whencommunicationiscritical

ANNUAL REPORT 2010

THE ZENITEL GROUP

We at Zenitel have chosen to operate at the crossroads of two worlds – communication on the one hand, security and safety on the other.

Zenitel is a leading player in instant audio and data communication. Products and networks that are so fast and so secure, that they are also used as critical communication tools at time of crisis. Zenitel communication is the preferred choice for those in authority or whose work involves protecting human lives or managing vital 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.

Zenitel is a listed company (Euronext). The statutory headquarters of Zenitel are in Belgium, while the operational headquarters are in Norway.

OUR MISSION

To make that one vital call.

Some people work in a world where security is a matter of physical survival They can not rely on means of communication that 'almost always' work. They deserve the best possible solution to deal with the sometimes unpredictable circumstances they encounter. These people are police officers, fire brigade men, captains on ships, security officers, nurses and doctors, prison guards and all the other men and women who rely on the best means of communication available.

These people are our clients. It is for them that we do our utmost and we work to help them make that one vital call.

OUR BRANDS

COMPANY VALUES

Zenitel's values motto is 'We care about people' and in doing so embraces the following fundamental principles of the business:

EMPLOYEES

We value the importance of finding, keeping & nurturing good people

CUSTOMERS

We value our installed base

RESULTS / SHAREHOLDER VALUE

We value our results and will act on ideas to achieve our goals

LEADERSHIP

We value a strong philosophy and management guidelines

TEAM EFFORT

We value operational integrity and team work

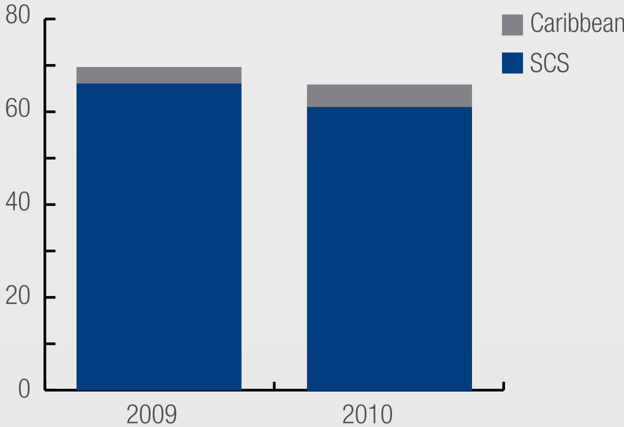
TABLE OF CONTENTS

Consolidated key figures 4
Dear shareholders 6
Our business 8
Report of the board of directors 11
Stock and shareholder information 21
Declaration with regards to Corporate Governance 23
Financial report 2010 35
Annex to the report of the board of directors 96
Contact information 99
Persons responsible 99

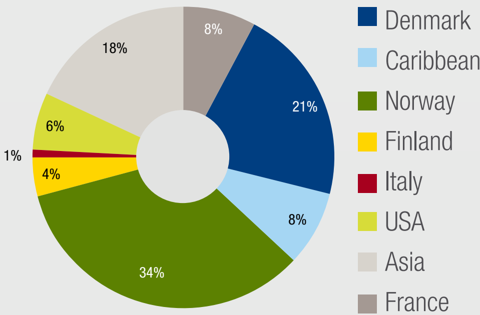
CONSOLIDATED KEY FIGURES

CONTINUING OPERATIONS

TURNOVER 66,4M VERSUS 70,1M IN 2009

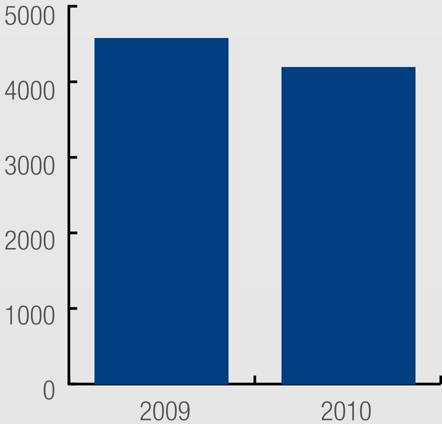


TURNOVER PER SUBSIDIARY 2010

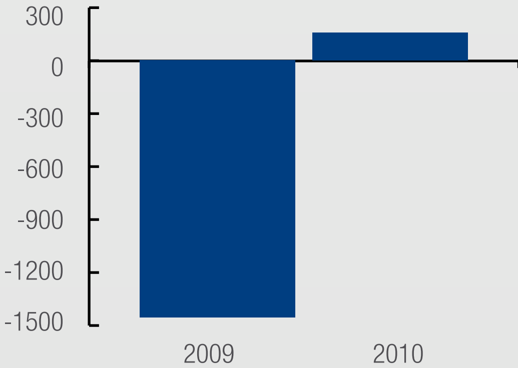


Note; 80% of Revenue from Norway is export to distributors world wide

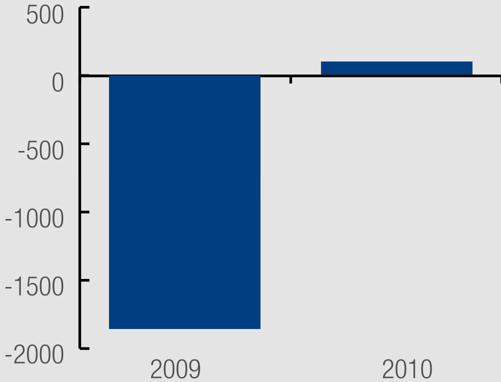
RECURRENT EBITDA 4.189K VERSUS 4.573K IN 2009



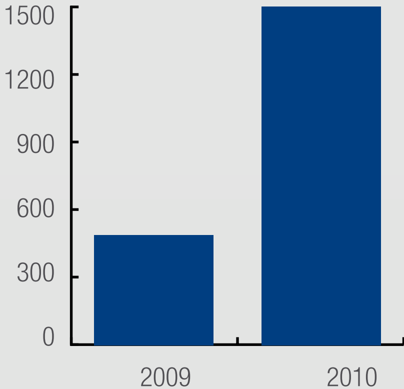
ONE TIME ITEMS+155K VERSUS (1.449)K IN 2009



NET RESULTS 103K VERSUS (1.854)K IN 2009



PROFIT FROM OPERATING ACTIVITIES 1.766K VERSUS 422K IN 2009



CONSOLIDATED KEY FIGURES

(Thousands of EUR)	2010	2009	2008	2007	2006
From income statement					
Turnover (including WIP)	66 390	80 246	92 166	95 264	115 313
of which from continuing operations	66 390	70 113			
of which from discontinuing operations		10 113			
Recurrent EBITDA	4 157	3 361	(2 627)	(249)	2 320
of which from continuing operations	4 189	4 573			
of which from discontinuing operations	(32)	(1212)			
Profit from operating activities	147	(5 229)	(12 978)	(10 646)	(1 604)
of which from continuing operations	1 766	422			
of which from discontinuing operations	(1 620)	(5 651)			
Net result for the period	(1 538)	(8 053)	(13 490)	(12 465)	(3 651)
of which from continuing operations	103	(1 854)			
of which from discontinuing operations	(1 641)	(6 199)			
From balance sheet					
Total balance sheet	42 712	46 255	69 535	84 127	87 114
Shareholders' equity	5 262	5 179	8 034	24 133	18 129
Working capital	2 210	2 790	4 540	5 253	7 652
From cash flow statement					
Total cash flow	(1 386)	5 686	(6 272)	7 353	(2 848)
Cashflow from operations	3 901	10 273	(950)	(4 447)	(2 015)
Debt (excluding leasing and short term installments)	10 916	12 859	15 275	10 604	16 900
Total debt	12 809	14 263	19 560	15 067	21 600
Net cash positions	2 954	4 229	(1 831)	4 591	(2 762)
Ratios					
Equity ratio	12,3%	11,2%	11,6%	28,7%	20,8%
Debt/recurrent EBITDA	2,63	3,83	(5,81)	(42,62)	7,28
Cashflow from operations/turnover	5,9%	12,8%	-1,0%	-4,7%	-3,6%
Weighted average number of shares (in thousands)	16 441	16 441	16 441	13 984	9 727
Equity/share (EUR)	0,32	0,31	0,49	1,73	1,86
Earnings/share (EUR)	(0,09)	(0,49)	(0,82)	(0,89)	(0,38)
ROCE	1,2%	-41,2%	-50,1%	-26,5%	-5,3%
Personnel					
Operations	278	292	442	433	595
Corporate	4	7	9	8	9
Total	282	299	451	441	604

DEAR SHAREHOLDERS

After the strategic reorganizations in 2009, we felt confident that the results of the group in 2010 would allow for further investments in the Secure Communication Systems and ChuChubi businesses as well as for further reducing the financial debts.

The financial results for 2010 reflect the cumulative effect of the 2009 reorganizations, the strategic focus on our core business and the hard work of our employees, 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 their profitability in line with our expectations.

On the one hand, a decrease in our project business in Scandinavia combined with the reduced opportunities in the marine markets worldwide, negatively impacted our overall revenues. On the other hand we see an increase in revenues from our Stentofon activities, particularly in the USA where we have grown more than 20% compared to last year.

At the end of 2009 we received an order from the Dutch government to expand our ChuChubi network on the islands of Bonaire, St. Eustatius and Saba (the BES project). Having successfully completed the network extensions, we achieved a revenue growth of more than 30% in the region.

During 2010 we introduced several new products to the market:

- At the end of the 1st quarter we launched the new Alphacom XE series with extended functionalities and capabilities.
- Later in the year we introduced the new STENTOFON Softclient (SW) stations, Stentofon fully integrated with Pelco cameras and other security devices.
- We introduced a wide range of IP CCTV and entertainment solutions for the marine segment.

All products have been very well received by the market.

Furthermore, careful management of our cash resources has allowed paying for the restructuring obligations after the measures taken in 2009 and 2010, as well as for starting to reimburse parts of the debts to our banks and financial creditors.

whencommunicationiscritical

In general, our 2010 results of the continued operations are promising for the future:

- The total Secure Communication Systems business continues to generate solid revenues from Marine as well as from its Onshore and Wireless customers, totaling 61,0 million Euro with a recurrent EBITDA of 3,9 million Euro, including a negative impact on the operating expenses of 1,1 million Euro due to currency fluctuations.
- Drops in sales in certain areas because of the global financial crisis, were partially compensated by new business and growth in other areas.
- We have secured several 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 new IP-based intercom systems in places such as Canary Island Prison and the 1st true IP solution for Vitoria prison in Spain, as well as Cumberland County and Wake County jails in the USA amongst others.
- Our operations in Denmark have signed several large orders and service contracts in 2010, among them a 4,2 million Euro contract to participate in the Danish national GSM-R project for implementation in 2011 and 2012.
- The ChuChubi network continued to grow in 2010 reaching 6936 subscribers on the network. Revenue went up from 4.1 million Euro in 2009 to 5,4 million Euro, an increase of 33%. The EBITDA reached 1,6 million Euro, up 0,4 million Euro from 2009. The main driver for the increase is the implementation of the BES project.

Zenitel will continue to focus on its core business by bringing new products to the market in 2011. During the coming months we will launch a new set of security functions such as redundancy, recording and a new management system. In addition we will launch our IP exchangeless system.

In closing, although 2010 results are positive and 2011 forecasts are promising, we recognize that we are only in the early stage of recovery and that the global economy in which we operate remains fragile.

We therefore must continue to closely monitor our business.

We are optimistic that economies will continue to recover, and are confident in our ability to grow and to leverage this growth with the cost structure changes and operational improvements we have made over the last two years. We therefore expect that the results of the Company in 2011, will allow us to further expand our Secure Communication Systems and ChuChubi businesses as well as to further reduce the financial debts.

We appreciate the support of shareholders, employees and customers as we continue to grow our company.

Beckers Consulting BVBA
Eugeen Beckers
Chairman

Kenneth Dåstøl
CEO

OUR BUSINESS

OVERVIEW

Since its inception in 1901, Zenitel has been a global leader in providing crystal clear communication solutions for demanding and extreme environments. In today's world, security has quickly become our primary market. Zenitel's goal is to provide effective communications for environments where human life, money and assets are at stake. We lead the market in advanced technology in offering Critical Communications over IP (CCoIP®). The Company's knowledge, expertise, and understanding of 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 Trunking. 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 Netherlands 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.

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 audio quality is clearer than any standard telephone.

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.

In early 2010, the SCS Division reached a significant milestone with the launch of its High Definition (HD) Voice Audio Server – STENTOFON AlphaCom XE.

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.

HD Voice Audio Server

In early 2010, the SCS Division reached a significant milestone with the launch of its High Definition (HD) Voice Audio Server – STENTOFON AlphaCom XE. The system is powered by the next generation processor board offering more features, greater flexibility and increased audio bandwidth. It utilizes true IP audio edge devices (IP master stations and substations) that provide high definition voice, active noise cancellation and an integrated managed switch with advanced networking and security functions.

One of the AlphaCom XE's sophisticated new features, Audio Messaging allows the ability to record, store and play back messages. This feature makes STENTOFON a top player in the Mass Notification and Emergency application arena. The 2010 introduction of the AlphaCom XE was a crucial step in the SCS Division's strategy, positioning STENTOFON at the forefront in providing HD voice audio.

Analog and 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 - Terrestrial Trunked Radio

Zenitel's partnership and knowledge of TETRA 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.

DMR – Digital Mobile 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 and rail, 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. ChuChubi Trunking 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).

REPORT OF THE BOARD OF DIRECTORS

After the transformation of the Company in 2009, where Zenitel refocused on its core intercom business, the main focus in 2010 has been to establish a good foundation for future growth and expansion. We invest in our own branded products like STENTOFON and VINGTOR in order to satisfy our customer needs and to compete with our competitors. In Caribbean we have completed the expansion of our network to three new islands.

STRATEGY

Introduction

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

As customers require more integrated solutions, Zenitel will continue to focus on further developing its products and solutions to fulfill customer needs. Zenitel has the expertise and knowledge to integrate our products and solutions with existing customer systems, as well as to distribute 3rd party products.

With its ChuChubi Network in the Caribbean, Zenitel is the largest private TETRA network operator and the operator of the public network in the Dutch Antilles. With the expansions into Bonaire, St. Eustatius and Saba, the BES islands, and the growth in the underlying business during 2010, Zenitel is well positioned to expand its business further and to introduce new solutions to its customers.

Action Plan

Zenitel will continue to focus on developing the **Secure Communication Systems** business. Despite an 8 % reduction in turnover compared to 2009, the SCS business delivers an absolute gross margin that is at the same level as last year. This shows how important it is to continue to focus on developing own products, and to work with suppliers in order to find more efficient ways to execute deliveries to our customers. The Company stays committed to continue its investments in Research & Development in order to realize revenue growth and improved margins.

STENTOFON AlphaCom XE, Zenitel's new audio server based on IP (launched in the first quarter of 2010), represents the backbone of Zenitel's large product portfolio. The previous generation, known as AlphaCom E, was welcomed by Zenitel's customers on 1st June 2006. During 2010 2.065 systems were sold against 1.765 systems in 2009. Since the launch 7.927 systems have been sold. The combination of both the IP platform and the IP (sub) stations, results in a substantial decrease of the total cost of ownership for Zenitel customers, due to the fact that there is no need for proprietary cabling.

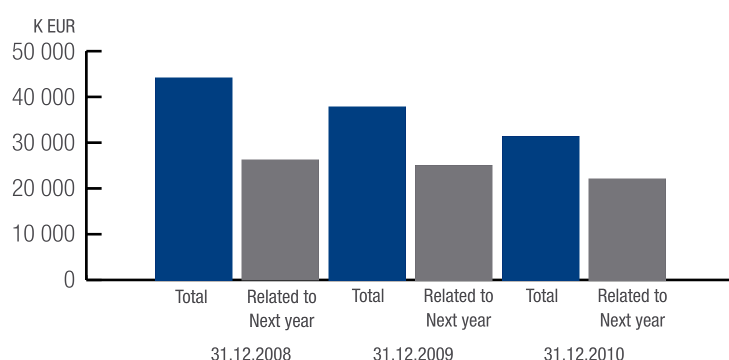
In 2011, Zenitel will continue its strategy to develop IP applications and equipment in order to be able to serve more customer segments. In the first half of 2011 Zenitel will launch a broad range of new STENTOFON products to strengthen its leading position in the security industry, such as STENTOFON recording server solutions, STENTOFON redundancy solutions, IP heavy duty stations and IP dual display intercom stations for guard and control rooms. In addition to these new product launches, Zenitel will bring new IP public address products to the market. Zenitel will be one of the first vendors in the world offering public address over IP as well as bringing in IP addressable speakers.

All product developments aim at helping our customers move forward in their search for solutions, enabling them to work in a more efficient and effective way, especially during crisis situations. In 2011 the development efforts will focus on increasing the VINGTOR offering and applications. This development aims at increasing the revenue per vessel equipped with our products and solutions. By focusing on license and maintenance revenues when selling our own products we will enable further profitable growth as we get closer to the customer.

After a successful roll-out and migration from analog to digital radio communication in the Caribbean, per 31 December 2010, a total of 6.936 users were contracted on the ChuChubi TETRA network, an increase of 171 users in 2010, which is mainly driven by the expansion of the network to other islands in the BES project.

We see a reduction in backlog from 37,9 million Euro in 2009 to 31,4 million Euro in 2010. This is mainly driven by the general market conditions in the Marine area and completing larger projects like the BES project in the Caribbean.

Backlog Overview 2010



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.

As a result of the deconsolidation of the activities of NRSFRANCE SA, Zenitel Devlonics NV and Zenitel Devlonics II NV, the results of these discontinued operations have been presented in one line of the consolidated income statements (Loss from discontinued operations). In order to present comparable figures, this presentation was also applied to the comparative figures. As a result, the presentation of the 2009 comparative figures differs from the previously published figures.

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 2010, all of which were endorsed by the European Union.

