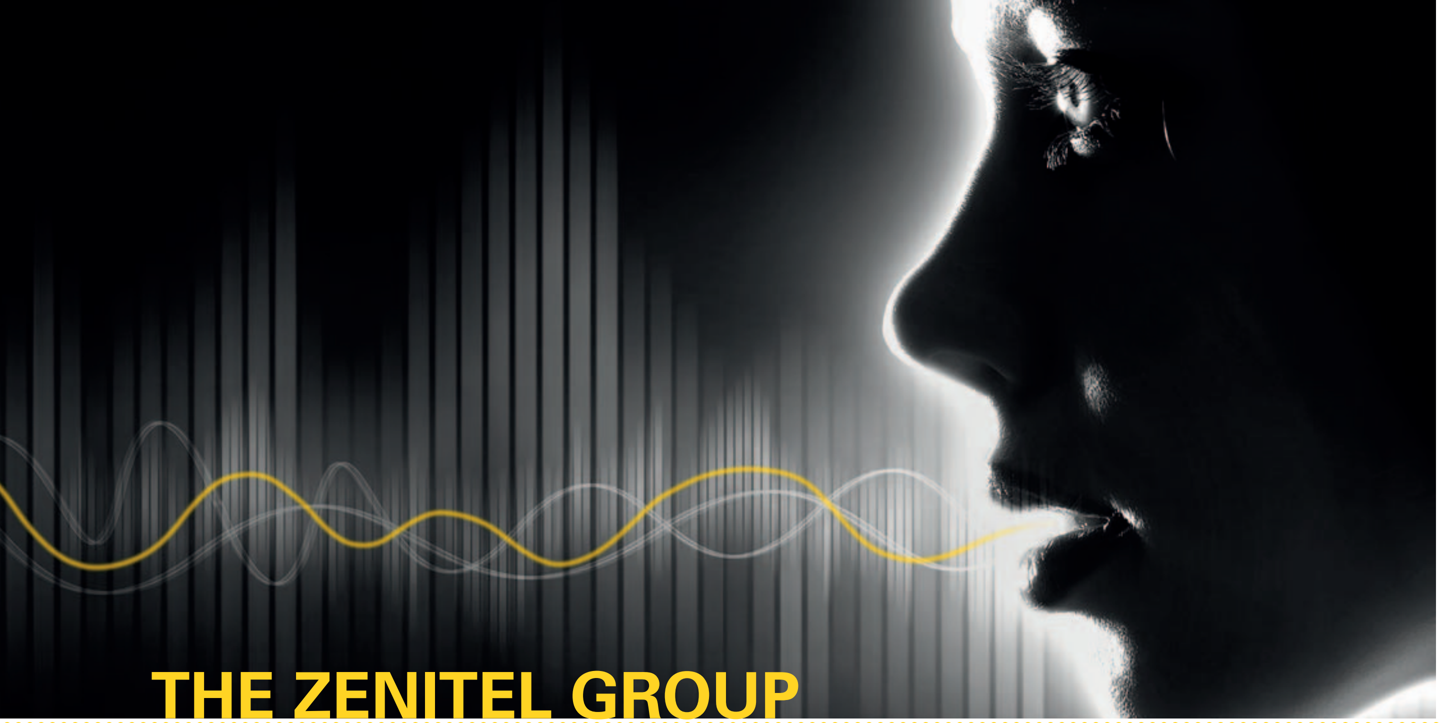
zenitel

ANNUAL REPORT 2019

BECAUSE ~~when~~ communication is critical



THE ZENITEL GROUP

OUR CORE VALUES

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

ACCOUNTABILITY
We follow through on our commitments.

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

TEAM WORK
We work as a team.

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

Zenitel is a leading provider of Intelligent Communication solutions that allow people to hear, be heard and be understood, in every situation. Because communication is critical in all areas of business, Zenitel systems interface with other security systems including CCTV, access control and alarm systems for a comprehensive security solution.

70 YEARS OF HISTORY AND A BRIGHT FUTURE AHEAD

Building on over 70 years of breakthrough innovations, Zenitel systems are at the forefront of today's technology landscape, well positioned to drive the future of Intelligent Communications. Fueled by technology trends like the Internet of Things (IoT), connected cloud systems, big data and machine learning, Intelligent Communications will soon become pervasive, reaching unprecedented levels of intelligence and convenience.

With a full range of IP products and solutions, built-in intelligence and security, the Zenitel portfolio is already providing organizations with maximum flexibility in scale and performance and is ready to reach unparalleled levels of deployment and usage.

