring obligations that arose upon restructuring the holding company in the second half of 2009. In 2011 EUR 2,0 million restructuring provisions were transferred to the retirement benefit obligations, since they all relate to early retirement obligations.

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 level of repairs and replacements.

Other

The other provisions cover principally a risk related to the representations and warranties given, tax disputes, claims on deliveries, potential losses on projects, penalties or 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.

28. FINANCIAL INSTRUMENTS

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

Valuation techniques and assumptions applied for the purposes of measuring fair value:

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The following table provides an overview of the carrying values and classes of financial instruments an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 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); and
- 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).

(in thousands of Euro)	*31 December 2011*		*31 December 2010*			
	Carrying value	**Fair value**	**Carrying value**	**Fair value**	**Level**	**Balance sheet caption**
Financial assets at fair value through profit or loss	**859**	**859**	**885**	**885**		
Proceeds from sale of MCCN - contingent part	859	859	885	885	3	Financial assets
Non hedging derivatives	0	0	0	0	2	Financial assets
Financial assets available for sale	**423**	**423**	**421**	**421**		Financial assets
Available for sale investments	423	423	421	421	3	Financial assets
Loans and receivables	**14 532**	**14 532**	**15 327**	**15 327**		
Proceeds from sale of MCICN - fix part	118	118	407	407	3	Financial assets
Long term guarantees paid in cash	61	61	148	148	3	Financial assets
Other financial assets	0	0	0	0	3	Financial assets
Trade receivables	14 133	14 133	14 389	14 389	3	Trade and other receivables
Credits to receive from suppliers	0	0	0	0	3	Trade and other receivables
Other receivables	220	220	383	383	3	Trade and other receivables
Financial liabilities at amortized cost	**28 799**	**28 799**	**29 430**	**29 430**		
Interest bearing loans and borrowings	11 475	11 475	12 810	12 810	1	Interest bearing loans and borrowings LT and ST
Trade payables	8 513	8 513	7 509	7 509	3	Trade and other payables
Other payables	8 811	8 811	9 111	9 111	3	Trade and other payables

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 year end 2011 and 2010 there were no forward exchange contracts outstanding.

29. 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 relate to possible obligations in respect of old projects, soil contamination, warranties given and redundancies.

30. COMMITMENTS

Operating lease commitments - where a group company is the lessee.

The future aggregate minimum lease payments under non cancelable operating lease are as follows:

(thousands of EUR)	*Year ended December 31st*	
	2011	**2010**
Not later than 1 Year	2 845	2 526
Later than 1 year and not later than 5 years	6 925	4 844
Later than 5 years	278	163
Total	**10 048**	**7 533**

Lease payments recognized in the income statement for the current period amount to EUR 2,8 million (2010: EUR 2,7 million). Operating lease agreements relate to office premises, site rents, car lease and IT equipment.

Operating lease commitments - where a group company is the lessor:

(thousands of EUR)	*Year ended December 31st*	
	2011	**2010**
Not later than 1 Year	1 788	1 905
Later than 1 year and not later than 5 years	7 224	7 386
Later than 5 years	0	0
Total	**9 012**	**9 291**

Lease payments recognized in the income statement for the current period amount to EUR 1,8 million (2010: EUR 1,9 million).

Commitments for expenditure by group companies

The Group has no significant purchase commitments, apart from the operating lease commitments indicated above.

31. ORDINARY SHARES, TREASURY SHARES & WARRANTS

The total number of Zenitel shares after the capital increase in 2007 amounted to 16,554,422 and did not change thereafter.

Ordinary shares & treasury shares:

	Number of ordinary shares	Treasury shares	Total
On December 31, 2009	16 441 309	113 113	16 554 422
On December 31, 2010	16 441 309	113 113	16 554 422
On December 31, 2011	16 441 309	113 113	16 554 422
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	16 441 309		

All issued shares are fully paid. Shares have no par value. The total authorized capital is per December 31, 2011 EUR 25,274,723.

Warrants were granted to directors and to employees. However there are no warrants outstanding anymore as at year end 2011.