An overview of the new standards that became applicable for 2010, and the standards and interpretations that will become applicable after 2010, is included in the valuation rules section in the Financial Report 2010 chapter. The Company did not early adopt or determine the effect of the new standards applicable after 2010.

FINANCIAL YEAR 2010

The Board of Directors is pleased to present you with its report for the 2010 financial year. The present report covers both the consolidated (group) and the unconsolidated (parent company) accounts.

Consolidated income statement 2010

Total turnover in 2010 amounts to 66,4 million Euro which represents a decrease by 3,7 million Euro or 5,3% compared to 2009. Secure Communication Systems (SCS) recorded 61,0 million Euro revenue in 2010 against 66,0 million Euro in 2009, a decrease by 5,1 million Euro (7,7%). Caribbean realized 5,4 million Euro of turnover against 4.1 million Euro in the previous year or an increase of 1,4 million Euro (+33,0%). The revenue decrease in 2010 is mostly due to less projects in Scandinavia and the slowdown in the worldwide marine market. We refer to the segments discussion further in this report.

Mainly as a result of the turnover decrease, the **recurrent EBITDA** (Earnings before, Interests and Tax, Depreciation and Amortization) from continuing operations decreased from 4,6 million Euro in 2009 to 4,2 million Euro in 2010, a decrease by 0,4 million Euro (8,4%). Total recurrent EBITDA increased from 3,4 million Euro in 2009 to 4,2 million Euro in 2010, an increase of 23,7%. The 2010 recurrent EBITDA is negatively impacted by 1,1 million Euro in currency fluctuations against 2009.

(Thousands of EUR)						Year ended 31 December
	Continuing operations		Discontinued operations		Total	
	2010	2009	2010	2009	2010	2009
Recurrent EBITDA *	**4.189**	**4.573**	**-32**	**-1.212**	**4.157**	**3.361**
One-time-items	155	-1.449	-1.796	-564	-1.641	-2.013
Impact of divestments			209	-3.040	209	-3.040
EBITDA *	**4.344**	**3.124**	**-1.619**	**-4.816**	**2.725**	**-1.692**
Depreciation/amortization/impairments	-2.353	-2.702	0	-835	-2.353	-3.536
Goodwill impairments	-225	0	0	0	-225	0
Operating profit (EBIT) **	**1.766**	**422**	**-1.619**	**-5.651**	**147**	**-5.229**

* 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) from continuing operations amounts to 1,8 million Euro in 2010 against 0,4 million Euro in 2009, an increase of 1,3 million Euro.

Total operating profit or EBIT from continuing and discontinued operations amounted to 0,1 million Euro compared to -5,2 million Euro in 2009.

Both 2010 and the 2009 results were impacted by **non recurrent items**. In 2010 the non recurrent items totaled 1,7 million Euro. Continuing operations where positively impacted by 0,2 million Euro of one-time-items and negatively impacted by a 0,2 million Euro goodwill impairment. Discontinued operations was impacted by -1,8 million Euro of one-time-items and by 0,2 million Euro of favorable deconsolidation impacts .

In 2009 the non recurrent items totaled -5,1 million Euro and related mainly to -1,4 Euro in restructuring charges for continuing operations, -0,6 million Euro in one time items for discontinued operations and 3,0 million Euro unfavorable impacts mainly upon the disposal of the system integration entities.

The **net financial expense** (from continuing operations) amounted to -1,6 million Euro compared to -2,3 million Euro in 2009. The decrease of the net finance expense is mainly attributable to the decrease of the net foreign exchange rate losses by 0,7 million Euro to -0,5 million Euro.

The **profit of the year from continuing operations** amounts to 0,1 million Euro against a recorded loss of -1,9 million Euro in 2009.

After deduction of the net loss from discontinued operations, amounting to -1,6 million Euro in 2010 against -6,2 million Euro in 2009, the **total consolidated net result** of the Zenitel group shows a loss of -1,5 million Euro in 2010 against -8,1 million Euro in 2009.

Earnings per share, after corrections for the treasury shares, were -0,09 Euro compared to -0,49 Euro in 2009. Earnings per share from continuing operations for 2010 amount to 0,01 against -0,11 Euro in 2009.

Segment reporting

After divesting all non core activities in 2009, the group was organized in 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 distribution network. The business in the Caribbean consists of the TETRA network operated under the ChuChubi brand.

Secure Communication Systems (SCS)		
(Thousands of EUR)	Year ended 31 December	
	2010	**2009**
Revenue	60.950	66.024
Recurrent EBITDA	3.923	5.412
EBIT	3.089	3.975
FTE	243	257

Secure Communication Systems, strong in own products and third party products, is reporting a 5,1 million Euro or 7,7 % decrease in turnover. This decrease is mainly due to less project business in Scandinavia and the slowdown in the marine market. The sales of onshore products stayed in line with the previous year, where the decreasing sales in France (due to less large project revenues) were compensated by sales growth in USA (23 %) and Italy (45 %).

Recurrent EBITDA decreased by 1,5 million Euro to 3,9 million Euro. The main driver for the decrease in recurrent EBITDA is the NOK / EUR exchange rate impact. The exchange rate impacted operating expenses by 1,1 million Euro. The remaining decrease is explained by the lower top line. The overall gross margins in SCS increased further in 2010, thanks to our continuing success in further reducing production and overhead costs. Total operating profit (EBIT) in 2010 amounted to 3,1 million Euro against 4,0 million Euro in 2009.

Caribbean		
(Thousands of EUR)	Year ended 31 December	
	2010	**2009**
Revenue	5.440	4.089
Recurrent EBITDA	1.617	1.185
EBIT	376	(120)
FTE	35	32

The **Caribbean** unit specializes in network operating services on its own TETRA network (Chuchubi) and the offering of related secure communication solutions. Caribbean realized a turnover value of 5,4 million Euro in 2010 or an increase of 1.4 million Euro compared to 2009. 0,7 million Euro of this increase is due to a large TETRA coverage expansion project on the BES islands. The remaining increase is the result of the expansion of the products portfolio. The increase of recurrent EBITDA and operating profit is explained by this top line increase.

In 2010 the local management team was further reinforced and more measures were put in place in order to be able to continue to broaden the product offering. This together with further investments in the Chuchubi network will enable Caribbean to continue to contribute strongly to the Zenitel group results.

Recurrent EBITDA from unallocated continuing operations improved by 0,7 million Euro or 33%, mainly as a result of the cost reduction measures at the group's holding company that were implemented at the end of 2009. The operating loss from unallocated continuing operations amounted to -1,5 million Euro, against -3,4 million Euro in 2009. The improvement of the operating result in 2010 compared to 2009 is mainly explained by the 2009 holding restructuring charges.

Recurrent EBITDA from unallocated discontinued operations consist of the normal operating expenses that were incurred in NRSFRANCE SA, Zenitel Devlonics NV and Zenitel Devlonics II NV (former MCCN NV), before they were deconsolidated following the bankruptcy of the first and the liquidations of the two latter in 2010. The operating result from discontinued operations in 2010 amounted to -1,6 million Euro and is on the one hand mainly composed of the non recurrent charges resulting from legal procedures in NRSFRANCE (-1,8 million Euro) and on the other hand favorable of a 0,2 million Euro deconsolidation impact.

Consolidated balance sheet

Property plant and equipment decreased from 4,5 million Euro to 4,2 million. Total capital investments amounted to 1,5 million Euro while depreciation charges amounted to 2,0 million Euro.

Goodwill increased slightly from 4,0 million Euro to 4,1 million Euro. This increase is explained by a favorable foreign currency translation impact. 0,2 million Euro impairment charges on the goodwill relating to the Finnish operation have been taken in 2010.

Other intangible charges stayed at 1,4 million Euro in line with the previous year. Deferred tax assets increased from 2,3 million Euro to 2,5 million Euro in 2010, due to the foreign currency translation impact. Other long term assets decreased from 1,9 million Euro to 1,4 million Euro. The decrease is mainly explained by received payments for proceeds receivable relating to sold activities in 2009.

Inventory amounts to 8,0 million Euro against 8,4 million Euro the previous year. Contracts in progress decreased from 3,3 million Euro in the previous year to 0,7 million Euro in 2010. The decrease is mainly due to the deconsolidation of NRSFRANCE SA in 2010.

Trade and other receivables amount to 15,2 million Euro against 13,6 million Euro the previous year. The main reason for the increase is the completion of the BES project in Caribbean and the record high sales in the USA in December.

Equity totals 5,3 million Euro and stayed in line with the previous year. The decrease resulting from the net consolidated loss of the year was compensated in 2010 by an equal favorable impact of the foreign currency translation of subsidiaries whose reporting currency is not the Euro. In 2010 a favorable opening equity adjustment of 2,4 million Euro was posted to correct the provision relating to the Caribbean pension plan.

Long term liabilities decreased from 15,0 million Euro to 11,5 million Euro. The decrease is the result of the loan, pension and restructuring payments in 2010 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 amount to 25,9 million Euro and stayed in line with the previous year. Trade and other payables amount to 16,6 million Euro, in line with previous year. Short term borrowings increased from 2,7 million Euro to 3,6 million Euro. Total long term and short term borrowing decreased from 14,2 million Euro to 12, 8 million Euro, which is explained by the loan repayments made in 2010. Short term provision decreased from 5,8 million Euro to 5,1 million Euro. The movement is the result of the impact of restructuring payments performed, the deconsolidation of NRSFRANCE SA and the set up of new 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, restructuring and other provisions, and is of the opinion that the amortizations and provisions are sufficient. With regards to the going concern (art 96 Belgian Companies Code), the board of directors wishes to refer to the separate paragraph on the outlook and justification of the application of the valuation rules under the going concern assumption.

Sources and applications of funds

After repayment of borrowings and payment of restructuring, the cash flow of the Zenitel group amounted to -1,4 million Euro in 2010.

In total 1.6 million Euro bank borrowings were repaid in 2010. The cash flow from investment activities amounted to -2.4 million Euro in 2010. In total 1,9 million Euro was spent on the development of new products, 1,6 million Euro of this amount was expensed and 0,3 million Euro was capitalized as intangible assets. Next to these capitalized development costs, 0,8 million Euro investments in tangible and intangible assets were made in 2010. A large part of these capital expenditures relate to the Caribbean network expansion. The cash flow generated from operations amounted to 3,9 million Euro in 2010. After deduction of interest and tax charges, this resulted in a cash flow from operating activities of 2,6 million Euro. At the end of 2010, Zenitel's net cash position amounted to 3,0 million Euro.

Human resources

The number of full time equivalents (FTE) on December 31, 2010 is 282,0.

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

FTE	31.12.2008	31.12.2009	31.12.2010
Secure Communication Systems	248,5	257,3	243,3
Caribbean	37,0	32,0	35,0
Support Centers	9,1	7,4	3,7
Divested entities and operations	153,3	2,6	0,0
Total	**447,9**	**299,3**	**282,0**

The decrease in 2010 is mainly explained by the reorganization performed in Zenitel Denmark in 2010. Following this reorganization the FTE number of SCS is further expected to decrease by 10 FTE in the first half of 2011.

The increase by 3 FTE in Caribbean in 2010 is the result of the reinforcement of the local management team and the decrease in Support Centers by 3,7 FTE is the result of the restructuring of the holding activities in 2009.

The strong FTE decrease in 2009 was the result of the divested subsidiaries and operations.

Important subsequent events

No subsequent events to report.

Conflicts of interest

In 2010, the procedure relating to conflicts of interests linked to article 523 of the Belgian company code has been applied two times. No procedure relating to conflicts of interests within the meaning of article 524 of the Belgian company code has been applied in 2010. 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 influence the development of the Company

Please refer to the paragraph below relating to the Outlook and the justification of application of valuation rules under going concern (Article 96°6), 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.

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 career paths 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 put us in a negative 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 level in the building and marine industry is an important indicator of market trends 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 30 of the consolidated financial statements for more information on this item.

Next to these risk factors, the board of directors also considers the financial situation of the Group, currency exchange rate risk, 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 2010 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 of 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.

Outlook and justification of application of valuation rules under going concern.

The statutory balance sheet of Zenitel NV shows as per December 31st 2010 a loss carried forward of 58,9 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.

With 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 able to start making down payments on long term debt and restructuring obligations. The down payment of loans and restructuring obligations will continue to be an important factor in the Company's cash flow going forward. The financial results for 2010 show that the Company is able to generate the cash needed to serve the bank and restructuring obligations.

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

Fees paid to the external auditor or associates offices:

Audit fees	Zenitel NV	30.248 EUR
	Zenitel Group	109.613 EUR
Non audit fees	Legal tasks	18.131 EUR

OUTLOOK 2011

In closing, although 2010 results are positive, we recognize that we are only in the early stage of recovery and that the global economy in which we operate remains fragile.

While assuming the economy will continue to recover, we are confident in our ability to grow and to leverage this growth with the cost structure changes and operational improvements we have made over the last two years. We therefore expect that the results of the Company in 2011, will allow us to further expand our Secure Communication Systems business and the businesses in the Caribbean as well as to further reduce the financial debts.

DECLARATION WITH REGARDS TO CORPORATE GOVERNANCE

Rules and regulations regarding corporate governance have changed significantly during the past two years. Next to the prescriptions of the Corporate Governance Code 2009 (CG-Code 2009), with its "comply or explain" approach, also the law of 6 April 2010 to reinforce corporate governance (CG-Law 2010) has been published.

The Company has adopted the Belgian Corporate Governance Code 2009 as reference code. The Corporate Governance Charter of the Company was updated in March 2010 in order to be in line with the Belgian Corporate Governance Code. A copy of this Corporate Governance code is available on the Zenitel web site.

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. 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 separate chapter *Declaration with regards to corporate governance* in this annual report.

In the *Declaration with regards to corporate governance* chapter of this annual report, you can also find the remuneration report, a description of the main characteristics of our internal control and risk management system and the significant characteristics of the evaluation process of the board of directors, the committees and the individual members of the board of directors.

STATUTORY ACCOUNTS OF ZENITEL NV (UNCONSOLIDATED)

Balance sheet

Fixed assets include 0,2 million Euro formation expenses. This relates to the capitalization of both the capital increases of February 2005 and May/June 2007. Tangible fixed assets amount to 0,1 million Euro and stayed in line with the previous year.

Financial fixed assets amount to 43,5 million Euro and stayed in line with previous year and consist of the participations in Zenitel group companies.

Amounts receivable within one year amount to 6,1 million Euro or 0,6 million Euro higher than the previous year and consist mainly of amounts receivable from other Zenitel group entities. Cash and deferred charges stayed in line with the previous year.

The change in equity from 31,0 million Euro to 27,7 million Euro is due to the result of the year.

Provisions for pensions decreased from 2,4 million Euro as per year end 2009 to 1,9 million Euro as per year end 2010 as a result of the payments performed in 2010. Provisions for risk and other liabilities increased by 1,0 million Euro to 3,9 million Euro. This provision increase is the result of additions in 2010 to the provisions for pending claims, compensated by payments for restructuring charges in 2010.

Total financial debts decreased from 11,2 Euro million as per year end 2009 to 10,4 million Euro as per year end 2010 as result of the debt repayments made in 2010. The long term liabilities decreased by 1,8 million Euro to 8,6 million Euro and the short term financial debts increased from 0,8 million Euro to 1,8 million Euro.

The remaining increase of the short term liabilities is mainly explained by the increase of the other debts from 0,5 million Euro as per year end 2009 to 5,0 million Euro as per year end 2010. This increase is the result of the increase of the debt towards other Zenitel group companies.

Income statement

Other operating income decreased from 13,2 million Euro to 5,1 million Euro. The decrease is mainly explained by the fact that in 2009 Zenitel NV invoiced 6.0 million Euro of license fees to sold subsidiaries, which was not the case in 2010. 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 2010 against 5,0 million Euro in 2009.

Operating expenses amounted to 5,4 million Euro in 2010 against 10,4 million Euro in 2009. The decrease is on the one hand explained by the decrease of the operating costs as a result of the restructuring measures that were taken in the second half of 2009. On the other hand the large movements of the provisions in 2009 caused by the takeover of restructuring obligations from sold subsidiaries and in 2010 caused by the set up of additional provisions for risks and liabilities explain the large variances in operating expenses.

The above-mentioned movements resulted in an operating loss of -0,3 million Euro in 2010 against an operating profit of 2,9 million Euro in 2009.

Financial income decreased from 0,9 million Euro in 2009 to 0,7 million Euro, given the lower interest amounts received from other group companies, as the net amount borrowed to other group companies decreased in 2010.

Financial costs amount to 1,0 million Euro and consist mainly of interest paid on the outstanding borrowings. In 2009 valuation allowances on receivables from other group companies and waivers of debts given to other companies totaled 12,1 million Euro. The latter explains the strong decrease of the financial costs by 12,2 million Euro in 2010.

Net extraordinary costs amount to -2,7 million Euro in 2010. This consists mainly of the losses incurred upon the bankruptcy of a subsidiary.

The net loss of the year amounts to -3,3 million Euro against -7,4 million Euro in 2009.

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 –3.297.166,24 Euro the board of directors proposes to appropriate the result as follows:

Result carried forward prior year:	(55.566.432,37) Euro
Result of the year:	(3.297.166,24) Euro
Result carried forward:	**(58.863.598,61) 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:	(58.863.598,61) Euro
Total:	**27.741.336,98 Euro**

Additional honoraria paid to external auditor

During the year under review, 9.678,50 Euro additional fees for legal advice have been paid to the statutory auditor of Zenitel NV.

Conflict of interest

In 2010, the procedure relating to conflicts of interests linked to article 523 of the Belgian company code has been applied two times. No procedure relating to conflicts of interests within the meaning of article 524 of the Belgian company code has been applied in 2010. 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.

Important subsequent events

No subsequent events to report.

Authorized capital

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

Risk factors and uncertainties

We refer to the section on risks and uncertainties in the Activity report 2010 earlier in this report of the board of directors.