INTEGRATED AND INTELLIGIBLE COMMUNICATIONS

Zenitel effectively bridges the traditional gaps between 2-way Intercom and Public Address and General Alarm solutions, making it the best alternative on the market, even for the world's most demanding secure communication environments. Zenitel also sells and integrates world-class third-party products that complement and seamlessly integrate with the Zenitel suite of products and solutions.

As a leading provider of Critical Communications over IP, Zenitel is also the proven and preferred audio- and data-communication choice for environments that require crystal-clear communication to ensure the protection of human life, property, assets and/or the management of critical activities.

Zenitel has a strong presence in both the onshore and offshore secure communications market through its global brands, Vingtor-Stentofon and Phontech, which are recognized worldwide for offering advanced offshore and onshore communication systems. Zenitel is listed on the Euronext stock exchange in Brussels, with statutory headquarter situated in Belgium. Zenitel's operational headquarter is in Norway.

CONTENTS

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

MISSION

As a company and individuals, we aim to provide the highest quality communication solutions available in the market, with the lowest possible impact on the environment.

We are committed to continuously improving our operations and enhancing our partners' and customers' experiences.

VISION

The world leading provider of intelligent communication solutions.

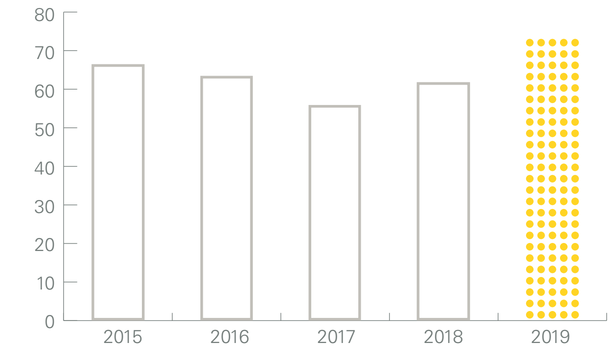
BRANDS

zenitel VINGTOR STENTOFON PHONTECH

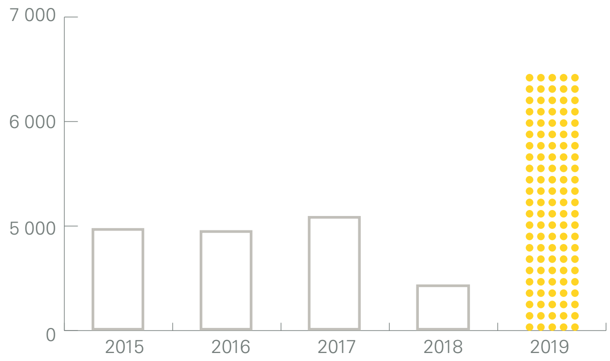
For more information, visit: **www.zenitel.com**

CONSOLIDATED KEY FIGURES

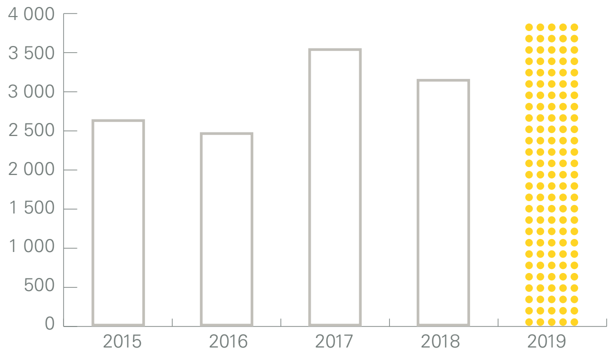
2019 REVENUE WAS € 76.3 MILLION COMPARED TO € 61.8 MILLION IN 2018



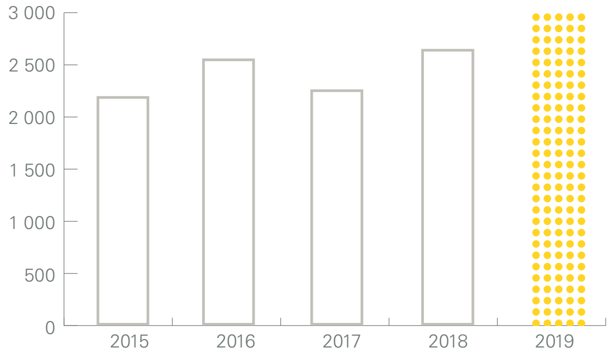
EBITDA (*) OF € 6.5 MILLION IN 2019 AGAINST € 4.2 MILLION IN 2018