The table below gives an overview of the movement in 2010 and 2011 of the outstanding number of warrants:

	2011		2010	
		Weighted ave. exercise price (EUR)		Weighted ave. exercise price (EUR)
At the beginning of the financial year	**0**	**0,00**	**54 842**	**4,13**
Granted during the financial year				
Forfeited during the financial year				
Exercised during the financial year				
Expired during the financial year			54 842	4,13
Balance at the end of the financial year	**0**	**0,00**	**0**	**0,00**

32. CASH FLOWS FROM OPERATING ACTIVITIES

(thousands of EUR)		*Year ended December 31st*	
	Notes	**2011**	**2010**
Net profit / (Loss) for the year		**549**	**-1 538**
Adjustments for :			
Income tax expense recognized in profit or loss	12	63	80
Finance cost recognized in profit or loss	10	953	1 176
Investment revenue recognized in profit or loss	9	-75	-86
Loss / (gain) on disposal of business	3	0	-209
Impairment loss recognized on trade receivables		117	-23
Impairment loss recognized on inventory	20	534	335
Depreciation and amortization of non-current assets	15,16,17	1 789	2 041
Impairment of goodwill recognized in profit or loss		0	226
Development costs expensed	8	1 856	1 571
		5 786	**3 573**
Movements in working capital:			
(Increase) / decrease in trade and other receivables		498	-3 368
(Increase) / decrease in inventories		1 642	702
(Increase) / decrease contract work in progress		-269	2 612
(Increase) / decrease in other assets		103	-21
Increase / (decrease) in trade and other payables		704	-1 617
Increase / (decrease) in provisions		-2 534	2 190
Increase / (decrease) in tax liabilities		-244	-170
		-100	**328**
Cash generated from operations		**5 686**	**3 901**

33. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Landlord of office building in Zellik

3D NV is one of the reference shareholders of the Zenitel Group and is the landlord of the building in which Zenitel NV has its offices in Zellik (Belgium) . The rent charged by 3D NV to Zenitel NV is determined on an at arms' length basis and amounts to EUR 61 K per year.

		Year ended December 31st	
	Note	**2011**	**2010**
Receivables from related parties (thousands of EUR)		764	470
Director's remuneration (thousands of EUR)*		150	150
WARRANTS GRANTED TO DIRECTORS (number)			
- Non executives		-	-
- Executives		-	-
SHAREHOLDER LOAN (thousands of EUR)	25	1 000	1 500
KEY MANAGEMENT - AVERAGE FTE		2,0	2,0
KEY MANAGEMENT REMUNERATION (thousands of Euro)*			
Short term employee benefits		605	546
Post-employment benefits		15	14
Other long-term benefits		0	0
Share-based payments (see warrants above)		0	0
Termination benefits		0	0
Total key management remuneration (cost to the Company)**		**620**	**560**

* The presented amounts include car expenses, pension costs and fixed representation allowances paid by the Company.

** See also the Remuneration Report included in the chapter Declaration with regards to Corporate Governance in this Annual Report."

The CEO's total remuneration package for 2011 amounted to EUR 0,3 million fixed remuneration and EUR 0,1 million variable remuneration. Remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

34. PRINCIPAL SUBSIDIARY UNDERTAKINGS

Europe	**Ownership**	**Country of incorporation**
Zenitel Norway AS	100%	Norway
Zenitel Denmark A/S	100%	Denmark
Zenitel Finland Oy	100%	Finland
Zenitel Marine Sweden A.B.	100%	Sweden
Zenitel CSS France S.A.	100%	France
Zenitel Italy	100%	Italy
Zenitel Finance Netherlands B.V.	100%	Netherlands
StentofonBaudisch GmbH	33%	Germany
Zenitel UK Ltd.	15%	United Kingdom

North America		**Country of incorporation**
Zenitel USA Inc	100%	United States

Rest of World		**Country of incorporation**
Zenitel Marine Asia Pte. Ltd.	100%	Singapore
Zenitel Caribbean B.V.	100%	The Dutch Antilles
Zenitel Aruba N.V.	100%	The Dutch Antilles
Zenitel Sint-Eustatius B.V.	100%	The Dutch Antilles
Zenitel Saba B.V.	100%	The Dutch Antilles
BNSC (China)	14%	China

Voting interests equal ownership.

In 2010 Zenitel Devlonics NV and Zenitel Devlonics II NV (former MCCN NV) have been liquidated as these companies had become inactive.

Also in 2010, Zenitel Finance Netherlands II BV (former MCCN BV) merged with its parent company Zenitel Finance Netherlands BV and Zenitel Wireless Norway AS merged with its parent company Zenitel Norway ASA.

On September 2nd, 2010, NRSFRANCE SA (previously called Zenitel Wireless France SA) was put into judicial liquidation by the commercial court of Thionville in France. At that moment, the company was deconsolidated.

On December 23, 2011 Zenitel Norway AS founded together with Scanvest GmbH and Baudisch Electronic GmbH a joint venture. The joint venture is based in Wäschenbeuren, Germany.