STOCK AND SHAREHOLDER INFORMATION

SHARE QUOTATION

Per 31 December 2010, the subscribed capital amounts to 25.274.722,95 Euro. It is represented by 16.554.422 shares without nominal value and is fully paid up. The par value is 1,5268 Euro. The shares are quoted on Euronext Brussels (double fixing) with symbol ZENT.

TRANSPARENCY

In application of the Act of 2 March 1989, article 4§ 2, no declarations were received in 2010 with respect to the holdings in the capital of Zenitel NV.

SHAREHOLDERS STRUCTURE

Shareholders	Number of shares	% of total
De Wilg GCV*	2 000 000	12,08 %
3D NV*	5 002 000	30,22 %
The Company (Zenitel Norway AS)	113 113	0,68 %
QuaeroQ CVBA	1 961 564	11,85 %
Freefloat	7 477 745	45,17 %
TOTAL	16 554 422	100,00 %

*Acting in concert

Based on the latest transparency notifications of September 2008.

With reference to paragraph 7 of article 74 of the Belgian takeover law, 3D NV and De Wilg GCV did a transparency notification in 2008. In application of paragraph 8 of article 74 of the Belgian takeover law, the Company received a letter from them on August 27th 2010, stating that there has not been any changes to their ownership of Zenitel shares since this transparency notification in 2008.

At the end of 2010 there were no warrants outstanding.

Zenitel Norway AS holds 113.113 shares of Zenitel.

The Company has not issued any non-voting shares nor any other securities than shares and warrants.

MAJOR SHAREHOLDERS

In so far as is known to Zenitel, there are no other persons who directly or indirectly have an interest in Zenitel's capital or voting rights which is modifiable under Belgian law, other than the shareholders mentioned above. Zenitel's major shareholders have no different voting rights than the other shareholders.

To the extent known to Zenitel, Zenitel is not owned or controlled by other parties than the major Shareholders mentioned above. There are no contracts known to Zenitel, which may result in a change of control of Zenitel.

DIVIDEND

No dividend payments have been made or are planned.

NOTIFICATIONS IN THE CONTEXT OF ARTICLE 34 OF THE ROYAL DECREE OF 14 NOVEMBER 2007 ON PROTECTIVE MEASURES

The board of directors is authorized, for a period of five years starting from the publication of the decision of the extraordinary shareholders meeting of 28 April 2010 in the Annexes to the Belgian Official Gazette, to increase the subscribed capital in one or more times with a maximum of 25.274.722,95 Euro. This authorization of the board of directors is also valid for incorporation of reserves.

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 its directors or employees providing for compensation in the event that, as a consequence of a public take-over bid, the directors resign or are revoked 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 from 1 January 2010 to 28 February 2011. (See also Euronext website, www.euronext.com)

FINANCIAL CALENDAR

24/03/2011	Results 2010
28/04/2011	Annual General Shareholders' Meeting (11:00 am)
10/05/2011	Q1 Trading update
31/08/2011	Half-Year results 2011
08/11/2011	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 and Zenitel articles of association. It is based on Zenitel articles of association and on Zenitel corporate governance charter.

Zenitel corporate governance charter has been construed in accordance with the recommendations set out in the Belgian Code for Corporate Governance issued on 12 March 2009, which applies to the fiscal years starting on 1 January 2009 or later. Zenitel takes into account this Belgian Code for Corporate Governance (hereinafter, the "Belgian Code for Corporate Governance 2009") for the purposes of this Declaration with regards to Corporate Governance. In 2010 a new Belgian law on Corporate Governance (Belgian Corporate Governance Law 2010) was published. Despite the fact that this law is not yet fully applicable to Zenitel 2010 reporting, the Company has put efforts in place to take this new legal framework already as much as possible into account when writing this report.

Zenitel board of directors intends to comply with the Belgian Code for Corporate Governance 2009, but it believes that certain deviations from its provisions and principles are justified in view of Zenitel's particular situation and size, especially taking into account the divestments in 2009. These deviations are further explained below.

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 web site (www.zenitel.com) and at the registered office of Zenitel.

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 maximum 12 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 524 of the Belgian company code.

The articles of association state that directors are elected for a renewable term of six years maximum, which term ends 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 8 times during 2010.

The following significant matters were discussed at the meetings of the Board of Directors during 2010:

- Approval year-end figures, annual report, agenda of the general shareholders meeting
- Verification of the trading updates
- Status discussions and decisions on the ongoing litigation cases
- Discussion on forecasts
- Status discussion on ongoing restructuring and reorganization processes
- Information and decision on important projects
- Various strategic discussions per business segment
- Approval budget 2011

CHAIRMAN

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 in 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 in 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 as being an independent director if he or she meets the criteria set out in article 526 of the Belgian company code.

The corporate governance charter contains further explanation on this matter, under the chapter 'Investor Relations', and can be found on the website www.zenitel.com in the chapter 'Investor Relations'.

COMPOSITION OF THE BOARD OF DIRECTORS

On December 31st 2010, the board of directors consists of six members:

Name and position	Independent/dependent	Executive/ non-executive	Term
Beckers Consulting BVBA, represented by Eugeen Beckers, chairman	Dependent	Non-executive	2011
Blanco Blad BVBA, represented by Jo Van Gorp	Independent	Non-executive	2013
Kenneth Dåstøl, CEO	Dependent	Executive	2013
Frank Donck	Dependent	Non-executive	2013
Duco Sickinghe	Independent	Non-executive	2012
VZH NV, 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 convened eight times during 2010. On these occasions either all or a large majority of the directors at that point in time were present or attended through conference call.

Directors who have been (re)appointed in 2010, have been evaluated by the remuneration & nomination committee.

There is no family relationship between any of those persons.

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), where these are significant with respect to Zenitel, are set out below.

As of 1 January 2010, Beckers Consulting BVBA entered into a separate consulting agreement with Zenitel NV. Conforming to 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, and approved by the board with respect to the conflict of interests 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.

AUDIT COMMITTEE

a) The powers of the 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 which is independent. Given the size of the Company, especially taking into account the significant divestments of 2009, Zenitel has decided not to nominate two independent board members into the audit committee as set forth in Appendix C. Audit committee to the Belgian Code for Corporate Governance 2009. The audit committee assists the board of directors in fulfilling its monitoring responsibilities with respect to 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 with respect to 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 make 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 terms of reference of the Audit Committee, as set out in the Company's Corporate Governance Charter. In principle, the committee will meet at least three times per year.

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

As at December 31st 2010, the audit committee consists of:

* 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.

Name and position	Term *
Beckers Consulting BVBA, represented by Eugeen Beckers	2011
Blanco Blad BVBA, represented by Jo Van Gorp, chairman	2013
Frank Donck	2013

Blanco Blad BVBA, represented by Jo Van Gorp, was appointed chairman of the audit committee by the board of directors of 26 August 2010. He replaced VZH NV, represented by Eric Van Zele, who acted as chairman of the audit committee until that date.

The audit committee met only three times (instead of the minimum of four times as set forth in Appendix C. Audit committee of the Belgian Code for Corporate Governance 2009) during 2010.

The following significant matters were discussed at the meetings of the Audit Committee in 2010:

- Presentation of the external auditor and financial statements of 2009
- Change of statutory auditor
- Financial statements per 30 June 2010, 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 and evaluation of internal audit approach

NOMINATION AND REMUNERATION COMMITTEE

The board of directors decided to merge the remuneration committee and the nomination committee into one committee. 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 to the board of directors on the remuneration policy of Zenitel and the remuneration of board members and the members of the executive management.

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 at least one of them being independent. The CEO participates in the nomination and remuneration committee but leaves the meeting whenever he and/or his remuneration is being discussed.

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, executive team and senior management; the remuneration policy for the directors, committee members, CEO, and senior managers.

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 each time changes have to be made to the composition of the board of directors, the committees or senior management.

As at December 31st 2010, the Remuneration and Nomination Committee consists of:

Name and position	Term *
Beckers Consulting BVBA, represented by Eugeen Beckers	2011
Frank Donck, Chairman	2013
Duco Sickinghe	2012

(1) 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 2010.

Following significant matters were discussed at the meetings of the nomination and remuneration committee in 2010:

- Decision on 2009 bonus payments and timing of these payments
- Decision on the 2010 bonus schedules
- Proposal of appointment and reappointment of directors
- Changes to bonus system for the Management Team

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 2010:

Name	Board (Total 8)	AC (Total 3)	NRC (Total 3)
Beckers Consulting BVBA, represented by Eugeen Beckers	8/8	3/3	3/3
Blanco Blad BVBA, represented by Jo Van Gorp	4/4	1/1	
Kenneth Dåstøl	8/8		
Frank Donck	8/8	3/3	3/3
Duco Sickinghe	4/8		1/3
VZH NV, represented by Eric Van Zele	6/8	2/2	

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 mister Kenneth Dåstøl 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 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

During 2010 the Company established an executive team. The executive team is appointed by the board of directors. The team consists of the CEO (Kenneth Dåstøl) and the CFO (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 to update and develop alternative long term strategies and present this to the board of directors, and to execute actions based on decisions in 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 as referred to in the Act of 2nd August 2002 amending the company code and the Act of 2nd March 1989 on the disclosure of substantial holdings in public-quoted companies and on the regulation of public take-over bids.

SENIOR MANAGEMENT TEAM

The operations of the Company are managed by a senior management team. As of 31 December 2010 the senior management team consists of the following members: Kenneth Dåstøl, Glenn Wiig, Thomas Haegh, Svein Damre, Svein Lindhjem, Hanne Eriksen and Eric Goeyvaerts.

The senior management team does not act as a management committee as referred to in the Act of 2 August 2002 amending the company code and the Act of 2 March 1989 on the disclosure of substantial holdings in public-quoted companies and on the regulation of public take-over bids.

The senior management team meets every two months and discusses the strategy and 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 2010, the procedure relating to conflicts of interest within the meaning of article 523 of the Belgian company code has been applied two times. The procedure relating to conflicts of interest within the meaning of 524 of the Belgian company code has not been applied in 2010. The minutes relating to the application of article 523 have been included in this annual report.

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 executive management.

The remuneration and nomination committee of March 9th 2010 evaluated the 2009 variable remuneration and the 2010 salary increases and the 2010 bonus schemes for executive management and proposed its conclusions to the board of directors for their approval. The board of directors of March 23rd, 2010 approved the remuneration and nomination committee's proposals of March 9th 2010. The remuneration and nomination committee of 2nd December 2010 deliberated on the principles of 2011 bonus contracts, changes to commission system in 2011 and proposed it's conclusions for approval to the board of directors. These decisions were approved by the board of directors of March 8th, 2011.

The remuneration of non-executive directors are fixed amounts and they did not change in 2010 compared to 2009.

The applied 2010 remuneration policy

The Company's remuneration policy has been consistent with the remuneration policy in previous years. The executive management's remuneration is based on a fixed and a variable remuneration. 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 2010 no remuneration was given based on shares, warrants or any other rights to acquire shares.

The Company intends to continue its current remuneration policy in the coming years. As from 2011, the Company will comply with the new Belgian corporate governance law of April 6th, 2010 for the remuneration of the executive team.

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.

Directors Remuneration

The annual remuneration for a non-executive director is a fixed fee of 20,000 Euro. The chairman receives double that amount. The CEO is not remunerated for his work in the board of directors. 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. No benefits in kind are granted to the members of the board of directors. The summary of the remuneration of the board members in 2010 is as follows in the table below.

Name		Remuneration in EUR
Beckers Consulting BVBA, represented by Eugeen Beckers	Non executive	47.500
Blanco Blad BVBA, represented by Jo Van Gorp	Non executive	25.000
Kenneth Dåstøl	Executive	N/A
Frank Donck	Non executive	27.500
Duco Sickinghe	Non executive	20.000
VZH NV, represented by Eric Van Zele, chairman	Non executive	30.000

Next to the above indicated remuneration, Beckers Consulting BVBA, invoiced 144.062 Euro to the Company in 2010 for consulting services performed with regards to the consulting agreement between Beckers Consulting BVBA and Zenitel NV, which was approved by the board of directors with respect to the conflict of interests procedure.

Evaluation Criteria for the remuneration of the Executive Team

The CEO and the rest of the executive team have a bonus scheme, included in the variable remuneration. The variable remuneration of the executive team is based on the realization of certain targets for a period. 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 up front agreed targets, the variable remuneration is determined. The evaluation period follows the fiscal period for the Company.

In order to earn a bonus average score needs to be above 75% of the maximum score. All members of the executive team earned a bonus in 2010. 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 in 2010 can be summarized as follows:

	CEO		Executive Team excluding the CEO	
	2010	2009*	2010	2009*
Basic Remuneration	212 907	285 000	118 250	825 426
Variable Remuneration**	114 020	300 000	49 110	172 274
Group insurance premiums	6 902		6 902	
Other Benefits	29 412		22 089	34 165
Total	**363 241**	**585 000**	**196 351**	**1 031 865**

* The Company changed CEO and established the executive team in 2010, the 2009 remuneration is relating to the previous CEO and management, hence the 2009 and 2010 numbers are not comparable.

** Variable remuneration relating to the bonus agreements for the executive team. The amounts shown relate to remuneration earned in the relevant year and paid the year after.

Other benefits

No amounts have been set aside or accrued by Zenitel or its subsidiaries to provide pension, retirement or similar benefits for the non-executive directors. Regarding members of senior management, the contracts do not provide for benefits upon termination, except for the benefits as determined by law.

Staff shareholding plan

No warrant was granted or exercised in 2010, and per December 31st 2010 there are no outstanding warrants. No shares or any other rights enabling the acquisition of shares have been granted by the Company to its employees, management or directors. No other long term incentive plan or cash bonus plan exist for the CEO or the executive team other than the plans mentioned above.

The main termination clauses included in the contractual relations between the Company and the senior management

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

The functioning of the board of directors as a whole is subject to a continuous self evaluation process. During this evaluation the following topics are investigated: the quality of the interaction between management and the board, 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. Based on the outcome of this self evaluation and taking into account the high degree of involvement of the board (both formally and informally) in the management of the group, the board is confident that it is carrying out its duties.

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 the 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, represented by Ms. Veerle Catry. She 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 'Instituut der bedrijfsrevisoren'. Her remuneration amounts to 30.248 Euro per year. The total fee for BDO for the group audit amounts to 109.613 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 activities and managing risks and enable the Company to achieve the goals it has set, both from an operational point as well as from a financial reporting point of view. Below you will find 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 has 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 code of conduct with respect to transactions in Zenitel shares. This corporate governance code 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 defined with respect to the company structure. In order to achieve this, clear and detailed company guidelines exist 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 carefully ensures that employees in key management positions have the right qualifications to take on their responsibilities and that the company rules are complied with. The board

of directors has already proven in the past that appropriate action was taken in case that one of these two conditions was not fulfilled. 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 that ensures 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 above-mentioned 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 education 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 on a monthly basis closely tracked against well defined and agreed targets. Each quarter a new forecast is established. Correct and consistent data gathering is ensured by the use of a 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 ensure 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. On a regular basis, the local entities are subject to an internal audit. These internal audits will focus on risks both from an operational as well as 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 measures 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 above-mentioned 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 implementation 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 provide 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 issued 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 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 for compliance 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. 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 tested and that the necessary actions are implemented in order to adapt to the changing internal and external conditions. Based on this practice and the above-mentioned 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 Code for Corporate Governance 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 objectives.

- 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 Code for Corporate Governance on these topics.
- Principle 5.2/4 in appendix C Audit Committee of the Belgian Code for Corporate Governance 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. In 2010 already actions were taken in order to appoint an extra independent director, who became also chairman of the audit committee.
- Principle 5.2/28 in appendix C Audit Committee of the Belgian Code for Corporate Governance states that the audit committee meets at least four times a year. The audit committee met only three times in 2010, which is considered sufficient given the fact that the Company only publishes its figures each half year.
- For the same reasons, only one member of the nomination and remuneration committee was independent in 2010. However, all members are non-executive. This is contrary to what is set forth in the corporate governance charter principle 5.3/1 in Appendices D. Nomination committee and principle 5.4/1 in appendix E. Remuneration committee to the Belgian Code for Corporate Governance 2009. I order to remediate this, the Nomination and remuneration committee will as from March 8, 2011 be composed of 2 independent directors. Beckers Consulting BVBA, represented by Eugeen Beckers, will leave the Nomination and remuneration committee and will be replaced by Blanco Blad BVBA, represented by Jo Van Gorp. As a result the Nomination and remuneration committee will have a majority of independent directors going forward.
- Neither the chairman nor another independent director act as chairman of the nomination and remuneration committee. This is not in accordance with principle 5.3/2 of appendix D and principle 5.4/1 of appendix E of the Belgian Code for Corporate Governance. Frank Donck acts as chairman of the nomination and remuneration committee. This is due to his in depth knowledge of the Company and its social capital.
- According to the articles of association, the directors are elected by the shareholders' meetings for a renewable term of six years maximum, which term ends at the relevant annual shareholders' meeting. However, the board of directors recommends a maximum term of three years and all current directors are appointed for three years.