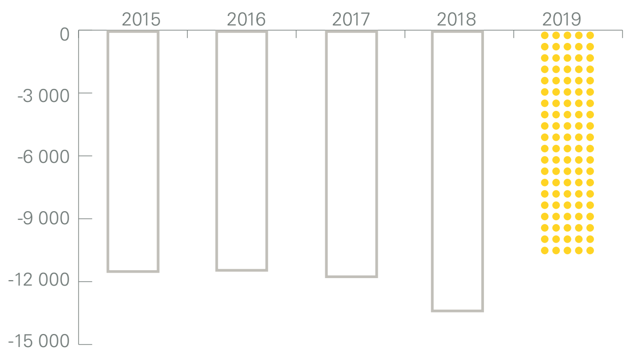
EBIT OF € 3.9 MILLION IN 2019 AGAINST € 3.2 MILLION IN 2018



NET RESULT CONTINUING OPERATIONS OF € 3.0 MILLION IN 2019 AGAINST € 2.7 MILLION IN 2018



NET DEBT (*) AND PROVISIONS REDUCED COMPARED TO LAST YEAR



(*) Impacted due to the adoption of IFRS 16.

(thousands of euro)	2019	2018	2017	2016	2015
FROM CONSOLIDATED STATEMENT OF PROFIT OR LOSS					
Revenue	**76 257**	61 831	59 915	63 473	66 498
Profit before tax	**3 765**	3 383	3 068	2 617	2 295
Profit of the year	**3 022**	2 653	2 265	2 561	7 329
FROM STATEMENT OF FINANCIAL POSITION					
Total assets (*)	**59 114**	50 138	44 763	47 494	54 652
Shareholders' equity	**32 578**	29 327	26 730	26 718	27 889
Working capital	**7 781**	5 967	2 474	1 535	2 475
Total financial debt (2) (*)	**5 612**	2 120	1 606	2 511	1 889
Total provisions (3)	**4 807**	4 789	5 514	5 215	4 081
Cash and cash equivalents	**21 331**	20 371	18 950	19 249	17 551
ALTERNATIVE PERFORMANCE MEASURES					
EBITDA (1) (*) (**)	**6 509**	4 240	5 223	4 313	4 033
Operating profit (EBIT)	**3 923**	3 164	3 557	2 483	2 649
Net result continuing operations	**3 022**	2 653	2 265	2 561	2 200
RATIOS					
Shareholder's equity ratio (*)	**55.1%**	58.5%	59.7%	56.3%	51.0%
Net debt (4) / EBITDA (*) (**)	**-2.4**	-4.3	-3.3	-3.9	-3.9
Net debt (4) and provisions (3) / EBITDA (*) (**)	**-1.7**	-3.2	-2.3	-2.7	-2.9
Weighted average number of shares (in thousands)	**3 308**	3 311	3 305	3 306	3 311
Shareholder's equity/share (EUR)	**9.85**	8.86	8.09	8.08	8.42
Earnings/share (EUR)	**0.91**	0.80	0.69	0.77	2.21
ROCE(5) (*)	**24.8%**	30.5%	43.0%	30.9%	25.8%
OTHER KEY FIGURES					
FTE (***)	**303**	300	264	266	283

(1) EBITDA: earnings before interest & taxes, depreciation and amortization
(2) Total financial debt: long term and short term interest bearing loans and borrowings
(3) Total provisions: Retirement benefit obligations plus provisions (both current and non current)
(4) Net debt: Total debt minus cash and cash equivalents
(5) ROCE: EBIT / (tangible assets + intangible assets + working capital)
(*) Impacted due to the adoption of IFRS 16
(**) Impairment on current assets are included in raw materials and consumables used which has an impact on EBITDA
(***) The reported group FTE's include both employees and contractors

DEAR SHAREHOLDERS

In 2019 we have realized a strong top-line growth of 23.3% thanks to a successful Phontech integration and healthy organic growth in all geographical regions. Zenitel has continued to invest in product development and talent to enable further growth in the coming years.

SOME FINANCIAL HIGHLIGHTS

- Total revenue amounted to 76.3 million euro compared to 61.8 million euro in 2018 which represents a growth of 23.3%.
- EBITDA amounted to 6.5 million euro, an increase of 2.3 million euro of which 1.8 million euro as a result of the adoption of IFRS 16.
- EBIT amounted to 3.9 million euro, compared to 3.2 million euro in 2018.
- Net profit from operations was 3.0 million euro, compared to 2.7 million euro in 2018.
- Financial cash position of 21.3 million euro at the end of 2019, compared to 20.4 million euro in 2018.

Zenitel's success is based on high-quality products and a customer-centric approach by passioned and dedicated people. That is why we continue investing in new product development and new talent to further strengthen our organization. New colleagues, mainly in the field of marketing & sales, R&D and management, have joined and strengthened our global team. The Zenitel transparent company culture together with Zenitel's position as a technology leader is a solid base for attracting new talent and for further developing team members within the company. We are tremendously grateful for the efforts, the dedication and the passion of all Zenitel employees worldwide.