35. POST BALANCE SHEET EVENT

The Company has no events to report after the balance sheet date.

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF ZENITEL NV ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Statutory auditor's report to the general meeting of shareholders of Zenitel NV on the consolidated financial statements for the year ended 31 December 2011

In accordance with the legal requirements, we report to you on the performance of the engagement of statutory auditor, which has been entrusted to us. This report contains our opinion on the true and fair view of the consolidated financial statements as well as the required additional statements and information.

UNQUALIFIED AUDIT OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS WITH AN EMPHASIS OF MATTER PARAGRAPH

We have audited the consolidated financial statements of Zenitel NV for the year ended 31 December 2011, prepared in accordance in accordance with International Financial Reporting Standards as adopted by the European Union, which show a balance sheet total of 41.221 kEUR and a consolidated profit of 549 kEUR.

Management is responsible for the preparation and the fair presentation of these consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting principles and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the Auditing Standards applicable in Belgium, as issued by the Institut des Réviseurs d'Entreprises / Instituut van de Bedrijfsrevisoren. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement, whether due to fraud or error.

In accordance with the above-mentioned auditing standards, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the consolidated financial statements contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the company's internal control relating to the preparation and fair presentation of the consolidated financial statements, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We have also assessed the appropriateness of the accounting principles and consolidation principles, the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements. Finally, we have obtained from management and the company's officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the group's assets and liabilities, its financial position, the results of its operations and cashflow in accordance with International Financial Reporting Standards as adopted by the European Union.

In the past the company and its subsidiaries (jointly "the group") has incurred significant losses that fundamentally affected the financial position. Without modifying the above conclusion, we would like to draw your attention to the going concern paragraph in the (consolidated) annual report, in which the Board of Directors justifies the application of the valuation rules under the going concern assumption. The assumption to continue as a going concern is only valid in the case the group continues to have access to short and medium term financing. No adaptations have been made to the consolidated financial information as to the valuation or the classification of certain balance sheet items which would be necessary if the group is no longer able to continue its activities.

ADDITIONAL STATEMENTS AND INFORMATION

The preparation of the consolidated Directors' report and its content are the responsibility of management.

Our responsibility is to supplement our report with the following additional statements and information, which do not modify our audit opinion on the consolidated financial statements:

- The consolidated Directors' report includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the consolidated group is facing, and of its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our engagement.
- Furthermore we draw your attention to the annexes 27 and 29 to the financial statements in which pending important litigations are described. Provisions have been recorded based on the current situation of the files in order to cover the liabilities to certain cases.

Merelbeke, 20 March 2012
BDO Réviseurs d'Entreprises Soc. Civ. SCRL
Statutory auditor
Represented by Veerle Catry

EXTRACT FROM THE BELGIAN GAAP NON-CONSOLIDATED FINANCIAL STATEMENTS OF ZENITEL NV

BALANCE SHEET AFTER APPROPRIATION

Assets	*Year ended December 31st*	
(Thousands of EUR)	**2011**	**2010**
Fixed Assets	**43 576**	**43 781**
Formation expenses	62	241
Intangible assets	1	5
Tangible assets	42	71
Land end buildings		
Installations, machines and equipment		
Furnitures and vehicles	5	7
Other tangible assets	37	64
Financial Assets	43 471	43 464
Affiliated enterprises	43 464	43 464
Other financial assets	8	0
Current assets	**2 746**	**6 267**
Amounts receivable more than one year	575	36
Other receivables	575	36
Amounts receivable within one year	1 838	6 061
Trade debtors	887	763
Other amounts receivable	951	5 298
Investments	0	0
Other investments and deposits		
Cash at bank and in hand	309	136
Deferred charges and accrued income	24	34
Total	**46 322**	**50 047**

Equity & Liabilities	*Year ended December 31st*	
Capital and reserves	**23 263**	**27 741**
Issued capital	25 275	25 275
Share premium account	28 726	28 726
Reserves	32 605	32 605
Legal reserves	1 322	1 322
Reserves not available for distribution	14	14
Untaxed reserves	11 548	11 548
Reserves available for distribution	19 721	19 721
Loss carried forward	(63 342)	(58 864)
Provisions, deferred taxation	**4 740**	**5 732**
Pensions and similar obligations	1 668	1 862
Other liabilities and charges	3 072	3 871
Creditors	**18 319**	**16 574**
Amounts payable after one year	7 115	8 610
Leasing and other similar obligations	0	0
Credit institutions	7 115	7 610
Other debts	0	1 000
Amounts payable within one year	10 981	7 797
Current portion of amounts payable after one year	497	505
Credit institutions	1 000	1 247
Suppliers	2 032	909
Taxes, remuneration and social security	195	98
Taxes	78	26
Remuneration and social security	117	72
Other amounts payable	7 256	5 038
Accrued charges and deferred income	224	167
Total	**46 322**	**50 047**