FINANCIAL REPORT 2010

TABLE OF CONTENTS

Consolidated financial statements 36

Notes to the consolidated financial statements 59

Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2010 89

Statutory financial statements of Zenitel NV 91

Dividend policy 93

Legal and arbitration proceedings 93

Statutory auditor's report on the financial statements for the year ended 31 December 2010 94

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

		Year ended December 31	
(Thousands of EUR)	Notes	**2010**	**2009**
Continuing operations			
Revenue	1	66 390	70 113
Other gains and losses	4	1	469
Raw materials and consumables used	5	-32 457	-35 137
Employee benefits expenses	6	-20 842	-21 437
of which reorganization expenses		*-499*	*-816*
Depreciation and amortization expenses	16,17,18	-2 159	-2 044
Impairment of goodwill	17	-225	0
Net impairment on current assets	19	-194	-658
Consulting expenses		-1 566	-3 283
of which reorganization expenses		*0*	*-231*
Facility expenses	7	-4 015	-4 421
Other expenses	8	-3 168	-3 181
Operating Profit / (Loss)		**1 767**	**422**
Finance income	10	86	79
Finance costs	11	-1 156	-1 155
Net foreign exchange gains / (losses)	12	-516	-1 178
Profit / (Loss) before tax		**181**	**-1 832**
Income tax expenses / (income)	13	-78	-22
Profit/(Loss) from continuing operations		**103**	**-1 854**
Discontinued operations			
Profit / (Loss) from discontinued operations	3	-1 641	-6 199
Profit / (loss) for the year		**-1 538**	**-8 053**
Attributable to:			
Equity holders of the parent		-1 538	-8 053
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	15,1	-0,09	-0,49
Diluted earnings per share	15,2	-0,09	-0,49
From continuing operations			
Basic earnings per share		0,01	-0,11
Diluted earnings per share		0,01	-0,11
Profit / (loss) for the year		**-1 538**	**-8 053**
Other comprehensive income			
Exchange differences arising on translation of foreign operations		1 621	2 560
Actuarial gains on defined benefit pension schemes	27	0	216
Income tax relating to components of other comprehensive income	13	0	0
Other comprehensive income for the period (net of tax)		**1 621**	**2 776**
Total comprehensive income for the period		**83**	**-5 277**
Total comprehensive income attributable to:			
Equity holders of the parent		83	-5 277
Non-controlling interests		0	0

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

Consolidated statement of financial position

Assets			
			Year ended December 31
(Thousands of EUR)	Notes	**2010**	**2009**
Non-current assets			
Property, plant and equipment	16	4 155	4 451
Goodwill	17	4 139	4 037
Other intangible assets	18	1 391	1 412
Deferred tax assets	14	2 460	2 285
Financial assets	20	1 431	1 916
Other assets	27	0	16
Total non-current assets		**13 575**	**14 117**
Current assets			
Inventories	21	7 978	8 350
Contracts in progress	22	700	3 311
Trade and other receivables	23	15 136	13 566
Financial assets	20	430	406
Deferred charges and accrued income		780	976
Cash and cash equivalents	24	4 113	5 529
Total current assets		**29 137**	**32 138**
TOTAL ASSETS		**42 712**	**46 255**

Equity and liabilities			
			Year ended December 31
(Thousands of EUR)	Notes	2010	2009
Capital and reserves			
Capital		25 274	25 274
Share premium account		15 115	15 115
Reserves		3 658	2 037
Retained earnings		-35 827	-34 290
Treasury shares		-2 958	-2 958
Equity attributable to equity holders of the parent		*5 262*	*5 179*
TOTAL EQUITY		**5 262**	**5 179**
Non-current liabilities			
Interest bearing loans and borrowings	26	9 258	11 565
Retirement benefit obligations	27	626	1 446
Deferred tax liabilities	14	14	13
Provisions	28	1 625	1 945
Total non-current liabilities		**11 523**	**14 969**
Current liabilities			
Trade and other payables	25	16 620	16 802
Borrowings	26	3 552	2 698
Current tax liabilities	13	522	692
Retirement benefit obligations	27	86	162
Provisions	28	5 147	5 754
Total current liabilities		**25 927**	**26 107**
TOTAL EQUITY AND LIABILITIES		**42 712**	**46 255**

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

Consolidated statement of changes in equity

	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
(Thousands of EUR)								Year ended December 31, 2009
Balance on January 1, 2009								
As previously reported	25 274	15 115	-2 958	200	-723	-28 874	8 034	8 034
Restatement of retirement benefit obligation						2 421	2 421	2 421
Restated balance on January 1, 2009	**25 274**	**15 115**	**-2 958**	**200**	**-723**	**-26 453**	**10 455**	**10 455**
Net loss 2009						-8 053	-8 053	-8 053
Other comprehensive income for the year					2 560	216	2 776	2 776
Total comprehenisve income for the year	*0*	*0*	*0*	*0*	*2 560*	*-7 837*	*-5 277*	*-5 277*
Recognition of share-based payments				0			0	0
Balance on December 31, 2009	**25 274**	**15 115**	**-2 958**	**200**	**1 837**	**-34 290**	**5 179**	**5 179**
								Year ended December 31, 2010
Balance on January 1, 2010	**25 274**	**15 115**	**-2 958**	**200**	**1 837**	**-34 290**	**5 179**	**5 179**
Net loss 2010						-1 538	-1 538	-1 538
Other comprehensive income for the year					1 621	0	1 621	1 621
Total comprehenisve income for the year	*0*	*0*	*0*	*0*	*1 621*	*-1 538*	*83*	*83*
Recognition of share-based payments				0			0	0
Balance on December 31, 2010	**25 274**	**15 115**	**-2 958**	**200**	**3 458**	**-35 827**	**5 262**	**5 262**

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

Consolidated statement of cash flows

(Thousands of EUR)	Notes	2010	2009
		Year ended December 31	
Cash flows from operating activities			
Cash flows generated from operations	33	3 901	10 273
Interest paid		-1 176	-1 753
Taxes paid		-104	-40
Net cash generated by / (used in) operating activities		**2 621**	**8 480**
Cash flows from investing activities			
Payments to acquire financial assets	20	0	-112
Interest received		86	172
Proceeds from repayment of loans and other non-current receivables		-2	-35
Payments for property, plant and equipment	16	-474	-674
Proceeds from disposal of property, plant and equipment	16	138	179
Payments for intangible assets	18	-651	-479
Development costs paid	9	-1 571	-1 913
Proceeds from disposal of business - net of cash disposed off	3	37	-2 116
Net cash (used in) / generated by investing activities		**-2 437**	**-4 978**
Cash flows from financing activities			
Payments for debt issue costs		0	-100
Proceeds from borrowings	26	0	3 500
Repayment of borrowings	26	-1 570	-1 216
Net cash received / (used) in financing activities		**-1 570**	**2 184**
Net (decrease)/increase in cash and cash equivalents		**-1 386**	**5 686**
Movement in cash and cash equivalents			
At start of the year		4 231	-1 832
Increase / (decrease)		-1 386	5 686
Effect of exchange rate changes on the balance of cash held in foreign currencies		109	377
At the end of the year		**2 954**	**4 231**
Total Cash and cash equivalents	24	4 113	5 529
(Bank overdrafts)	26	-1 159	-1 300
Net cash and cash equivalents at the end of the year		**2 954**	**4 229**

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

VALUATION RULES AND FINANCIAL RISK FACTORS

Basis of preparation	41
Changes in presentation compared to previous year	41
Adoption of new and revised international financial reporting standards	41
Summary of principal accounting policies	42
Basis of Consolidation	42
Foreign currencies	43
Intangible assets	44
Goodwill	45
Tangible assets	45
Leasing	46
Capital management	46
Impairment of tangible and intangible assets excluding goodwill	47
Inventories	47
Contracts in progress	47
Financial instruments	48
Non-current assets held for sale	50
Government grants	50
Provisions	50
Revenue recognition	51
Income taxes	52
Employee benefits	52
Employee stock option plans	53
Financial risk factors	53
Critical judgments in applying the entity's accounting policies and key sources of estimation uncertainty	57

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 2010 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 at the end of this 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 22nd 2011.

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

As a result of the divestments in 2009 and the deconsolidated entities in 2010, the results from discontinued operations have been presented in one line in the consolidated income statements (Profit/(Loss) from discontinued operations). In order to present comparable figures, this presentation was also applied to the comparative 2009 figures. As a result the presentation of the comparative 2009 figures differs from the previously published figures.

During the 2010 year end closing procedures an error in the actuarial calculations of the Caribbean pension plans was identified. In accordance with IAS 8, a correction of 2,4 million Euro (decrease of pension liability) has been posted as an opening equity adjustment, which explains why equity and the pension liabilities of year end 2009 differ from the previously published figures.

Adoption of new and revised international financial reporting standards

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 2010, all of which were endorsed by the European Union.

The following standards became applicable for 2010:

- IFRS 3 Business Combinations (applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). This Standard replaces IFRS 3 Business Combinations as issued in 2004.
- Improvements to IFRS (2008-2009) (normally applicable for annual periods beginning on or after 1 January 2010)
- Amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards – Additional exemptions (applicable for annual periods beginning on or after 1 January 2010)
- Amendment to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions (applicable for annual periods beginning on or after 1 January 2010)
- Amendment to IAS 27 Consolidated and Separate Financial Statements (applicable for annual periods beginning on or after 1 July 2009). This Standard amends IAS 27 Consolidated and Separate Financial Statements (revised 2003).
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (applicable for annual periods beginning on or after 1 July 2009).
- IFRIC 12 Service Concession Arrangements (applicable for annual periods beginning on or after 1 April 2009)
- IFRIC 15 Agreements for the construction of real estate (applicable for annual periods beginning on or after 1 January 2010)
- IFRIC 16 Hedges of a net investment in a foreign operation (applicable for accounting years beginning on or after 1 July 2009)
- IFRIC 17 Distributions of Non-cash Assets to Owners (applicable for annual periods beginning on or after 1 November 2009)
- IFRIC 18 Transfers of Assets from Customers (applicable for annual periods beginning on or after 1 November 2009)

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 9 Financial Instruments (applicable for annual periods beginning on or after 1 January 2013)
- Improvements to IFRS (2009-2010) (normally applicable for annual periods beginning on or after 1 January 2011)
- Amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards – IFRS 7 exemptions (applicable for annual periods beginning on or after 1 July 2010)
- Amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (applicable for annual periods beginning on or after 1 July 2011)
- Amendment to IFRS 7 Financial Instruments: Disclosures – Derecognition (applicable for annual periods beginning on or after 1 July 2011)
- Amendment to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets (applicable for annual periods beginning on or after 1 January 2012)
- Amendment to IAS 24 Related Party Disclosures (applicable for annual periods beginning on or after 1 January 2011). This Standard supersedes IAS 24 Related Party Disclosures as issued in 2003.
- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (applicable for annual periods beginning on or after 1 February 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual periods beginning on or after 1 July 2010)
- Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement (applicable for annual periods beginning on or after 1 January 2011)

The Company 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 acquiree, plus any costs directly attributable to the acquisition. The acquiree's identifiable assets, 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 acquiree's 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 acquiree 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 and 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 and 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 maximising 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 it's 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 revalued 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 comprize 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 that 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 uncollectible, 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 and financial assets related to divestments

In 2009 the Company sold its MCCN network operations in Belgium and The Netherlands. The transaction price of this divestment equalled 1,1 million of which EUR 0,3 million was received at the time of signing. The remaining payments are due within two years after the transaction date, based on a fixed payment schedule. Next to this fixed price there is also a contingent part, which is based on new subscriptions from current 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 20 to these financial statements.

Cash and cash equivalents

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

Financial liabilities and 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. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the group's accounting policy for borrowing costs (see above).

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 raized 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 is 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 is 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 arizes 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 or 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 benefit and defined contribution retirement benefit plans, the assets of which are held in separate trustee-administered funds or group insurances. Payments to defined contribution 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 and 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 operates 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 were 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 revizes 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 exercized.

Financial risk factors

The financial risk of the group is limited. However, fluctuations in foreign currency exchange rates on sales and purchases, inter-company loans and interest rate variances are inherent risk in the performance of the business. For 2010, the fluctuation in the Norwegian Kroner (NOK) has given rise to important exchange rate losses. 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 and Asia, changes in the exchange rate of the USD, the NOK 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 and DKK.

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 arizes 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 2010 and 2009, we estimated the reasonably possible changes of exchange rate of these currencies as follows at the year end balance sheet date:

1 Euro equals	Closing rate 31 Dec 2010	Possible volatility of rates in %	Rates used for the sensitivity analysis	Closing rate 31 Dec 2009	Possible volatility of rates in %	Rates used for the sensitivity analysis
NOK	**7,82**	**3,6%**	**7,54 - 8,10**	**8,33**	**1,7%**	**8,19 - 8,47**
USD	**1,33**	**5,9%**	**1,25 - 1,40**	**1,43**	**4,4%**	**1,37 - 1,50**
SEK	**9,00**	**4,9%**	**8,56 - 9,44**	**10,32**	**1,0%**	**10,21 - 10,42**
SGD	**1,71**	**4,3%**	**1,64 - 1,78**	**2,01**	**2,3%**	**1,97 - 2,06**
DKK	**7,45**	**0,1%**	**7,45 - 7,46**	**7,44**	**0,1%**	**7,44 - 7,45**

If the above-indicated currencies had weakened/ strengthened during 2010 by the above estimated changes against the Euro, with all of the other variable held constant, the 2010 and 2009 net result would not have been significantly affected (less than EUR 50 K) both in 2010 and 2009. Neither would there have been a material impact on other components of equity both in 2010 and 2009.

Translational foreign currency risk

Around 95% (2009: 92%) 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 arizes 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 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 2010 and 2009, we estimated the reasonably possible change of the exchange rate of these currencies against the Euro as follows:

1 Euro equals	Closing rate 31 Dec 2010	Average rate 2010	Possible volatility rates in 2010	Rates as used in the sensitivity analysis for 2010		Closing rate 31 Dec 2009	Average rate 2009	Possible volatility rates in 2009	Rates as used in the sensitivity analysis for 2009	
				Possible closing rate	Possible average rate				Possible closing rate	Possible average rate
Norwegian Krone	7,82	8,02	3,60%	7,54-8,10	7,73-8,30	8,33	8,71	1,70%	8,19-8,47	8,56-8,86
Swedish Krone	9,00	9,53	4,91%	8,56-9,44	9,06-9,99	10,32	10,61	1,01%	10,21-10,42	10,50-10,72
Danish Krone	7,45	7,45	0,08%	7,45-7,46	7,44-7,45	7,44	7,45	0,07%	7,44-7,45	7,44-7,45
American Dollar	1,33	1,32	5,87%	1,25-1,40	1,24-1,40	1,43	1,39	4,37%	1,37-1,50	1,33-1,45
Singaporean Dollar	1,71	1,80	4,26%	1,64-1,78	1,72-1,87	2,01	2,02	2,25%	1,97-2,06	1,98-2,07
Antillian Guilder	2,41	2,40	5,78%	2,27-2,55	2,26-2,54	2,57	2,50	4,66%	2,45-2,69	2,38-2,62

If the Euro had weakened/strengthened during 2010 and 2009 by the above estimated possible changes against the above listed currencies with all other variables held constant, the 2009 profit would have been EUR 0,1 million or 6,9% of net income higher/lower (2009: EUR 0,02 million or 0,3% of net income) while the translation reserves in equity would have been EUR 0,8million or 15% of total equity higher/lower (2009: EUR 0,3 million or 12% 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 23.

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

(millions of EUR)	Year ended December 31	
	2010	**2009**
Finance lease receivables	0,0	0,0
Other financial assets	1,4	1,9
Trade and other receivables	15,1	13,6
Bank deposits	0,6	0,7
	17,1	**16,2**

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 26.

The following table sets forth details of the remaining contractual maturities of financial liabilities as at December 31, 2010 and 2009.

* Including future undiscounted interest payments

	31 December 2010				31 December 2009			
Millions of Euro	Total	Payment due within one year or less	Payment due later than one year but not later than 5 years	Payment due later than 5 years	Total	Payment due within one year or less	Payment due later than one year but not later than 5 years	Payment due later than 5 years
Bank overdrafts	1,2	1,2	0,0	0,0	1,3	1,3	0,0	0,0
Trade payables	16,6	16,6	0,0	0,0	16,8	16,8	0,0	0,0
Bank borrowings*	12,0	2,4	8,5	1,1	14,1	2,1	9,1	3,0
Shareholders' loans	1,5	0,5	1,0	0,0	1,5	0,0	1,5	0,0
Finance lease liabilities*	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0.0
Total	**31,3**	**20,7**	**9,5**	**1,1**	**33,7**	**20,2**	**10,6**	**3,0**

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 2010 and 2009, 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.

	Outstanding debt 31 December 2010	Interest charge 2010	Average interest rate 2010	Possible volatility of rate in 2010	Outstanding debt 31 December 2009	Interest charge 2009	Average interest rate 2009	Possible volalitity of rate in 2009
(millions of EUR)								
Bank overdrafts	1,2	0,1	4,16%	7,2%	1,3	0,1	5,31%	18,7%
Bank borrowings	10.1	0,7	6,46%	7,2%	11,5	0,9	6,87%	18,7%
Shareholder's loans	1,5	0,1	3,60%	7,2%	1,5	0,1	3,99%	18,7%
Finance lease liabilities	0,0	0,0	4,00%	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	**12,8**	**0,8**			**14,3**	**1,1**		

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, 2010 net result would have been EUR 0,02 million lower/higher (2009: EUR 0.06 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 2010 and 2009 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%), Bejing Nera Stentofon Comm. Equipment (China) (14%), SAIT Zenitel NV (13%) and SAIT Zenitel Netherlands BV (15%). All equity instruments are at costs minus impairments. Refer to note 20 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 (post tax) discount rate applied to cash flow projections is the weighted average cost of capital (WACC) of 10,3% for all CGU's, given their ability to show positive results and stable revenues.

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.

Per December 2010, the remaining goodwill for Finland has been 100% impaired, resulting in an impairment charge of EUR 225 K. This implies that there is currently one CGU left, being Intercom.

The numbers used in the cash flow projection, relate to the 2011 budgets which have been submitted by management to the Board.

As from 2011, the following growth rates have been used:

CGU1: Intercom – 2011: 3,5% - 2012: 2,7% - 2013: 2,7% - 2014 and beyond: sales growth 2,7% and 0,5% above inflation

Sensitivity analysis shows that the following sales growth rates would necessitate goodwill impairments:

CGU1: Intercom 2,25% sales growth as from 2012.

CGU1 requires a WACC exceeding 12,3% before goodwill is impaired.

Management determined these assumptions based on past performance and its expectations with respect on 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 judgement was applied in evaluating and determining the contingent assets and liabilities as further disclosed in note 30.