In the building security and safety business, new sales channels have been opened and are further developed. This initiative, together with the strengthening of strategic alliances, mainly in the field of complementary technology partners, have increased our reach in the market. These complementary technologies, such as access control and CCTV, enable our customers to seamlessly integrate the Zenitel solutions in a full-fledged security platform.

ANOTHER EXCITING YEAR
From the left: Koen Claerbout, Jo Van Gorp.

By strengthening our technology leadership, Zenitel continues creating shareholder value.

In the maritime and energy industry, our market position has been strengthened by the acquisition of Phontech and further organic growth. In this market, Zenitel has broadened its product offering to enable profitable growth.

In 2019, our ambitious R&D team has developed new products and solutions with a focus on seamless integration, enhanced audio quality and ease of installation. The market launch of IC-EDGE and ICX, two key product ranges, enhanced the Zenitel product range. These developments enable Zenitel to further deliver to our partners and customers high performing products and solutions for the security market. We strongly appreciate the participation and input of our partners and customers in providing suggestions for future successful product and business development.

For our shareholders, we continue to create value by further developing our business in a sustainable and profitable way. The further increase of revenue, EBITDA and EBIT provides a solid basis for future value creation.

By marketing high performing and unique products and services, Zenitel is well positioned and intends to stay ahead of the competition in a price sensitive and challenging market.

Koen Claerbout
CEO

Jo Van Gorp
Chair

OUR WORLDWIDE PRESENCE

OUR GLOBAL PRESENCE ENABLES US TO PROVIDE SUPPORT AROUND THE WORLD, ENSURING OPTIMAL PERFORMANCE OF OUR COMMUNICATION SYSTEMS AT ALL TIMES.

Through our extensive network, we can coordinate and handle service assistance, combining our in-house expertise with skilled technical personnel and service engineers located around the world.

COUNTRIES WITH LOCAL OFFICES

16

FTE WORLDWIDE

303

FTE BY COUNTRY(3)

Nordics	
Norway	147
Denmark	24
Finland	13

Europe	
Croatia	33
Germany(2)	3
The Netherlands	1
Belgium	3
Italy	2
France	21
United Kingdom(1)	2

Americas	
Brazil(2)	3
United States	20

Asia	
Singapore	22
India(2)	4
United Arab Emirates	3
China(1)	2

Total	303

(1) Related offices
(2) Zenitel Agents
(3) The reported Group FTEs include both employees and contractors.

OUR BUSINESS

Zenitel is a company with solid foundations and an eye to the future. We continue to invest in product development and innovative technology so that our proud legacy of intelligent communication can continue for decades to come. At Zenitel, we recognize the importance of people to our development and growth. We closely monitor our employees' satisfaction, with a focus on training and personal development.

OVERVIEW

Zenitel is recognized globally for offering advanced offshore and onshore communications, through our product brands Vingtor-Stentofon and Phontech. Our primary system offerings are Public Address, Intercom and Two-Way Radio. Markets include Building Security & Public Safety, Transportation, Industrial, Energy, and Maritime. Our systems interface with other security devices, enabling end users and integrators to build interconnected solutions with access control, video surveillance, digital messaging and more for a comprehensive security solution.

OUR PERSONNEL

We foster our company culture through the continuous enhancement of our workforce through innovation, technology and personal development. We value teamwork and promote ongoing training programs and career-path development. With a dynamic mix of new and experienced personnel, we have a working environment that stimulates the growth of our company and brings out the best in every individual. Our market-leading position is a key asset in our efforts to attract the most qualified people in the industry.

OUR RESPONSIBILITY

OUR CUSTOMERS

Customer satisfaction and professionalism are extremely important in providing good customer service. Consistent quality control, investments in type approvals and certifications, as well as surveys measuring customer satisfaction underpin our strategy to build strong, sustainable customer relationships. A global Customer Service Center takes our responsibility towards customers a major step further.

OUR SUPPLIERS

Zenitel has well established partnerships with global suppliers in order to secure timely deliveries and the highest quality products.

OUR ENVIRONMENT

Zenitel products are produced according to environmental standards such as RoHS and other European Directives, as well as Waste Electrical and Electronic Equipment Directives. Zenitel complies with the IMO resolution (A.962 Clean Design/Green Passport) by documenting all materials in a marine vessel's construction that may be hazardous to humans or the environment.

OUR SHAREHOLDERS

We take pride in maintaining Zenitel's market value as a long-term and safe investment for our shareholders, while sustaining a healthy and controlled company growth.