INCOME STATEMENT AND RESULT APPROPRIATION

(Thousands of EUR)	*31st Dec*	*31st Dec*
	2011	**2010**
Operating income	**4 583**	**5 058**
Turnover	-	-
Increase (+); decrease (-) in stocks of finished goods, work and contracts in progress	-	-
Owned construction capitalized	-	-
Other operating income	4 583	5 058
Operating Charges	**(5 442)**	**(5 346)**
Raw materials, consumables and goods for resale	-	-
Purchases	-	-
Increase (+); decrease (-) in stocks	-	-
Services and other goods	5 664	5 310
Remuneration, social security costs and pension costs	840	1 088
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	212	211
Increase (+); decrease (-) in provisions for liabilities and charges	(1 345)	(1 263)
Other operating charges	70	-
Operating profit (+)	**-**	**-**
Operating loss (-)	**(859)**	**(288)**
Financial income	**634**	**652**
Income from financial fixed assets	382	567
Income from current assets	8	0
Other financial income	134	85
Financial charges (-)	**(4 581)**	**(969)**
Interest and other debt charges	624	619
Amounts written off current assets	(9214)	-
Other financial charges	13 171	350
Profit on ordinary activities before taxes (+)	**-**	**-**
Loss on ordinary activities before taxes (-)	**(4 806)**	**(605)**
Extraordinary income	**1 142**	**277**
Reversal of provisions for exceptional risks and charges	452	222
Gain on disposal of fixed assets	-	-
Other extraordinary income	690	55
Extraordinary charges (-)	**(815)**	**(2 973)**
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	-	-
Amounts written off financial fixed assets	-	-
Provisions for extraordinary liabilities and charges (increase +, decrease -)	804	1 929
Loss on disposal of fixed assets	-	-
Other extraordinary charges	11	1 044
Profit for the period before taxes (+)	**-**	**-**
Loss for the period before taxes (-)	(4 478)	(3 301)
Income taxes (-) (+)	**0**	**(4)**
Income taxes (-)	(2)	0
Adjustment of income taxes & write-back of tax provisions	2	4
Profit for the period (+)	-	-
Loss for the period (-)	(4 479)	(3 297)
Profit for the period available for appropriation (+)	**-**	**-**
Loss for the period available for appropriation (-)	**(4 479)**	**(3 297)**
Profit to be appropriated	**-**	**-**
Loss to be appropriated	**(63 342)**	**(58 864)**
Profit for the period available for appropriation (+)	-	-
Loss for the period available for appropriation (-)	(4 479)	(3 297)
Loss brought forward	(58 864)	(55 566)
Transfers from capital and share premium account	**-**	**-**
Profit to be carried forward	**0**	**0**
Loss to be carried forward	**(63 342)**	**(58 864)**

The financial information presented in this caption is an extract of the non-consolidated financial statements of Zenitel NV.

The complete version of the statutory non-consolidated financial statements, together with the report of the board of directors and the report of the statutory auditor will be deposited at the National Bank of Belgium in Dutch in the month following the General Assembly. These financial statements were prepared in conformity with the accounting and reporting laws and regulations applicable in Belgium ("Belgian GAAP"). The statutory auditor of Zenitel NV has issued an unqualified opinion with an emphasis of matter paragraph.

The emphasis of matter paragraph is as follows:

"Although the company has incurred considerable losses which affect the financial position of the company, the financial statements are prepared in going concern. This assumption is only justified to the extend that the company further can rely on the financial support of the shareholders or other financial sources. Without prejudice to the above unqualified opinion, we draw your attention to the Directors' report in which the Board of Directors, according to Belgian requirements, justifies the application of the valuation rules in going concern. No adjustments were made with respect to valuation or classification of balance sheet items that would be required in case the company discontinues its activities."

A full set of the financial statements of Zenitel NV under public law is available in the "Investor Relations" section of the Zenitel group website (www.zenitel.com) and at the Company's registered office as soon as they will be filed at the National Bank of Belgium.

DIVIDEND POLICY

In view of the losses realized in the fiscal years before 2011 no dividends have been or will be paid out.

LEGAL AND ARBITRATION PROCEEDINGS

We refer to the section on contingencies in the consolidated financial statements.