Going concern

The balance sheet as per 31 December 2010 shows a loss carried forward of EUR 58,9 million. Nevertheless, the board of directors is of the opinion that the application of the existing valuation rules, under going concern is still justified.

With the strategic reorganizations in 2009, the Company has been able to continue to focus on its Secure Communication and Caribbean business and at the same time was able to start making down payment on long term debt and restructuring obligations. The down payment of loans will continue to be an important factor in the Company's cash flow going forward. The financial results for 2010 show that the company is able to generate the needed cash to serve the bank and restructuring 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 31	
	2010	**2009**
Continuing operations		
Revenue from the sale of goods	53 546	52 333
Revenue from the rendering of services	12 844	17 780
Revenue from continuing operations	**66 390**	**70 113**
Discontinued operations		
Revenue from the sale of goods	0	4 651
Revenue from the rendering of services	0	5 482
Revenue from discontinued operations	**0**	**10 133**

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

The 2009 comparative figures in this note to the consolidated financial statements have been updated to represent the new segment reporting structure.

Revenues from external customers attributed to						
	Continuing operations		**Discontinued operations**		**Total**	
Thousands of EUR	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Belgium (Country of domicile)	0	0	0	4 567	0	4 567
Norway	26 608	27 999	0	0	26 608	27 999
Denmark	11 335	13 681	0	0	11 335	13 681
Netherlands	0	0	0	4 132	0	4 132
Singapore	10 309	11 390	0	0	10 309	11 390
Other foreign countries	18 137	17 043	0	1 434	18 137	18 476
	66 390	**70 113**	**0**	**10 133**	**66 390**	**80 246**

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 individualcountries have only been disclosed if considered material.

Non current assets, located in		
(Thousands of EUR)		Year ended December 31
	2010	2009
Belgium (Country of domicile)	112	193
Caribbean	3 701	4 045
Netherlands	852	1 260
Norway	7 155	6 905
Other foreign countries	1 755	1 714
	13 575	**14 117**

For further information about geographical area's, we refer to note 2.d below.

The three largest customers account for 6,4 %, 3,4 % and 3,4% respectively of group net sales in 2010.

The highest amounts of trade accounts receivable outstanding are 12,3%, 3,6% and 3,6% respectively of the group's accounts receivable at December 31, 2010.

2.a Segment revenues and segment results

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

** The Segment result per segment comprises earnings before interest & taxes, including one-time results, excluding gains or losses on disposals of subsidiaries.

Segment report								
(Thousands of Euro)								Year ended December 31
	Segment revenue		Recurrent EBITDA*		One time items		Segment result **	
	2010	2009	2010	2009	2010	2009	2010	2009
Secure Communication Systems (SCS)	60 950	66 024	3 923	5 412	242	(45)	3 089	3 975
Caribbean	5 440	4 089	1 617	1 185	0	(11)	376	(120)
All Segments	**66 390**	**70 113**	**5 540**	**6 597**	**242**	**(56)**	**3 466**	**3 855**
Unallocated continuing operations	0	0	(1 351)	(2 024)	(86)	(1 393)	(1 474)	(3 433)
Goodwill impairment continuing operations					(225)		(225)	
Unallocated discontinued operations	0	10 133	(32)	(1 212)	(1 796)	(564)	(1 829)	(2 611)
Net gain / (loss) on deconsolidation or disposal of subsidiaries					209	(3 040)	209	(3 040)
Continuing operations	66 390	70 113	4 189	4 573	(70)	(1 449)	1 766	422
Discontinued operations	0	10 133	(32)	(1 212)	(1 587)	(3 604)	(1 620)	(5 651)
Total continuing and discontinued operations	**66 390**	**80 246**	**4 157**	**3 361**	**(1 657)**	**(5 053)**	**147**	**(5 229)**
Financial results - continuing operations							(1 586)	(2 254)
Financial results - discontinued operations							(20)	(490)
Total financial results							**(1 606)**	**(2 744)**
Income tax expense - continuing operations							(78)	(22)
Income tax expense - discontinued operations							(1)	(58)
Total income tax expenses							**(79)**	**(80)**
Profit / (loss) for the period - continuing operations							103	(1 854)
Profit / (loss) for the period - discontinued operations							(1 641)	(6 199)
Total profit / (loss) for the period							**(1 538)**	**(8 053)**

Revenue reported above represents revenue from external customers. Inter segment sales amounted to EUR 13K (2009: EUR 690K).

The unallocated recurrent operating expenses in 2010 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 recurrent EBIT and recurrent EBITDA figures per segment.

2.b Segment assets and segment liabilities

	Assets		Liabilities	
(Thousands of EUR)	Year ended December 31		Year ended December 31	
	2010	2009	2010	2009
Secure Communication Systems	35 266	36 141	16 447	16 214
Caribbean	5 473	5 611	3 885	4 060
Unallocated	1 973	4 503	17 118	20 802
Consolidated	**42 712**	**46 255**	**37 450**	**41 076**

The decrease in total assets and Liabilities is mainly explained by the deconsolidation of NRSFRANCE SA in 2010. Unallocated liabilities consist mainly of the group borrowings contracted by Zenitel NV (refer to note 26) and of pension obligations and provisions related to reorganization and other risks and liabilities included in Zenitel NV.

2.c Other segment information

	Depreciation, amortization and goodwill impairment						Additions to non-current assets	
	Continuing operations		Discontinued operations		Total operations			
(Thousands of EUR)	Year ended December 31		Year ended December 31		Year ended December 31		Year ended December 31	
	2010	2009	2010	2009	2010	2009	2010	2009
Secure Communication Systems	1 306	1 373	0	0	1 306	1 373	902	556
Caribbean	1 240	1 293	0	0	1 240	1 293	587	636
Unallocated	31	36	0	817	31	853	8	211
Consolidated	**2 577**	**2 702**	**0**	**817**	**2 577**	**3 519**	**1 496**	**1 403**

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).

Revenue from external customers										
(Thousands of EUR)										Year ended 31 December
	Continuing operations		Discontinued operations		Total operations		Segment assets		Additions to non-current assets	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Europe	45 585	50 425	0	10 133	45 585	60 558	29 108	34 008	868	821
Asia	10 309	11 390	0	0	10 309	11 390	6 128	5 524	13	24
Americas	10 496	8 298	0	0	10 496	8 298	7 476	6 723	615	558
Consolidated	**66 390**	**70 113**	**0**	**10 133**	**66 390**	**80 246**	**42 712**	**46 255**	**1 496**	**1 403**

3. 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. Given this loss of control by the Zenitel Group, NRSFRANCE SA 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 disontinued operations.

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

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.

In 2009, the following entities or operations where sold:

Disposal of 85% of Zenitel Belgium NV and disposal of the rail activities of Zenitel Wireless France SA

On 29 May 2009, the Group closed the sale of 85% of its stake in its Belgian subsidiary, Zenitel Belgium NV, together with the rail activities of Zenitel Wireless France SA to Crescent NV, a Belgian company. Zenitel Belgium NV and the rail activities of Zenitel Wireless France SA have been deconsolidated as from 1 May 2009, on which date control of the sold activities passed to the acquirer.

We refer to the tables below for the accounted loss/profit on the sales transaction.

Disposal of 100% of Confined Area Solutions AB (former Zenitel Radioteknik AB)

On 24 June 2009, the Group sold 100% of the shares it's Swedish subsidiary Confined Area Solutions AB to Wireless Holding ApS, a Danish company, specialized in analog/digital radio equipment. Confined Area Solutions AB was deconsolidated as from 30 June 2009, on which date controls of the sold subsidiary passed to the acquirer.

We refer to the tables below for the accounted loss/profit on the sales transaction.

Disposal of 85% of Zenitel Netherlands BV

On 21 August 2009, the Group closed the sale of 85% of its stake in its Dutch subsidiary, Zenitel Netherlands BV, to Crescent NV. Zenitel Netherlands BV was deconcolidated as from 30 June 2009, on which date control passed to the acquirer.

We refer to the tables below for the accounted loss/profit on the sales transaction.

Disposal of MCCN network activities in The Netherlands and in Belgium

On 15 October 2009, the network infrastructure assets and customer contracts of MCCN NV and MCCN BV (Mission Critical Communication Networks) were sold to Entropia Networks NV, a Belgian network operator with activities in Belgium and The Netherlands.

The transaction price is equal to EUR 1,1 million of which EUR 300K was received at the time of signing. The remaining payments are due within 2 years after the transaction date, based on a fixed payment schedule. Next to this fixed price, there is also a contingent part which is based on new subscriptions from current 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 5 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 be no users growth and that the current customer contracts will be extended until Sept 2014 (no churn). The total amount of contingent proceeds that have been recognised in 2009 based on this assumption amounted to EUR 877K. We refer to note 20 for further disclosures on the proceeds arising from the sale of MCCN assets and contract.

We refer to the tables below for the accounted loss/profit on the sales transaction.

Disposal of real estate activity regarding headquarters building in Zellik

On 12 November 2009 Zenitel NV sold it's real estate activities regarding the headquarters building in Zellik (Belgium) to 3D NV, a Belgian company and shareholder of Zenitel NV.

We refer to the tables below for the accounted loss/profit on the sales transaction.

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.

(Thousands of Euro) Year ended 31 December 2010

The profit (loss) for the period from the discontinued operation is analysed as follows:

	NRS-FRANCE (1)	Zenitel Devlonics NV (2)	Zenitel Devlonics II NV (3)	Activities Belgium and France (4)	Sweden (5)	The Netherlands (6)	MCCN (7)	Total
Profit / (loss) of the operation for the period	(1 539)	(4)	(12)	NA	NA	NA	NA	(1 555)
Profit / (loss) on disposal	(128)	10	32	NA	NA	NA	NA	(86)
	(1 667)	**6**	**20**	**NA**	**NA**	**NA**	**NA**	**(1 641)**
The results of the operations for the relevant period were as follows:								
Revenues (external)	0	0	0	NA	NA	NA	NA	0
Operating costs	(1 518)	(4)	(12)	NA	NA	NA	NA	(1 534)
Finance costs	(20)	(1)	0	NA	NA	NA	NA	(21)
Profit / (loss) before tax	**(1 538)**	**(4)**	**(12)**	**NA**	**NA**	**NA**	**NA**	**(1 554)**
Income tax (charge) / credit	(1)	0	0	NA	NA	NA	NA	(1)
Profit / (loss) after tax	**(1 539)**	**(4)**	**(12)**	**NA**	**NA**	**NA**	**NA**	**(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	NA	NA	NA	NA	(2 397)
Attributable goodwill	0	0	0	NA	NA	NA	NA	0
Profit / (loss) on disposal	167	10	32	NA	NA	NA	NA	209

(Continued)

The cash flow from discontinued operations can be summarized as follows:

	NRS-FRANCE (1)	Zenitel Devlonics NV (2)	Zenitel Devlonics II NV (3)	Activities Belgium and France(4)	Sweden (5)	The Netherlands (6)	MCCN (7)	Total
Net cash inflow / (outflow) from operating activities	(231)	(8)	67	NA	NA	NA	NA	(172)
Net cash inflow / (outflow) from investing activities	0	0	0	NA	NA	NA	NA	0
Net cash inflow / (outflow) from financing activities	0	0	0	NA	NA	NA	NA	0
Net cash flow	**(231)**	**(8)**	**67**	**NA**	**NA**	**NA**	**NA**	**(172)**

Year ended 31 December 2009

The profit (loss) for the period from the discontinued operation is analysed as follows:

	NRS-FRANCE (1)	Zenitel Devlonics NV (2)	Zenitel Devlonics II NV (3)	Activities Belgium and France(4)	Sweden (5)	The Netherlands (6)	MCCN (7)	Total
Profit / (loss) of the operation for the period	(1 810)	0	0	828	47	(793)	(1 431)	**(3 159)**
Profit / (loss) on disposal	NA	NA	NA	(815)	(662)	924	(2 487)	**(3 040)**
	(1 810)	**0**	**0**	**12**	**(615)**	**132**	**(3 918)**	**(6 199)**

The results of the operations for the relevant period were as follows:

	NRS-FRANCE (1)	Zenitel Devlonics NV (2)	Zenitel Devlonics II NV (3)	Activities Belgium and France(4)	Sweden (5)	The Netherlands (6)	MCCN (7)	Total
Revenues (external)	0	0	0	5 444	527	3 914	247	**10 133**
Operating costs	(1 800)	0	0	(4 435)	(475)	(4 730)	(1 305)	**(10 945)**
Finance costs	(10)	0	0	(124)	(6)	23	(373)	**(479)**
Profit / (loss) before tax	**(1 810)**	**0**	**0**	**886**	**47**	**(793)**	**(1 431)**	**(1 291)**
Income tax (charge) / credit		0	0	(58)	0	0	0	**(58)**
Profit / (loss) after tax	**(1 810)**	**0**	**0**	**828**	**47**	**(793)**	**(1 431)**	**(1 349)**

The net assets at the date of the disposal and the realized profit / (loss) upon disposal were as follows:

	NRS-FRANCE (1)	Zenitel Devlonics NV (2)	Zenitel Devlonics II NV (3)	Activities Belgium and France(4)	Sweden (5)	The Netherlands (6)	MCCN (7)	Total
Net assets disposed of	NA	NA	NA	4 106	662	2 916	3 682	**11 365**
Attributable goodwill	NA	NA	NA	0	0	0	0	**0**
	NA	**NA**	**NA**	**4 106**	**662**	**2 916**	**3 682**	**11 365**
Profit / (loss) on disposal	NA	NA	NA	(815)	(662)	924	(2 487)	**(3 040)**
Net consideration (including lawyer fees an additional provisions)	NA	NA	NA	3 290	0	3 840	1 195	**8 325**
Lawyers' fees and additional provisions on transaction	NA	NA	NA	761	0	49	755	**1 566**
Deferred consideration	NA	NA	NA	0	0	0	(1 646)	**(1 646)**
Satisfied by cash and net inflow on disposal	NA	NA	NA	4 052	0	3 889	304	**8 245**

The cash flow from discontinued operations can be summarized as follows:

	NRS-FRANCE (1)	Zenitel Devlonics NV (2)	Zenitel Devlonics II NV (3)	Activities Belgium and France(4)	Sweden (5)	The Netherlands (6)	MCCN (7)	Total
Net cash inflow / (outflow) from operating activities	(3 188)	(176)	(133)	7	213	(730)	(1 741)	(5 748)
Net cash inflow / (outflow) from investing activities	2 379	0	67	(2 237)	57	849	165	1 280
Net cash inflow / (outflow) from financing activities	0	0	0	(243)	(286)	0	0	(529)
Net cash flow	**(809)**	**(176)**	**(66)**	**(2 473)**	**(16)**	**119**	**(1 576)**	**(4 997)**

(4) Activities Belgium and France refer on the one hand to Zenitel Belgium NV and the activities of Zenitel WS France SA that were divested in 2009 . The presented figures for the twelve months ended December 31, 2009 refer to the period from January till April 2009 with respect to the operations of Zenitel Belgium NV and WS France SA. On the other hand the real estate activities regarding the headquarters building in Zellik are included . The real estate activities' operating figures of the period from January till November 11, 2009 are included in the presented figures for the twelve months ended December 31, 2009 .

(5) Sweden: refers to Confined Area Solutions AB (previously named Zenitel Radioteknik AB). The presented figures for the twelve months ended December 31, 2009 refer to the period from January till June 2009.

(6) The Netherlands: refers to Zenitel Netherlands BV. The presented figures for the twelve months ended December 31, 2009 refer to the period from January till June 2009.

(7) MCCN refers to the network activities of MCCN BV and MCCN NV. The presented figures for the twelve months ended December 31, 2009 refer to the period from January till September 2009.

4. Other gains and losses

(Thousands of EUR)	Year ended December 31	
	2010	**2009**
Continuing operations		
Rental income	0	6
Costs recovered from third parties	0	425
Others	1	38
Total other operating income	**1**	**469**

5. Raw materials and consumables used

(Thousands of EUR)	Year ended December 31	
	2010	**2009**
Continuing operations		
Supplies	30 212	31 037
Subcontractors	235	1 103
Changes in inventories of finished goods and work in progress	1 238	1 200
Other	772	1 797
Total raw materials and consumables used	**32 457**	**35 137**

6. Employee benefits expenses

(Thousands of EUR)	Year ended December 31	
Continuing operations	**2010**	**2009**
Wages and salaries	16 789	16 408
Social security costs	2 063	2 061
Reorganization expenses	476	761
Other employee benefits	611	808
Short term employee benefits	**19 939**	**20 038**
Termination benefits	**23**	**55**
Pension costs - defined contribution plans	752	1 481
Pension costs - defined benefit plans	128	-137
Pension costs	**880**	**1 344**
Share based compensation	**0**	**0**
Total employee benefits expenses	**20 842**	**21 437**
Average number of employees - continuing operations	**286**	**292**
Workers	0	0
Employees	271	279
Management	15	13
Average number of employees - Continuing and discontinued operations	**286**	**356**
Workers	0	0
Employees	271	340
Management	15	16

In 2010 total reorganization costs relating to continuing operations amounted to 0,5 million Euro, all included in the Employee benefit expenses. In 2009 total reorganization costs relating to continuing operations amounted to 1,0 million Euro of which 0,8 million Euro were included in the Employee benefits expenses and 0,2 million Euro were included in Consulting expenses.

7. Facility expenses

(Thousands of EUR)	Year ended December 31	
	2010	**2009**
Continuing operations		
Housing costs (rent & utilities)	1 998	1 765
Telecom expenses	565	657
Insurances	293	378
Other facility costs	1 159	1 621
Total facility expenses	**4 015**	**4 421**

8. Other expenses

(Thousands of EUR)	Year ended December 31	
	2010	**2009**
Continuing operations		
Advertising, publicity and fairs	256	519
Travel & related costs	1 612	1 173
Car expenses	1 025	1 077
Other	275	412
Total other expenses	**3 168**	**3 181**

9. Research & development costs

(Thousands of EUR)	Year ended December 31	
	2010	**2009**
Continuing operations		
Research and development costs	1 571	1 913

Where of Euro 1.474 K (EUR 1.748K in 2009) were included in the Employee benefits expense (wages and salaries).
Besides these expensed research & development costs, Euro 346 K were capitalized in 2010 (Euro 185K in 2009).