OUR BRANDS

zenitel

ZENITEL is a corporate brand, under which our subsidiaries conduct their business.

VINGTOR STENTOFON

Vingtor-Stentofon is recognized globally for offering advanced offshore and onshore communication platforms. The brand provides integrated security communications for environments where life, property and assets are at stake. Vingtor-Stentofon's primary system offering is within Public Address, Intercom and Two-Way Radio.

PHONTECH

Phontech specializes in Intercom and Public Address & General Alarm solutions for the global Maritime and Energy markets, with a worldwide market presence. Phontech was established in 1987. On 1 November 2018, Zenitel Group acquired the Phontech business and products from Jotron AS.

OUR MARKETS

Our strategy for investing in new products and solutions relies on our knowledge of, and operational focus on targeted markets. We provide specific communication solutions and products to the following markets:

MARITIME

Zenitel has gained a reputation as a supplier of flexible, reliable and advanced systems for Critical Communication, Data, Safety and Entertainment for over 70 years. Over 30,000 ships sailing around the world have our type-approved and certified equipment installed onboard.

ENERGY

Our products and solutions are made for use in advanced operations executed in demanding environments. We work closely with highly skilled professionals in the Energy industry, maintaining a constant focus on operational safety and security.

INDUSTRIAL

Zenitel solutions are designed to meet the needs of plant owners, managers, employees and visitors. Operations in hazardous areas, clean rooms and control rooms all benefit from our ability to ensure people can always hear, be heard and be understood.

TRANSPORTATION

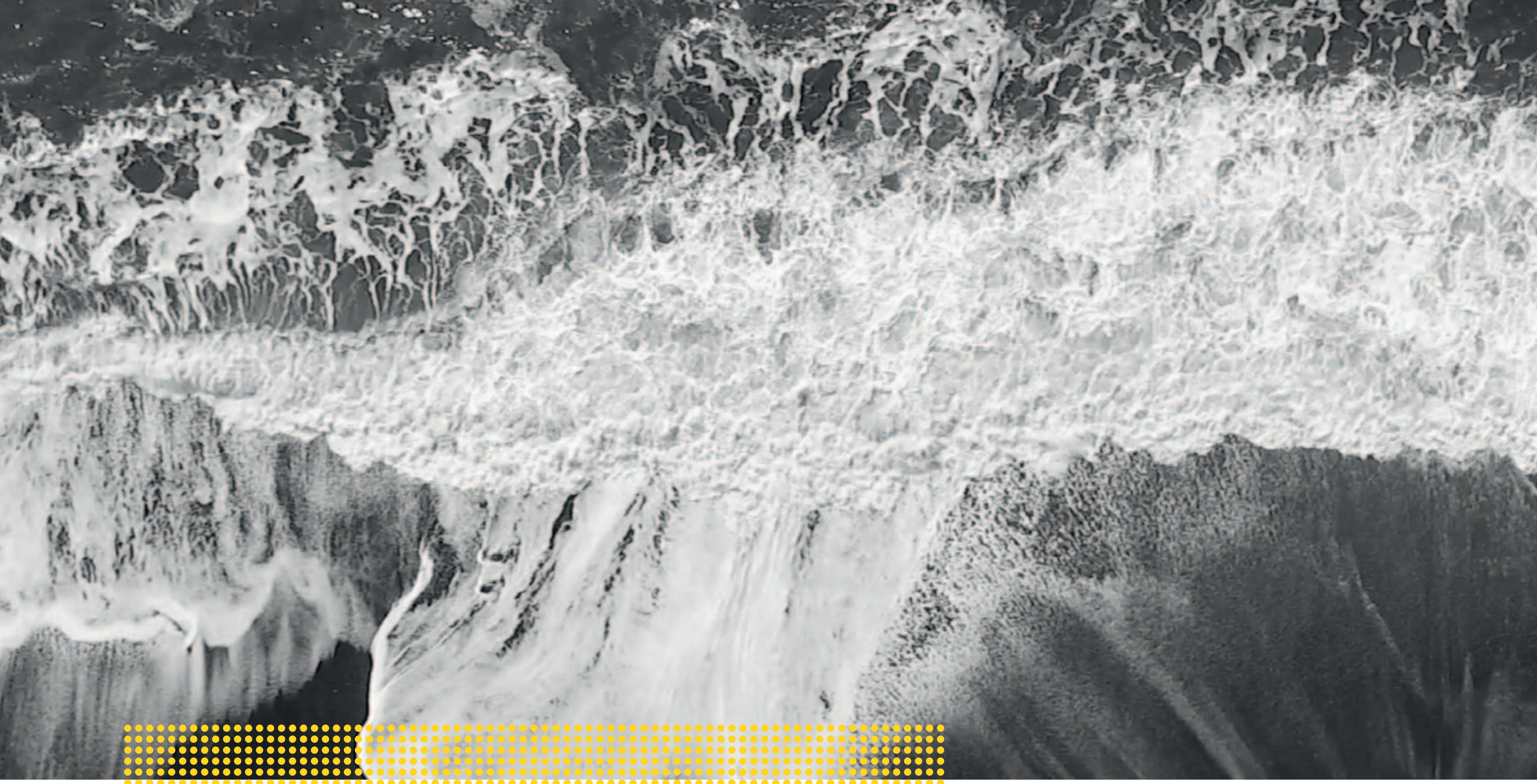
Zenitel offers Integrated audio communication solutions for a wide range of projects, such as toll booths, airports, roadside & tunnel assistance, trains & metros, and harbor docks & ports. Through our SIP capabilities, we also offer communication points in a pre-existing or new VoIP system.