ANNEX TO THE BOARD OF DIRECTORS REPORT

In 2011, the procedure as set forth in Article 523 of the Belgian Company Code with regards to conflicts of interest was applied one time. Please find below, the minutes of the board meeting relating to the application of Article 523 of the Belgian Company Code:

MINUTES OF THE BOARD OF DIRECTORS MEETING - MAY 5TH,2011

The Board of Directors of the Company was held at 12:30 PM at the Company's offices in Horten (Norway). The following persons attended the meeting:

- Beckers Consulting BVBA (represented by Eugeen Beckers) – Chairman
- Blanco Blad BVBA (represented by Jo Van Gorp)
- Kenneth Dastol (CEO)
- Frank Donck,
- Duco Sickinghe
- VZH NV (represented by Eric Van Zele)

The following persons were invited:

- Glenn Wiig (CFO)
- Eric Goeyvaerts (Company Secretary)

All directors individually and expressly waived the convening formalities prescribed by law or by the articles of association of the Company for the meetings of the board of directors.

The Chairman declares that the following item is on the agenda:

Ratification of the agreement dated 27 April 2011 between companies of the Zenitel Group and companies of the Crescent Group.

VZH NV, represented by Eric Van Zele, informs the Board that it has a conflict of interest with respect to the proposed decision in accordance with Article 523 of the Belgian Company Code.

Next to his position as a member of the Board of Directors of Zenitel NV, VZH NV is shareholder and director of Crescent NV, who has a majority share in SAIT ZENITEL NV and in SAIT ZENITEL NETHERLANDS BV. The agreement dated 27 April 2011, which is to be ratified by the Board of Directors of Zenitel NV, contains the sale of the remaining minority stakes of Zenitel NV and Zenitel Finance Netherlands BV in respectively SAIT ZENITEL NV and SAIT ZENITEL NETHERLANDS BV, as well as the buy off of restructuring obligations by Zenitel NV from SAIT ZENITEL NV together with the netting of debt/liability positions between the signing parties.

VZH NV, represented by Eric Van Zele, leaves the room at 12h35 PM and does not take part in the deliberation and decision of the Board of Directors with regards to the ratification of the agreement dated 27 April 2011. The statutory auditor will be informed of this conflict of interest.

The Board of Directors discussed the contents of the agreement dated 27 April 2011 between companies of the Zenitel Group and companies of the Crescent Group and ratified the agreement.

VZH NV, represented by Eric Van Zele, reentered the meeting room at 12h45PM.

Having treated all items on the agenda, the chairman closed the meeting at 12:47 pm.

CONTACT INFORMATION

This Annual Report will be made available to investors at no cost at the registered office of Zenitel, Z.1. Research Park 110, 1731 Zellik, Belgium. This Annual Report is also available via the internet on the following website: www.zenitel.com, in the chapter 'Investor Relations'.

Zenitel has arranged for an electronic Dutch translation of the English language Annual Report and takes responsibility for consistency between the texts in these language versions. Should there be any differences of interpretation between the English and Dutch language versions, then the English language version alone is legally binding.

Company documents

The articles of association of Zenitel, the annual report, the interim reports and press releases from Zenitel can be found on the Company's website referred to above. A copy of these and of every document referred to in this Annual Report, which is available for public consultation, can be obtained at no cost at the registered office of the Company. The historical consolidated financial information of Zenitel and its subsidiary undertakings for each of the two financial years preceding the publication of this Annual Report can be found on the website referred to above or can be obtained at no cost at the registered office of Zenitel.

To obtain information on Zenitel, please contact:

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The 2011 Annual Report is also available on www.zenitel.com (investor relations > financial reports) as from 15 April 2012. Het jaarverslag 2011 is ook verkrijgbaar in het Nederlands op www.zenitel.com (investor relations > financial reports) vanaf 15 April 2012.

PERSONS RESPONSIBLE

Responsibility for auditing the accounts

The consolidated and statutory annual accounts of the Company as at and for the periods ending on 31 December 2011, drawn up respectively in accordance with the International Financial Reporting Standards (IFRS) and the Belgian Generally Accepted Accounting Principles, have been audited by BDO Bedrijfsrevisoren Burg. Venn. CVBA, The Corporate Village, Da Vincilaan 9 Bus E6, 1935 Zaventem, represented by Ms. Veerle Catry.

Responsibility for the content of the annual report

To the best of our knowledge, the financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit and loss. The report of the board of directors includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties the Company faces.

Kenneth Dåstøl CEO	Glenn Wiig CFO

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