10. Finance income

(Thousands of EUR)	Year ended December 31	
	2010	**2009**
Continuing operations		
Interest on bank accounts	0	49
Interest on financial leases	0	1
Other (aggregate of immaterial items)	86	28
Total finance income	**86**	**78**

11. Finance costs

(Thousands of EUR)	Year ended December 31	
	2010	**2009**
Continuing operations		
Interest on bank overdrafts and loans	858	1 069
Interest on obligations under finance lease	1	1
Other financial charges	297	85
Total finance costs	**1 156**	**1 155**

The weighted average interest rate on funds borrowed generally is 6,0% per annum (2009: 6,6% per annum).

12. Net foreign exchange gains / (losses)

(Thousands of EUR)	Year ended December 31	
	2010	**2009**
Continuing operations		
Foreign exchange rates losses	-522	-1 377
Other (both realized and unrealized)	*-522*	*-1 377*
Foreign exchange rate gains	6	199
Other (both realized and unrealized)	*6*	*199*
Net foreign exchange gains / (losses)	**-516**	**-1 178**

13. Income taxes

No income tax has been recognized directly in equity or in other comprehensive income in 2010, neither in 2009.

(Thousands of EUR)		Year ended December 31	
	Notes	**2010**	**2009**
Current tax expense / (income)		85	-74
Adjustments recognized in the current year in relation to current tax of prior years		17	136
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	14	-24	-40
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		**78**	**22**

The tax rate used for the 2010 and 2009 reconciliation is the corporate tax rate of 33.99% payable by corporate entities in Belgium on taxable profits under tax law in that jurisdiction

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

(Thousands of EUR)		Year ended December 31	
	Notes	**2010**	**2009**
Profit/ (Loss) before tax		**181**	**-1 832**
Tax calculated at tax rate of 33.99%		62	-623
Effects of:			
- Different tax rates in other countries		-99	-238
- Adjustments recognized in the current year in relation to current tax of prior years		17	136
- Income not subject to tax		-481	-193
- Expenses not deductible for tax purposes		180	194
- Utilization of previously unrecognized tax losses		-695	-945
- Reversal of previous write-downs of tax assets as tax losses		0	-
- Unrecognized tax losses of the current year		1 094	2 306
Total income tax expense/(income) relating to continuing operations		**78**	**22**

14. 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% (2009: 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.

(Thousands of EUR)	Year ended December 31	
The movement on the deferred income tax account is as follows:	**2010**	**2009**
At the beginning of the year		
- deferred tax liability	13	-
- deferred tax asset	-2 285	-1 943
Exchange differences	-149	-369
Income statement (credit)/charge	-25	40
Other changes	0	-
At the end of the year	**-2 446**	**-2 272**
Recognized in the balance sheet as		
- deferred tax liability	14	13
- deferred tax asset	-2 460	-2 285

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, 2008	**187**	**8**	**0**	**184**	**394**	**15**	**788**
Charged/(credited) to P/L	0	7	0	0	0	-14	-7
Other changes	-187	0	0	-184	0	0	-371
Exchange differences	0	0	0	0	76	-1	75
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**

Deferred tax assets	Net PBO Liabilities	Impairments	Tax losses	Provisions	Depreciation	Other	Total
At December 31, 2008	**-126**	**-307**	**-1 528**	**-13**	**-307**	**-450**	**-2 731**
Charged/(credited) to P/L	0	44	0	0	0	3	47
Other changes	0	0	0	0	0	371	371
Exchange differences	-24	-51	-294	-2	-59	-14	-444
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**

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 31	
	2010	**2009**
Deferred tax assets	-2 460	-2 285
Deferred tax liabilities	14	13
	-2 446	**-2 272**

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.

Company		
	Year ended December 31	
(Thousands of EUR)	**2010**	**2009**
Zenitel NV	46 384	42 410
Zenitel Norway	12 667	15 098
Zenitel Caribbean	1 871	1 893
Zenitel CSS France	2 282	2 058
Zenitel Finland	1 047	805
Zenitel Denmark	8 408	7 818
Zenitel Italy	857	705
Zenitel USA	499	431
Zenitel Finance Netherlands BV	13779	13320
Sold or liquidated or merged subsidiaries (refer to note 3 Divestments and note 35 Subsidiaries)	0	12 124

Tax losses carried forward as per year end 2010 indicated in the table above do not have an expiry date. Tax losses carried forward as per year end 2009 had no expriry date, except for the tax losses carried forward of Zenitel Netherlands (expiring between 2011 and 2017), included in the Sold subsidiaries line of the table above.
Unrecognized tax losses of the year relate to the following companies:

Company		
	Year ended December 31	
(Thousands of EUR)	**2010**	**2009**
Zenitel NV	2 235	5 295
Zenitel Norway	1 170	1 848
Zenitel Finance Netherlands	492	231
Zenitel Caribbean	0	574
Zenitel CSS France	224	70
Zenitel Finland	242	199
Zenitel Denmark	589	0
Zenitel Marine Sweden	0	35
Zenitel Italy	210	98
Zenitel USA	68	107
Sold or liquidated or merged subsidiaries (refer to note 3 Divestments and note 35 Subsidiaries)	0	176
	4 060	**6 962**

15. Earnings per share

15.1 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 31	
	2010	**2009**
Basic earnings per share	-0,09	-0,49

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)	-1 538	-8 053
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures) - See note 32	16 441 309	16 441 309

15.2 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 has one category of dilutive potential ordinary shares: warrants. For these warrants, a calculation is 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.

(Thousands of EUR)	Year ended December 31	
	2010	**2009**
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures) - See note 32	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	-0,09	-0,49

For 2010 and 2009, no dilutive effect because the negative net result for these periods.

16. Property, plant and equipment

(Thousands of EUR)	Land & buildings	Installations & machinery	Furniture, fixtures & vehicles	Other tangible assets	Total
Cost or valuation					
Balance as at 1 January 2009	**6 782**	**4 145**	**6 170**	**14 316**	**31 413**
Additions	81	77	98	668	924
Disposals	0	-537	-762	-72	-1 371
Transfer from one heading to another	0	0	-4	0	-4
Disposals through sale of subsidiaries & activities	-6 782	-976	-1 577	-6 507	-15 842
Net foreign currency exchange differences	0	336	301	-59	578
Balance as at 1 January 2010	**81**	**3 045**	**4 226**	**8 346**	**15 699**
Additions		175	76	594	845
Disposals		-6	-10	-131	-147
Transfer from one heading to another		3			3
Net foreign currency exchange differences		189	218	534	941
Balance as at 31 December 2010	**81**	**3 406**	**4 510**	**9 343**	**17 341**
Accumulated depreciation and impairment					
Balance as at 1 January 2009	**-975**	**-3 707**	**-5 388**	**-5 247**	**-15 317**
Depreciation expense	-101	-118	-330	-1 551	-2 100
Eliminated on disposals of assets	0	451	616	0	1 067
Transferred from one heading to another	0	0	11	2	13
Disposals through sale of subsidiaries & activities	995	853	1 539	2 319	5 706
Net foreign currency exchange differences	0	-329	-294	6	-617
Balance as at 1 January 2010	**-81**	**-2 850**	**-3 846**	**-4 471**	**-11 248**
Depreciation expense		-86	-188	-1 027	-1 301
Eliminated on disposals of assets		-1	10		9
Transferred from one heading to another			-1	3	2
Net foreign currency exchange differences		-176	-192	-280	-648
Balance as at 31 December 2010	**-81**	**-3 113**	**-4 217**	**-5 775**	**-13 186**
Carrying amount					
As at 31 December 2009	**0**	**196**	**380**	**3 875**	**4 451**
As at 31 December 2010	**0**	**294**	**293**	**3 568**	**4 155**

17. Goodwill

(Thousands of EUR)	Year ended December 31	
	2010	**2009**
Cost		
Balance at beginning of year	**62 130**	**53 435**
Derecognized on disposal of a subsidiary	0	0
Effect of foreign currency exchange differences	3 091	8 695
Balance at end of year	**65 221**	**62 130**
Accumulated impairment losses		
Balance at beginning of year	**-58 093**	**-49 963**
Derecognized on disposal of a subsidiary	0	0
Impairment losses recognized in the year	-225	0
Effect of foreign currency exchange differences	-2 764	-8 130
Balance at end of year	**-61 082**	**-58 093**
Carrying amount		
At the beginning of the year	**4 037**	**3 472**
At the end of the year	**4 139**	**4 037**
Which is allocated as follows:		
Zenitel Finland Oy	0	210
Intercom: Zenitel Norway AS, Zenitel Marine Sweden A.B., Zenitel CSS France S.A., Zenitel Italy, Zenitel USA Inc, Zenitel Asia Pte. Ltd.	4 139	3 827
	4 139	**4 037**

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 discount rate applied to cash flow projections is the weighted average cost of capital (WACC) of 10,3% for all CGU's, given their ability to show positive results and stable revenues.

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.

Per December 2010, the remaining goodwil for Finland has been 100% impaired, resulting in an impairment charge of EUR 225 K. This implies that there is currently one CGU left in goodwill, being Intercom.

The numbers used in the cash flow projection, relate to the 2011 budgets which have been submitted by management to the Board.

As from 2011, the following growth rates have been used:
CGU1: Intercom – 2011: 3,5% - 2012: 2,7% - 2013: 2,7% - 2014 and beyond: sales growth 2,7% and 0,5% above inflation

Sensitivity analysis shows that the following sales growth rates would necessitate goodwill impairments:

CGU1: Intercom: 2,25% sales growth as from 2012
CGU1 requires a WACC exceeding 12,3% before goodwill is impaired.

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

18. Other intangible assets

(Thousands of EUR)			Year ended December 31
	Capitalized development	**Software, licenses**	**Total**
Cost			
Balance at 1 January 2009	**2 601**	**2 231**	**4 832**
- internally generated	1 998		1 998
- externally acquired	603	2 231	2 834
Additions (including internally generated)	185	294	479
Cancellations	0	0	0
Transfer from one heading to another	0	4	4
Disposals through sale of subsidiaries	-228	-1 112	-1 340
Net foreign currency exchange differences	364	42	406
Balance at 1 January 2010	**2 922**	**1 459**	**4 381**
- internally generated	2 203		2 203
- externally acquired	719	1 459	2 178
Additions (including internally generated)	346	305	651
Cancellations		-6	-6
Transfer from one heading to another			
Disposals through sale of subsidiaries			
Net foreign currency exchange differences	163	38	201
Balance at 31 December 2010	**3 431**	**1 796**	**5 227**
- internally generated	2 672		2 672
- externally acquired	759	1 796	2 555
Accumulated amortization and impairment			
Balance at 1 January 2009	**-1 015**	**-2 088**	**-3 103**
Amortization expense	-503	-422	-925
Impairment charge	0	0	0
Amortization cancelled (disposals)	0	8	8
Disposals through sale of subsidiaries	154	1 096	1 250
Net foreign currency exchange differences	-158	-41	-199
Balance at 1 January 2010	**-1 522**	**-1 447**	**-2 969**
Amortization expense	-607	-134	-741
Impairment charge			
Amortization cancelled (disposals)		3	3
Disposals through sale of subsidiaries			
Net foreign currency exchange differences	-103	-26	-129
Balance at 31 December 2010	**-2 232**	**-1 604**	**-3 836**
Carrying amount			
As at 31 December 2009	**1 400**	**12**	**1 412**
As at 31 December 2010	**1 199**	**192**	**1 391**

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.

19. Net impairment on current assets

(Thousands of EUR)	Year ended December 31	
	2010	**2009**
Continuing operations		
Impairment charge on inventories	335	425
Impairment charge on receivables	100	195
Reversal of impairment charge on inventories	0	0
Reversal of impairment charge on receivables	-241	38
Total impairment on current assets	**194**	**658**

20. Financial assets

(Thousands of EUR)	Year ended December 31	
	2010	**2009**
Finance lease receivables	0	0
Proceeds receivable arising from the sale of MCCN assets and contracts	1 292	1 738
Available for sale investments	421	425
Long term guarantee paid in cash	148	160
	1 861	**2 323**
of which current	430	406
of which non-current	1 431	1 916

Proceeds receivable arising from the sale of MCCN assets and contracts

(Thousands of EUR)	Year ended December 31					
	2010			**2009**		
	Current	**Non current**	**Total**	**Current**	**Non current**	**Total**
Fix proceeds receivable arising from sale of MCCN assets and contracts	289	118	407	356	435	791
Contingent proceeds receivable arising from sale of MCCN assets and contracts	141	744	885	50	896	946
Total	430	862	1 292	406	1 331	1 738

Refer to note 3 for further explanations on the sale of MCCN assets and contracts. 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 MCCN customer contracts that have been sold during the period from October 2009 till September 2014.

Available for sale investments

(Thousands of EUR)	Year ended December 31	
	2010	**2009**
At the beginning of the year	425	277
Acquisition	0	113
Disposals	-23	0
Net foreign currency exchange differences	19	35
At the end of the year	**421**	**425**

Acquisitions in 2009 consisted of capital increases in BNRS and in Zenitel Belgium NV.

The breakdown of the outstanding balance is as follows:		
- Zenitel Belgium SA	0	23
- Zenitel Netherlands BV	0	0
- Zenitel UK ltd	0	0
- TetraNet (Denmark):	116	116
- Bejing Nera Stentofon Comm. Equipment (China):	305	286
- Other (Norway)		
	421	**425**

The available-for-sale investments are accounted at fair value. Fair values are assessed on a regular basis and at the end of 2010, no objective evidence indicates that available-for-sale investments are impaired.

21. Inventories

	Year ended December 31	
(Thousands of EUR)	**2010**	**2009**
Raw material	350	537
Goods purchased for resale	7 628	7 812
Total inventories	**7 978**	**8 350**

Total inventory write offs amounted to EUR 335 K in 2010 (EUR 455 K in 2009) and EUR 0 K inventory write offs were reversed in 2010 (EUR 0 K in 2009). Inventory expenses are included in the raw materials and consumables used line of the income statement.

22. Contracts in progress

(Thousands of EUR)	Year ended December 31	
	2010	**2009**
At the beginning of the year	**3 311**	**5 341**
Change due to deconsolidation of activities	-1 745	-1 718
Contract costs incurred plus recognized profits less recognized losses to date	6 090	9 637
Less: progress billings during the year	-7 407	-10 532
Net foreign currency exchange differences	55	33
Advances received from customers and included in 'other payables'	397	550
At the year end	**700**	**3 311**

With respect to contracts in progress, the revenue recognition occurs according to the Percentage of Completion Method. In 2010 the total contract revenue recognized amounted to EUR 6,1 million. (2009: EUR 9,6 million).
The stage of completion is measured based on estimates of the work to be performed to complete the contract.

23. Trade and other receivables

	Year ended December 31	
(thousands of EUR)	**2010**	**2009**
Trade receivables	15 371	14 763
Allowance for doubtful debts	-982	-2 143
	14 389	**12 619**
Other receivables		
Credits to receive from suppliers	0	0
Tax receivables, other than income tax	323	509
Income tax receivable	41	12
Other receivables	383	426
Total Other receivables	**747**	**947**
Total trade and other receivables	**15 136**	**13 566**

The total amount of trade receivables is presented after deduction of a bad debt allowance of EUR 1,0 million (2009: EUR 2,1 million)

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

			Of Which:							
	Gross amount as at 31 December 2010	Of which: not past due on the reporting date	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
Credits to receive from suppliers	0	0	0	0	0	0	0	0	0	0
Tax receiv-ables, 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**

			Of Which:							
	Gross amount as at 31 December 2009	Of which: not past due on the reporting date	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 allow-ance for doubtful debtors	Net carrying amount as at 31 December 2009
Trade receivables	14 763	6 147	3 697	1 026	430	626	304	2 533	-2 143	12 619
Credits to receive from suppliers	0	0	0	0	0	0	0	0	0	0
Tax receivables, other than income tax	509	509	0	0	0	0	0	0	0	509
Income tax receivable	12	7	5	0	0	0	0	0	0	12
Other receivables	426	411	2	3	2	0	0	9	0	426
Total	**15 710**	**7 073**	**3 704**	**1 028**	**432**	**626**	**304**	**2 541**	**-2 143**	**13 566**

The average credit period on sales of goods and services is 77,5 days (2009: 77,0 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.

Movement of the allowance for doubtful debtors		
(Thousands of EUR)	Year ended December 31	
	2010	**2009**
Balance at beginning of the year	-2 143	-1 178
Amounts written off during the year	112	454
Amounts recovered during the year	-14	0
Change due to sales of subsidiaries or operations	1 148	-891
Decrease / (Increase) in allowance recognized in profit or loss	-100	-345
Translation difference	15	-183
Balance at end of year	**-982**	**-2 143**

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 6,4% and 3,4% 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 doubtfull debtors.

24. Cash and cash equivalents

(Thousands of EUR)	Year ended December 31	
	2010	**2009**
Cash at bank and in hand	3 552	4 851
Short term bank deposit	561	678
Total cash and cash equivalents	**4 113**	**5 529**

The weighted average effective interest rate on short-term bank deposits amounts to 0,63 %
(2009: 1.65%).