BUILDING SECURITY

Zenitel has revolutionary IP Audio and VoIP Solutions for emergency communications, IP Video Door Intercom, Public Address, and Mass Notification. We base all our solutions on the single most important criteria: Intelligibility - the ability to hear, be heard and be understood, in every situation.

PUBLIC SAFETY

Using high-quality voice and audio integration, city-protection services can cover wider areas and use their security forces more efficiently. By introducing durable and rugged communication points, an additional level of security and comfort to the public can be reliably provided.



OUR CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENTAL POLICY, CERTIFICATIONS AND STANDARDS.

To ensure that we continually run our company to the highest possible standard, we are committed to meeting stringent, internationally recognized quality, environmental and safety standards.

THREE STEPS OF INNOVATION FOR THE ENVIRONMENT

Because we care about the planet and its inhabitants, we continually strive toward setting and maintaining sustainable processes throughout the value chain.

1. REDUCE PRODUCTION WASTE:

Zenitel complies with the European WEEE (Waste Electrical and Electronic Equipment) directive for environmental conservation, ensuring that discarded equipment is recycled appropriately.

2. GREEN PASSPORT:

Zenitel 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.

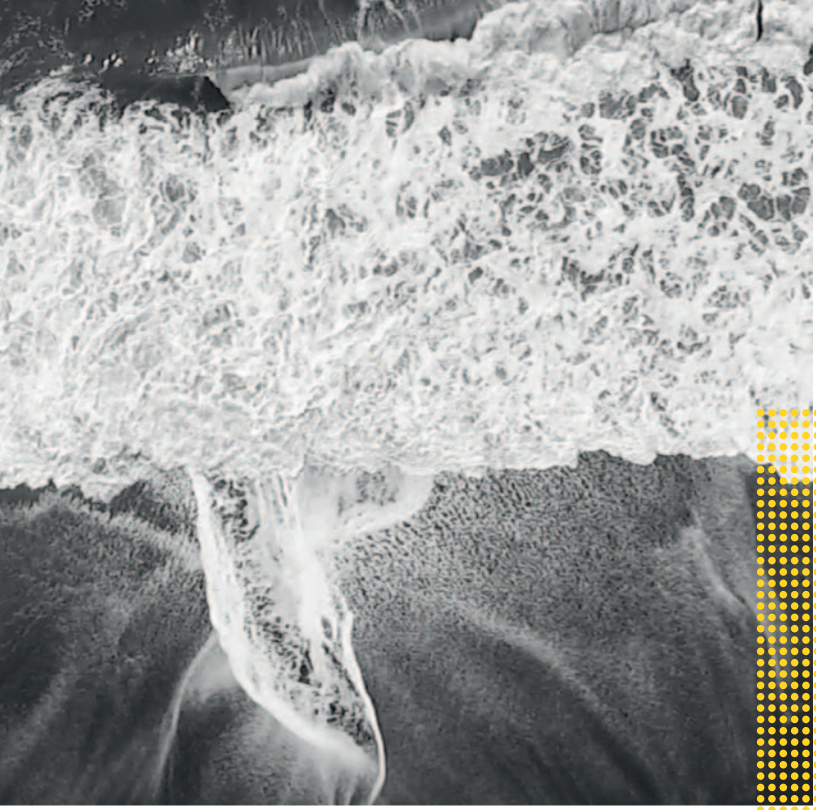
3. LEAN LOGISTICS:

We avoid wasteful activities in our supply chain to reduce environmental impacts. We optimize our stock levels and source components locally where possible, to minimize our carbon footprint from transport and storage. Globally, we encourage our suppliers, distributors and customers to conduct business in an environmentally responsible manner.