25. Trade and other payables

(Thousands of EUR)	Year ended December 31	
	2010	**2009**
Trade payables	**7 509**	**8 449**
Remuneration & staff related liabilities	3 877	3 652
Accrued expenses	2 755	2 940
Advances received on contracts	890	576
Other advances received	492	102
Other	1 097	1 083
Other payables	**9 111**	**8 353**
Total trade and other payables	**16 620**	**16 802**

26. Borrowings

(Thousands of EUR)	Year ended December 31	
	2010	**2009**
Non-current		
Bank borrowings	8 258	10 059
Shareholders' loans	1 000	1 500
Finance lease liabilities	0	6
	9 258	**11 565**
Current		
Bank overdraft	1 159	1 300
Bank borrowings (straight loans)	0	0
Shareholders' loans	500	0
Current installment of long term loan	1 885	1 395
Finance lease liabilities	8	3
	3 552	**2 698**
Total borrowings	**12 810**	**14 263**

The weighted average interest rates per year amounts to:	**2010**	**2009**
Leasing	4,00	4,00
Shareholders' loan	3,60	3,99
Bank borrowings LT	6,46	6,87
Bank borrowings ST	NA	NA
Bank overdrafts	5,61	5,31

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. Note however that as a result of the sale of the building activities in Belgium in 2009, the company has no major (finance) leasing debts anymore.

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

	31 December 2010			31 December 2009		
	Total future payments	**Unexpired interest expenses**	**Present value**	**Total future payments**	**Unexpired interest expenses**	**Present value**
Not later than one year	3 017	632	2 385	2 149	754	1 395
Between one and five years	10 631	1 373	9 258	10 639	1 831	8 808
Later than five years	63	63	0	2 952	203	2 749
Total	**13 711**	**2 068**	**11 643**	**15 740**	**2 788**	**12 952**

The financial lease liabilities are payable as follows :

	31 December 2010			31 December 2009		
	Total future payments	**Unexpired interest expenses**	**Present value**	**Total future payments**	**Unexpired interest expenses**	**Present value**
Not later than one year	9	2	8	4	1	3
Between one and five years	0	0	0	8	1	7
Later than five years	0	0	0	0	0	0
Total	**9**	**2**	**8**	**12**	**2**	**10**

In 2009 the Group signed a new credit agreement with one of it's main lending financial institutions. The total debt towards this lender amounts to EUR 2.750K, of which EUR 750K is payable in 2011. The applied interest rate amounts to EURIBOR + 3% and 3D NV subordinated it's shareholder loan to this financial institution.
In 2007, a long term borrowing was closed for EUR 5 million. This borrowing is subordinated towards the other bank debts. After debt renegotiations in 2009, the applicable interest rate became 6% with the first installment of 1/12 of the loan each time due in July 2011 and July 2012.

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 ANG, are 3 to 6 years. Early in 2010 the Company was able to renegotiate the fixed interest rate of this borowing from 9,00% to 7,75%. The Caribbean group company uses the local long term borrowings to finance its local investments. The financing occurs on a non-recourse basis.
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 2010 is EUR 1.107 K. 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. This loan becomes payable in 2011 and 2012. The interest rate remained unchanged and equals EURIBOR + 3%.
The Norwegian group company has a credit facility of NOK 20 million. This credit facility allows for borrowing up to 80% of the value of the customer invoices. At the same time, a line of arrangement up to a maximum of NOK 10 million is available, allowing to borrow up to 25% of the inventory value. As per 31 December 2010 EUR 1,3 million of this credit facility was used against EUR 1,3 million as per 31 December 2009. The interest rate on this facility on average amounted to 4,2% in 2010 (4,5% in 2009).

The total credit lines held by the Company amount to EUR 15,8 million (2009: EUR 15,9 million). In addition, the company also holds lines for bank guarantees at different credit institutions for in total almost EUR 8,3 million (2009: EUR 9,6 million)of which EUR 3,8 million are used to secure the completion of customer contracts. EUR 2,0 million of these used bank guarantees relate to discontinued activities and are covered by a counter guarantee of EUR 2,9 million received from the purchasers of these discontinued activities.

27. 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 unrecognised 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)	2010	2009
Opening retirement benefit obligation as previously reported	4 029	3 938
Restatement of retirement benefit obligation	-2 421	-2 421
Opening retirement benefit obligation	**1 608**	**1 517**
Additions to provisions	21	788
Payments	-284	-532
Reversal of provisions	-842	-120
Retirement benefit obligations disposed of as a result of divestments	0	-107
Exchange differences	209	62
Retirement benefit obligation at end of year	**712**	**1 608**
Non-current	626	1 446
Current	86	162
	712	**1 608**

Due to the restructurings that have been implemented in the previous years, additional pension liabilities (in addition to pension plans) have been recognized. These relate to pre-pensions. The calculation of these long-term liabilities is based on the recommendations of independent qualified actuaries.

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

(Thousands of EUR)	Year ended December 31	
	2010	**2009**
Present value of funded obligations as previously reported		9 510
Restatement of retirement benefit obligation		-2 421
Present value of funded obligations	2 643	7 089
Fair value of plan assets	-3 958	-7 396
Funded status	-1 315	-307
Present value of unfunded obligations	337	473
Unrecognized actuarial gains (losses)	1 690	1 435
Unrecognized past service (cost) benefit	0	-8
Net Liability	**712**	**1 593**
Amounts recognized in the balance sheet		
Recognized as non current liability / retirement benefit obligations - as previously reported		3 868
Restatement of retirement benefit obligation		-2421
Recognized as non current liability / retirement benefit obligations	626	1 447
Recognized as current liability / retirement benefit obligations	86	162
Recognized as non current asset	0	-16
Net Liability	**712**	**1 593**

The amounts recognized in the income statements are as follows:		
	2010	**2009**
Continuing operations		
Current service cost	570	698
Interest costs	576	416
Expected return on plan assets	-386	-293
Amorization of past service cost	4	4
Net actuarial losses recognised in year	1	60
Gain on curtailment	0	0
Settlement gain	0	0
Total pension costs (continuing operations)	**765**	**885**
Discontinued operations		
Current service cost	0	162
Interest costs	0	128
Expected return on plan assets	0	-143
Amorization of past service cost	0	0
Net actuarial losses recognised in year	0	-10
Gain on curtailment	0	0
Settlement gain	0	0
Total pension costs (discontinued operations)	**0**	**137**
Continuing & discontinued operations		
Current service cost	570	860
Interest costs	576	544
Expected return on plan assets	-386	-436
Amorization of past service cost	4	4
Net actuarial losses recognised in year	1	50
Gain on curtailment	0	0
Settlement gain	0	0
Total pension costs	**765**	**1 022**
Actual return on plan assets	**502**	**453**

Changes in the present value of the defined benefit obligation are as follows:		
	2010	**2009**
Opening defined benefit obligation as previously reported		11 259
Restatement of retirement benefit obligation		-2 421
Opening defined benefit obligation	7 562	8 838
Service cost	568	860
Interest cost	480	544
Plan participants' contributions	50	269
Actuarial losses (gains)	683	-934
Expenses paid	-3 652	-3 542
Losses (gains) on curtailments	0	835
Liabilities extinguished on settlements	0	737
Exchange differences on foreign plans	130	816
Benefits paid	-805	-861
Closing defined benefit obligation	**5 016**	**7 562**

Changes in the fair value of the plan assets are as follows:	2010	2009
Opening fair value of plan assets	7 396	8 678
Expected return	386	436
Actuarial gains and (losses)	116	17
Contributions by employer	834	923
Plan participants' contributions	50	269
Expenses paid	-4 128	-3 371
Plan settlements	0	737
Exchange differences on foreign plans	109	568
Benefits paid	-805	-861
Closing fair value of plans assets	**3 958**	**7 396**

The group expects to contribute EUR 0,6 million to its defined benefit pension plans in 2011.

	Year ended December 31		
	2010	**2009**	**2008**
Opening defined benefit obligation as previously reported			-11 259
Restatement of retirement benefit obligation			2 421
Defined benefit obligation	-5 016	-7 562	-8 838
Plan assets	3 958	7 396	8 678
Surplus/(deficit)	**-1 058**	**-166**	**-160**
Experience adjustments on plan assets	116	17	-1 076
Experience adjustments on plan liabilities	1 678	2 633	146

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**	
	2010	**2009**	**2010**	**2009**
	percentage		Thousands of EUR	
Equity instruments	0.00	0.00	0	0
Debt instruments	2,30	1,10	2 026	1 815
Real estate	0.00	0.00	0	0
Other	1,95	3,86	1 932	5 581
Weighted average expected return	**2,13**	**3,47**	**3 958**	**7 396**

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:		
	2010	**2009**
Weigthed average assumptions to determine benefit obligations		
Discount rate	5,00	4,94
Rate of compensation increase	4,00	4,30
Rate of price inflation	2,00	3,14
Weigthed average assumptions to determine the net costs		
Discount rate	5,08	4,85
Expected long term rate of return on plan assets during the financial year	4,38	4,96
Rate of compensation increase	4,37	3,80
Rate of price inflation	2,99	3,31

Change from defined benefit to defined contribution plan in Norway
In the first half of 2010 the Norwegian group companies changed from a defined benefit plan to a defined contribution plan. This implied in 2010 a reversal of the Norwegian pension provisions, resulting in a favorable impact of EUR 0,8 million on the 2010 income statement.

Restatement of retirement benefit obligation Caribbean plan
During the 2010 year end closing procedures an error in the actuarial calculations of the Caribbean pension plans was identified. This error dates back to the year 2000, when IAS 19 was for the first time adopted in the consolidated financial statements of the Zenitel group. In accordance with IAS 8, the correction of EUR 2,4 million (decrease of pension liability) has been posted as an opening equity adjustment. As this correction has no material impact on the 2009 income statement, no changes have been made to the reported 2009 income statement figures. As this correction has no material impact on the 2009 income statement, no changes have been made to the reported 2009 income statement figures.

28. Provisions

(Thousands of EUR)	Restructuring	Technical guarantees	Other	Total
On January 1, 2009	**4 905**	**754**	**2 446**	**8 105**
Additions to provisions	1 412	245	1 887	3 544
Utilization	-1 140	-95	-76	-1 311
Reversal of provisions	-835	-31	-8	-874
Provisions disposed of as a result of deconsolidation	-1 019	-321	-467	-1 807
Exchange differences	17	23	0	40
On December 31, 2009	**3 339**	**575**	**3 782**	**7 696**
Non-current	1 745	0	200	1 945
Current	1 594	575	3 582	5 751
	3 339	**575**	**3 782**	**7 696**
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**

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 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 aroze upon restructuring the holding company in the second half of 2009.

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, jubilee premiums or legal claims. In 2010 additional provisions had to be set up relating to pending litigations. On the other hand the deconsolidation of NRSFRANCE caused this provisions to also decrease significantly.

Provisions were set up based on the current situation of the different files, in order to cover risks linked to some of these litigations.

29. Financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recognised 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 and 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).

(Thousands of Euro)	31 December 2010 Carrying value	31 December 2010 Fair value	31 December 2009 Carrying value	31 December 2009 Fair value	Level	Balance sheet caption
Financial assets at fair value through profit or loss	**885**	**885**	**946**	**946**		
Proceeds from sale of MCCN - contingent part	885	885	946	946	3	Financial assets
Non hedging derivatives	0	0	0	0	2	Financial assets
Financial assets availabe for sale	**421**	**421**	**425**	**425**		
Available for sale investments	421	421	425	425	3	Financial assets
Loans and receivables	**15 327**	**15 327**	**13 996**	**13 996**		
Proceeds from sale of MCCN - fix part	407	407	791	791	3	Financial assets
Long term guarantees paid in cash	148	148	160	160	3	Financial assets
Other financial assets	0	0	0	0	3	Financial assets
Finance lease receivables	0	0	0	0	3	Financial assets
Trade receivables	14 389	14 389	12 619	12 619	3	Trade and other receivables
Credits to receive from suppliers	0	0	0	0	3	Trade and other receivables
Other receivables	383	383	426	426	3	Trade and other receivables
Financial liabilities at amortized cost	**29 430**	**29 430**	**31 065**	**31 065**		
Interest bearing loans and borrowings	12 810	12 810	14 263	14 263	1	Interest bearing loans and borrowings LT and ST
Trade payables	7 509	7 509	8 449	8 449	3	Trade and other payables
Other payables	9 111	9 111	8 353	8 353	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 2010 and 2009 there were no forward exchange contracts outstanding.

30. Contingencies

Relating to its contingent liabiities, the total maximum exposure is estimated at 5,7 million Euro. The relating contingent liabilities relate to possible obligations in respect of old projects, soil contamination, local authorities and redundancies. The estimated contingent liabilities amount to 0,01 million Euro. This contingent liability has been calculated based on estimated probabilitities of possible obligations, with uncertainty on timing and/or amount arising in the course of the business.

31. 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 31	
	2010	**2009**
Not later than 1 Year	2 526	2 344
Later than 1 year and not later than 5 years	4 844	3 784
Later than 5 years	163	409
	7 533	**6 537**

Lease payments recognized in the income statement for the current period amount to EUR 2,7 million (2009: 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 31	
	2010	**2009**
Not later than 1 Year	1 905	891
Later than 1 year and not later than 5 years	7 386	1 844
Later than 5 years	0	0
	9 291	**2 735**

Lease payments recognized in the income statement for the current period amount to EUR 1,9 million (2009: EUR 0,9 million).

Commitments for expenditure by group companies
The Group has no significant purchase commitments, apart from the operating lease commitments indicated above.

32. Ordinary shares, treasury shares and warrants

The total number of Zenitel shares after the capital increase in 2007 amounted to 16.554.422 and did not change thereafter in 2007, 2008, 2009 and 2010.

Ordinary shares & treasury shares

	Number of ordinary shares	Treasury shares	TOTAL
On December 31, 2007	**16 441 309**	**113 113**	**16 554 422**
On December 31, 2008	**16 441 309**	**113 113**	**16 554 422**
On December 31, 2009	**16 441 309**	**113 113**	**16 554 422**
On December 31, 2010	**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, 2010 EUR 25,274,723.
Warrants were granted to directors and to employees. However there are no warrants outstanding anymore as at year end 2010.
The table below gives an overview of the movement in 2010 of the outstanding number of warrants:

		2010	**2009**
		Weighted average exercise price (EUR)	
At the beginning of the financial year	**54 842**	**4,13**	**13,14**
Granted during the financial year			
Forfeited during the financial year			
Exercised during the financial year			
Expired during the financial year	54 842	4,13	16,49
Balance at the end of the financial year	**0**	**0,00**	**4,13**

33. Cash flows from operating activities

(Thousands of EUR)		Year ended December 31	
	Notes	**2010**	**2009**
Net profit / (Loss) for the year		-1 538	-8 053
Adjustments for :			
Income tax expense recognized in profit or loss	13	80	80
Finance cost recognized in profit or loss	11	1 176	1 753
Investment revenue recognized in profit or loss	10	-86	-172
Loss / (gain) on disposal of business	3	-209	3 040
Impairment loss recognized on trade receivables		-23	290
Impairment loss recognized on inventory	21	335	455
Depreciation and amortization of non-current assets	16,17,18	2 041	2 775
Impairment of goodwill recognized in profit or loss		226	0
Development costs expensed	9	1 571	1 913
		3 573	**2 081**
Movements in working capital:			
(Increase) / decrease in trade and other receivables		-3 368	-2 945
(Increase) / decrease in inventories		702	1 163
(Increase) / decrease contract work in progress		2 612	-464
(Increase) / decrease in other assets		-21	-798
Increase / (decrease) in trade and other payables		-1 617	7 337
Increase / (decrease) in provisions		2 190	4 225
Increase / (decrease) in tax liabilities		-170	-326
		328	**8 192**
Cash generated from operations		**3 901**	**10 273**

34. 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 dislosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Landlord of office building in Zellik
In 2009 Zenitel NV sold it’s real estate activities regarding the headquarters building in Zellik (Belgium) to 3D NV. After this sale, the company became a tenant. 3D NV is one of the reference share holders of the Zenitel Group. The rent charged by 3D NV to Zenitel NV is determined on an at arms’ length basis and amounts to EUR 60 K per year.

(Thousands of EUR)		Year ended December 31	
	Note	**2010**	**2009**
Receivables from related parties (thousands of EUR)		470	142
Director’s remuneration (thousands of EUR)*		150	88
WARRANTS GRANTED TO DIRECTORS (number)			
- Non executives		-	-
- Executives		-	-
SHAREHOLDER LOAN (thousands of EUR)	26	1 500	1 500
KEY MANAGEMENT - AVERAGE FTE		2,0	6,0
KEY MANAGEMENT REMUNERATION (thousands of Euro)*			
Short term employee benefits		546	1 316
Post-employment benefits		14	34
Other long-term benefits		0	0
Share-based payments (see warrants above)		0	0
Termination benefits		0	267
Total key management remuneration**		**560**	**1 617**

The CEO's total remuneration package for 2010 amounted to EUR 0.2 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.

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

** See also chapter on Corporate governance

35. 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 AB	100 %	Sweden
Zenitel CSS France S.A.	100 %	France
Zenitel Italy	100 %	Italy
Zenitel Finance Netherlands B.V.	100 %	Netherlands
SAIT Zenitel N.V. (previously called Zenitel Belgium NV)	13 %	Belgium
Zenitel Netherlands B.V.	15 %	Netherlands
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 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.
Finally, 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. Since control of NRSFRANCE SA was taken over by the judicial liquidator, the company has been deconsolidated.

36. Post balance sheet events

Not applicable.

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF ZENITEL NV ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which show a balance sheet total of 42.712 kEUR and a consolidated loss of 1.538 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 and consolidation principles, the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statement.

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 2010 give a true and fair view of the group's assets and liabilities, its financial position, the results of its operations and cash flow in accordance with International Financial Reporting Standards as adopted by the European Union.

Although the company and its subsidiaries (jointly "the group") have incurred considerable losses which affect the financial position of the group, the consolidated financial statements are prepared in going concern. This assumption is only justified to the extent that the group 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 consolidated Directors' report in which the Board of Directors 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 group discontinues 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 annex 30 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, 23 March 2011

BDO Réviseurs d'Entreprises Soc. Civ. SCRL

Statutory auditor

Represented by Veerle Catry

STATUTORY FINANCIAL STATEMENTS OF ZENITEL NV

Statutory balance sheet

Assets		
(Thousands of EUR)		31 December
	2010	2009
Fixed Assets	**43 781**	**44 006**
Formation expenses	241	420
Intangible assets	5	10
Tangible assets	71	90
Land end buildings		0
Installations, machines and equipment		0
Furnitures and vehicules	7	0
Other tangible assets	64	90
Financial Assets	43 464	43 486
Affiliated enterprises	43 464	43 486
Other financial assets	0	0
Current assets	**6 266**	**5 796**
Amounts receivable more than one year	36	0
Other receivables	36	0
Amounts receivable within one year	6 061	5 423
Trade debtors	763	614
Other amounts receivable	5 298	4 809
Investments	0	155
Other investments and deposits		155
Cash at bank and in hand	136	157
Deferred charges and accrued income	33	61
Total	**50 047**	**49 802**

Equity & Liabilities		
(Thousands of EUR)		31 December
	2010	2009
Capital and reserves	**27 741**	**31 040**
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	(58 864)	(55 566)
Provisions, deferred taxation	**5 732**	**5 288**
Pensions and similar obligations	1 862	2 410
Other liabilities and charges	3 870	2 878
Creditors	**16 574**	**13 475**
Amounts payable after one year	8 610	10 357
Leasing and other similar obligations	0	0
Credit institutions	7 610	8 857
Other debts	1 000	1 500
Amounts payable within one year	7 797	2 917
Current portion of amounts payable after one year	505	4
Credit institutions	1 247	831
Suppliers	909	1 391
Taxes, remuneration and social security	98	178
Taxes	26	26
Remuneration and social security	72	152
Other amounts payable	5 038	513
Accrued charges and deferred income	167	201
Total	**50 047**	**49 803**

Statutory income statement

(Thousands of EUR)	Year ended 31 December	
	2010	**2009**
Operating income	**5 058**	**13 215**
Turnover	-	-
Increase (+); decrease (-) in stocks of finished goods, work and contracts in progress	-	-
Owned constuction capitalized	-	-
Other operating income	5 058	13 215
Operating Charges	**(5 346)**	**(10 417)**
Raw materials, consumables and goods for resale	-	-
Purchases	-	-
Increase (+); decrease (-) in stocks	-	-
Services and other goods	5 310	6 071
Remuneration, social security costs and pension costs	1 088	1 088
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	211	499
Increase (+); decrease (-) in provisions for liabilities and charges	(1 263)	2 711
Other operating charges	-	48
Operating profit (+)	**-**	**2 798**
Operating loss (-)	**(288)**	**-**
Financial income	**652**	**927**
Income from financial fixed assets	567	605
Income from current assets	0	2
Other financial income	85	320
Financial charges (-)	**(969)**	**(13 167)**
Interest and other debt charges	619	706
Amounts written off current assets	-	12141
Other financial charges	350	320
Profit on ordinary activities before taxes (+)	**-**	**-**
Loss on ordinary activities before taxes (-)	**(605)**	**(9 442)**

Statutory income statement (continued)		
(Thousands of EUR)	Year ended 31 December	
	2010	**2009**
Extraordinary income	**277**	**4 214**
Reversal of provisions for exceptional risks and charges	222	-
Gain on disposal of fixed assets	-	-
Other extraordinary income	55	4 214
Extraordinary charges (-)	**(2 973)**	**(2 191)**
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 -)	1 929	2 191
Loss on disposal of fixed assets	-	-
Other extraordinary charges	1 044	-
Profit for the period before taxes (+)	**-**	**-**
Loss for the period before taxes (-)	**(3 301)**	**(7 419)**
Income taxes (-) (+)	**(4)**	**(19)**
Income taxes (-)	0	(2)
Adjustment of income taxes & write-back of tax provisions	4	21
Profit for the period (+)	**-**	**-**
Loss for the period (-)	**(3 297)**	**(7 400)**
Profit for the period available for appropriation (+)	**-**	**-**
Loss for the period available for appropriation (-)	**(3 297)**	**(7 400)**
Profit to be appropriated	**-**	**-**
Loss to be appropriated	**(58 864)**	**(55 566)**
Profit for the period available for appropriation (+)	-	-
Loss for the period available for appropriation (-)	(3 297)	(7 400)
Loss brought forward	(55 566)	(48 166)
Transfers from capital and share premium account	**-**	**-**
Profit to be carried forward	**0**	**0**
Loss to be carried forward	**(58 864)**	**(55 566)**

DIVIDEND POLICY

In view of the losses realised during the period under review (2010 and 2009), no dividends have been paid out.

LEGAL AND ARBITRATION PROCEEDINGS

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

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF ZENITEL NV ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

In accordance with the legal and statutory 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 financial statements as well as the required additional statements.

Unqualified audit opinion on the financial statements with an emphasis of matter paragraph

We have audited the financial statements of Zenitel NV for the year ended 31 December 2010, prepared in accordance with the financial reporting framework applicable in Belgium, which show a balance sheet total of 50.047.355,83 EUR and a loss for the year of 3.297.166,24 EUR.

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

Our responsibility is to express an opinion on these 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 Institute of Registered Auditors (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 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 financial statements. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the 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 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 policies used and the reasonableness of accounting estimates made by management, as well as the overall financial statement presentation.

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 financial statements for the year ended 31 December 2010 give a true and fair view of the company's assets and liabilities, its financial position and the results of its operations in accordance with the financial reporting framework applicable in Belgium.

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 extent 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 legal 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.

Additional statements

The preparation of the Directors' report and its content, as well as the company's compliance with the Company Code and its bylaws are the responsibility of management.

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

- The Directors' report includes the information required by law and is consistent with the financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the company is facing, and on 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.
- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- There are no transactions undertaken or decisions taken in violation of the company's bylaws or the Company Code that we have to report to you. The appropriation of results proposed to the general meeting complies with the legal and statutory provisions.
- In accordance with article 523 and 524 of the Companies Code, we are required to report on the following operations which have taken place during 2010:
  - The board of directors has decided during its board of directors meeting dd. 9 March 2010 to approve a consulting agreement with Beckers Consulting BVBA, represented by Eugeen Beckers.
    In its annual report, the Board of Directors has, in accordance with article 523 and 524 of the Company Code, mentioned this transaction in which Mr. Eugeen Beckers had a conflict of interest.

    We refer to the attached annual report for the related paragraphs from the minutes of the board of directors.

    The impact on the financial condition of the company is very limited. The terms and conditions of the proposed consultancy agreement are at arm's length.
  - During its board of directors meeting dd. 2 December 2010, the board of directors has considered the proposed capital increase of Sait Zenitel NV and Sait Zenitel Netherlands BV.
    In its annual report, the Board of Directors has, in accordance with article 523 of the Company Code, mentioned this transaction in which Mr. Eric Van Zele, VZH NV has a conflict of interest.

    We refer to the attached annual report for the related paragraphs from the minutes of the board of directors.

    The financial judicial implications for Zenitel NV relate to the fact that VZH NV, represented by Mr. Eric Van Zele, is shareholder and director of Cresent NV who has a majority share in Sait Zenitel NV and Sait Zenitel Netherlands BV. Zenitel NV has a 15% share in both companies and is being requested by Cresent to subscribe to a planned capital increase in both companies.

    - Zenitel NV will exercise a put option that it obtained resulting from its participation in the capital increase of Sait Zenitel NV in December 2009. As a result Zenitel NV's share in Sait Zenitel NV will dilute from 15% to 13%.
    - Zenitel NV will not participate in a new capital increase in Sait Zenitel NV, neither in Sait Zenitel Netherlands BV.

Merelbeke, 23 March 2011

BDO Réviseurs d'Entreprises Soc. Civ. SCRL

Statutory auditor

Represented by Veerle Catry

ANNEX TO THE REPORT OF THE BOARD OF DIRECTORS

In 2010, the procedure relating to conflicts of interest linked to article 523 of the Belgian Companies Code was applied two times. Please find below extracts of the minutes of the board meetings relating to the application of article of the Belgian Companies Code 523:

MINUTES OF THE BOARD OF DIRECTORS MEETING ON 9 MARCH 2010 AT 13 PM

The board of directors of the Company was held at 13:00 am at the Company's registered office.

The following persons attended and participated in the meeting or were represented:

- Frank Donck
- Beckers Consulting BVBA (represented by Eugeen Beckers) - chairman
- VZH NV (represented by Eric Van Zele)
- Duco Sickinghe
- Kenneth Dåstøl (CEO)

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:

Approval of consulting agreement of Beckers Consulting BVBA, represented by Eugeen Beckers

After this declaration by the chairman, the board of directors deliberates and decides on the item on the agenda.

Approval of consulting agreement of Beckers Consulting BVBA, represented by Eugeen Beckers.

Beckers Consulting BVBA, represented by Eugeen Beckers, informs the Board that it has a conflict of interest with respect to the proposed decision in accordance with Article 523 of the Company Code.

Next to its position as chairman of the Board of Directors of Zenitel NV, Beckers Consulting BVBA will perform advisory services to Zenitel NV. The conditions of this consulting agreement are to be approved by the Board. The approval of the consultancy agreement with Beckers Consulting BVBA has direct financial consequences for the Company.

Beckers Consulting BVBA, represented by Eugeen Beckers, leaves the room and does not take part in the deliberation and decision of the board with regards to the consulting agreement with Beckers Consulting BVBA.

The auditor will be informed of this conflict of interest.

The board discusses the draft consultancy agreement. The board of directors is of the opinion that the terms and conditions of the proposed consultancy agreement are at arm's length. The remuneration to be paid for the performed services is in line with the fees paid by the Company to other consultants. The impact on the financial condition of the Company is very limited.

Eugeen Beckers is the former CEO of the Company. The services to be performed by Beckers Consulting BVBA are important to support the new CEO and will further facilitate the tasks of the board of directors. Especially his in experience in the telecommunications sector and his in depth knowledge of several important litigation files of the company require him to stay actively involved.

The Board approves the conditions of the consulting agreement with Beckers Consulting BVBA. A power of attorney is given to each of the directors, acting individually, to execute the consultancy agreement with Beckers Consulting BVBA on behalf of the Company.

Eugeen Beckers reentered the meeting and closed the meeting at 13h 20.

MINUTES OF THE BOARD OF DIRECTORS MEETING ON 12 DECEMBER 2010 AT 15:45 PM

The board of directors of the Company was held at 15:45 PM at the Company's registered office.

The following persons attended and participated in the meeting or were represented:

- Frank Donck
- Beckers Consulting BVBA (represented by Eugeen Beckers) - chairman
- Blanco Blad BVBA (represented by Jo Van Gorp)
- VZH NV (represented by Eric Van Zele)
- Kenneth Dåstøl (CEO)

The following persons are invited

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

The following person was excused:

- Duco Sickinghe

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:

Capital increase SAIT ZENITEL NV and SAIT ZENITEL NETHERLANDS BV

After this declaration by the chairman, the board of directors deliberates and decides on the item on the agenda.

Capital increase SAIT ZENITEL NV and SAIT ZENITEL NETHERLANDS BV

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 Company Code.

Next to its position as member of the Board of Directors of Zenitel NV, VZH NV is shareholder and director of Cresent NV who has a majority share in SAIT ZENITEL NV and SAIT ZENITEL NETHERLANDS BV. Zenitel NV has a 15% share in both companies and is being requested by Crescent NV to subscribe to a planned capital increase in both companies.

VZH NV, represented by Eric Van Zele, leaves the room at 15h 48 PM and does not take part in the deliberation and

decision of the board with regards to the participation of Zenitel NV to the planned capital increases of SAIT ZENITEL NV and SAIT ZENITEL NETHERLANDS BV. The auditor will be informed of this conflict of interest.

The board discusses the request taking into account the strategic ad financial implications of subscribing into a new capital increase of both companies. After an in depth discussion and careful consideration, the following decisions are taken unanimously by the Board of Directors:

- Zenitel NV will exercise the put option that it obtained resulting from its participation in the capital increase of SAIT Zenitel NV in December 2009. As a result Zenitel NV's share in SAIT Zenitel NV will dilute from 15% to 13%.
- Zenitel NV will not participate in a new capital increase in SAIT ZENITEL NV, neither in SAIT ZENITEL NETHERLANDS BV.

VZH NV, represented by Eric Van Zele, reentered the meeting room at 15h58.

Having treated all items on the agenda, the chairman closed the meeting at 16h00 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, 1713 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:

Eric Goeyvaerts	Glenn Wiig, CFO	Kenneth Dåstøl, CEO
Tel: (32) (0)2 370 53 11	Tel: (47) 40 00 25 85	Tel: (47) 40 00 25 11
Fax: (32) (0)2 370 51 27	Fax: (47)33 03 16 61	Fax: (47)33 03 16 61

info@zenitel.com - www.zenitel.com

Zenitel NV, Z.1. Research Park 110, B-1731, Zellik, Belgium, BTW BE 0403 150 608 - RPR Brussels

The 2010 Annual Report is also available on www.zenitel.com (investor relations > financial reports) as from 14 April 2011.
Het jaarverslag 2010 is ook verkrijgbaar in het Nederlands op www.zenitel.com (investor relations > financial reports) vanaf 14 april 2011.

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 2010, 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	Glenn Wiig
CEO	CFO

BELGIUM

Zenitel NV (Head Office)
Z.1 Research Park Zellik 110
BE-1731 Zellik
Tel. +32 2 370 53 11
Fax +32 2 370 51 19
info@zenitel.com

BRAZIL

Zenitel Marine Brazil
Rua Florianopolis
1360 Bloco 1 Apt. 207
Praça Seca - Rio de Janeiro
Cep 21321-050
+55 21 8440 9665
belmiro.duarte@zenitel.com

CARIBBEAN

Zenitel Caribbean BV
Schottegatweg Oost 10
Bon Bini Business Center
Unit J, 1st floor
Curaçao, Netherlands Antilles
Tel. +599 9 737 2477
Fax +599 9 737 1651
info.caribbean@zenitel.com

Zenitel Caribbean BV
Professional Office park
Osprey Drive Building 1
Unit 1a
Philipsburg
St. Maarten, Netherlands
Antilles
Tel. +599 542 5414
Fax +599 542 2589
info.caribbean@zenitel.com

Zenitel Aruba NV
Ahmo Plaza
Av. Don Milio Croes 106
P.O. Box 2020
Oranjestad
Aruba, Netherlands Antilles
Tel. +297 582 7751
Fax +297 582 7766
info.caribbean@zenitel.com

Zenitel Saba BV
Saba, Netherlands Antilles
Tel. +599 9 737 2477
Fax +599 9 737 1651
info.caribbean@zenitel.com

Zenitel Sint Eustatius BV
Sint Eustatius (Statia),
Netherlands Antilles
Tel. +599 9 737 2477
Fax +599 9 737 1651
info.caribbean@zenitel.com

Zenitel Anguilla BV
c/o: Professional Office park
Osprey Drive Building 1
Unit 1a
Philipsburg
St. Maarten, Netherlands Antilles
Tel. +599 9 737 2477
Fax +599 9 737 1651
info.caribbean@zenitel.com

CROATIA

Zenitel Marine Med.
Put Brace Honovica 6
HR-51414 Icici/Opatija
Tel. +385 51 29 19 10
Fax +385 51 29 25 55
dragan.radosevic@zenitel.com

DENMARK

Zenitel Denmark AS
Park Allè 350A
DK-2605 Brøndby
Tel. +45 43 43 74 11
Fax +45 43 43 75 22
info.denmark@zenitel.com

FINLAND

Zenitel Finland Oy
Olarinluoma 14
02200 Espoo, Finland
Tel: +358 20 7792270
Fax: +358 20 7792271
info.finland@zenitel.com

FRANCE

Zenitel CSS France SA
Parc d'activité du Petit Nanterre
6 rue des Marguerites
FR-92737 Nanterre cedex
Tel. +33 1 47 88 50 00
Fax +33 1 43 34 50 21
info.france@zenitel.com

GERMANY

Zenitel Marine Germany
Langeoogstraße 6,
DE-26603 Aurich
Tel. +49 4941 6976 720
Fax +49 4941 6976 715
alfred.eilts@zenitel.com

ITALY

Zenitel Italia SRL
Via dei Lavoratori 17
IT-20092 Cinisello Balsamo MI
Italy
Tel. +39 02 66 59 00 20
Fax +39 02 61 24 71 10
massimo.donzelli@zenitel.com

THE NETHERLANDS

Zenitel Finance Netherlands BV
Microfoonstraat 5
NL-1322 BN Almere
P.O. Box 30350
NL-1303 AJ Almere
Tel. +31 36 54 62 600
Fax +31 36 54 62 601

NORWAY

Zenitel Norway AS
Sandakerveien 24C, Entrance D9
P.O. Box 4498 Nydalen
NO-0473 Oslo
Tel. +47 40 00 25 00
Fax +47 22 37 85 32
info@zenitel.com

Zenitel Norway AS
Bromsveien 17,
3194 Horten
Tel: +47 40 00 25 00
Fax: +47 33 03 16 61
info@zenitel.com

Zenitel Norway AS
Ingvald Ystgaards vei 3A,
7047 Trondheim
Tel: +47 40 00 25 00
Fax: +47 73 90 53 90
info@zenitel.com

SINGAPORE

Zenitel Marine Asia Pte. Ltd.
15 Tai Seng Drive #05-02
SG-535220 Singapore
Tel. +65 63 83 0200
Fax +65 63 83 0700
sales@zenitel.com.sg

SWEDEN

Zenitel Marine Sweden AB
Västra Lakullen 2
SE-43084 Styrso
Tel. +46 706 325 431
service@zenitel.com

USA

Zenitel USA, Inc.
6119 Connecticut Ave.
Kansas City, MO 64 120
Tel. +1 816 231 7200
Fax +1 816 231 7203
zenitel@zenitelusa.com