Zenitel uses DHL GoGreen Solutions, which optimizes transport routes, alternative drive vehicles and energy-efficient warehouses to reduce CO_2 emissions and other potentially harmful environmental impacts stemming from the transportation and storage of goods.

SAFETY

Zenitel, including our contract manufacturers, is certified for the ISO 9001 Quality Management Standard, the ISO 14001 Environmental Management Standard and the ISO 45001 Health and Safety Management Standard. Zenitel 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.



We continuously focus on our processes that affect the environment and strive towards new solutions to reduce the effect on the outer environment.

Zenitel products conform to RoHS 3 Directive 2015/863. This restricts the use of certain hazardous materials (lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls, polybrominated diphenyl ethers) in electrical and electronic equipment.

THE COMMUNITIES WE LIVE IN (SOCIAL RESPONSIBILITY PROGRAMS/INITIATIVES)

Proven, reliable communication systems are vital to a safe and secure community. When standard communication systems fail during emergencies or at critical moments, Zenitel's Intelligent Communications solutions and systems come through. Apart from Zenitel's green focus across the organization, we view ensuring clear, critical communication as our most significant contribution to a wide, diverse set of communities, worldwide.

We also care about the people at the other end of our production chain. Zenitel uses SA8000® as our guideline and requirement for our Contract Manufacturer during production of our in-house designed products.
The SA8000® Standard is the leading social certification standard for factories and organizations across the globe. Established by Social Accountability International in 1997 as a multi-stakeholder initiative, the Standard has evolved over the years into an overall framework that helps certified organizations demonstrate their dedication to the fair treatment of workers across industries and in any country.

SAI
SOCIAL ACCOUNTABILITY INTERNATIONAL
SA 8000

ENVIRONMENTAL STANDARDS

COMPLIANT REACH N 1907/2006
COMPLIANT RoHS 2 EU Directive
WEEE
GREEN PASSPORT IMO RESOLUTION A.962(23)

QUALITY STANDARDS

INTEGRATED MANAGEMENT SYSTEM
ISO 9001:2015 ISO 14001:2015 ISO 45001:2018

TYPE APPROVALS

BUREAU VERITAS
DNV·GL
Lloyd's Register

CERTIFICATES

ATEX directive 2014/34/EU

IECEx IEC 80079-34:2011

EN 54-16:2008

UL 60950-1

HIGHLIGHTS OF 2019

In 2019 we continued to invest in new product development, business development and in the strengthening of our organization. Additional talent in the field of management, R&D and Marketing & Sales has joined our global Zenitel team. Zenitel is further strengthening its market position in the global security market by building on the technology leadership in superior audio communication products enabling seamless integration in security solutions.

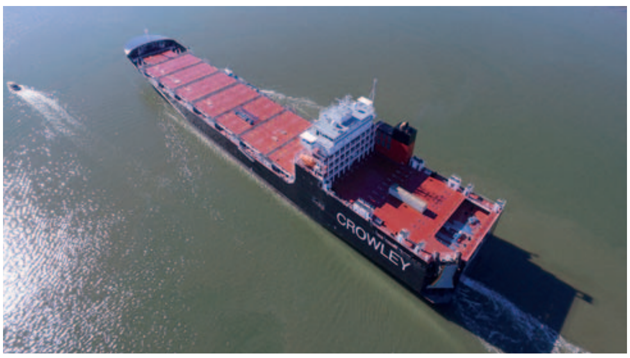
ZENITEL RECEIVES NEW FRAME AGREEMENT WITH EQUINOR

In 2019 Zenitel was awarded another frame agreement with Equinor ASA. The new frame agreement is for the delivery of UHF Radio Systems and Services. The agreement comprises UHF radio terminals based upon DMR and TETRA technology, radio accessories, as well as services for commissioning and maintenance of radio installations. The agreement is both for Equinor facilities in operation as well as new development projects.

equinor

ZENITEL ONBOARD WORK BOAT OF THE YEAR 2019

MV Taino, an LNG Powered ConRo (combination container roll-on/roll-off) vessel operated by Crowley Maritime (USA) was awarded the WorkBoat of the Year during the International WorkBoat Show in New Orleans in December 2019. Zenitel has delivered state-of-the-art critical and integrated communication systems together with our partner, Mackay Marine. The design employs Zenitel equipment for PAGA systems, IP Telephony, CCTV, Sound Powered phones, LAN and UHF radio systems.



ZENITEL APPOINTS NEW CEO IN 2019

In August 2019, the board of directors announced the appointment of Mr. Koen Claerbout as the new CEO of the company.

ZENITEL GLOBAL PARTNER MEETING, TØNSBERG, NORWAY 2019

June 2nd - 4th 2019, Zenitel kicked off the Global Partner Meeting in beautiful and maritime surroundings in Tønsberg, Norway.

Around 200 partners and Zenitellers from the Maritime & Energy and Safety & Security sectors attended the event.

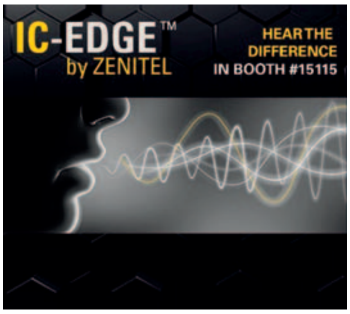
Our Partners had their showcases in the lobby for participants to visit during the breaks. This event was also the arena for the world premiere of the new and advanced Intelligent Communication Platform – ICX Alphacom and also the IC-EDGE family.

The theme of the Global Partner meeting centered around 5 key ingredients for success: Growth, Strategy, Market Opportunities, Products and Partners.

With differentiated tracks in the agenda for both Maritime & Energy and Safety & Security we were able to create an interesting and good agenda for all participants.

LAUNCH OF IC-EDGE AT ISC WEST – LAS VEGAS

Zenitel Americas continues to advance its strategic alliance program of key technology vendors who have tightly integrated with Zenitel's intelligent Communications platform. An example of the business model impact in our market includes adopting our language around the intelligent platform, integrating powerful use cases to create real-world solutions for our customers, and, finally, integrating our organizations in a powerful go-to-market model at events like ISC West, GSX, and The Great Conversation in Security. Zenitel was also integrated into alliances road shows, and marketing literature. As a result, the alliance program had a record year.



MEXICO CITY SMART CITY PROJECT

Smart Buildings and Smart Cities are the wave of the future. Zenitel Americas advanced our market share by integrating our intelligent communication platform into the smart city project in Mexico city where approximately 4,000 Turbine stations were deployed in SIP mode.

REPORT OF THE BOARD OF DIRECTORS

Zenitel ('the Company') realized a growth of 23.3% thanks to a combination of organic growth and the Phontech acquisition. The net result from operations was 3.0 million euro in 2019 compared to 2.7 million euro last year.

Zenitel is financially debt free and had 21.3 million euro net cash at the end of the year.

STRATEGY

The focus of Zenitel is on the area of critical communications in applications such as for example health care, education, smart cities, transportation, maritime and energy. In the security business, Zenitel brings solutions which are extremely reliable, always available and meeting high standards on cyber security for applications in critical communication, but also useful for daily operations. The uniqueness of Zenitel is the combination of:

- **Being the sound specialist in the security landscape** (hear, be heard and be understood always)
- **Delivering solutions with seamless integration capabilities** (Integration with building management systems, video surveillance, access control and other technologies in the same ecosystem)

Zenitel wants to further strengthen its technology leadership through product innovation.

Zenitel will continue to have a strong worldwide presence in both the onshore and offshore markets through its global brands, Vingtor-Stentofon and Phontech. Zenitel is committed to invest in the quality and innovation of its product portfolio. In 2019 the operations of Phontech have been fully integrated. The anticipated synergies have been realized.

The focus of Zenitel remains both on the offshore activities (maritime & energy) as well as on the onshore activities.

For offshore, Zenitel developed its business to act as an integrator of the internal communication system in the maritime and energy market. Whereas for the onshore activities, Zenitel focus is on the product development, manufacturing and marketing & sales worldwide of our products and solutions through own sales channels and partners.

In 2019, Zenitel continued investing in the development of new products and solutions which resulted in, among others, the launch of the new EDGE and ICX-500 technology. We have also continued to launch new software-based solutions. The products have been very well received in the market, providing a solid basis for further product and market solutions in the coming years.

Zenitel will continue to focus on profitable growth in its core markets.

THE BOARD OF DIRECTORS: From the left: Hans Swinnen, Liesbet Van der Perre, Wenche Holen, Jo Van Gorp, Koen Claerbout, Gail Smith and Yves De Backer.

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, which are measured at fair value. In the current year, the Group has adopted all of the new and revised Standard and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2019, all of which were endorsed by the European Union.

An overview of the new standards that became applicable for 2019, and the standards and interpretations that will become applicable after 2019, is included in the Accounting Policies section in the Financial Report chapter. The company did not early adopt or determine the effect of the new standards applicable after 2019.

FINANCIAL YEAR 2019

The Board of Directors is pleased to present its report for the financial year 2019. The report covers both the consolidated (Group) and the unconsolidated (parent company) accounts in accordance with Article 3:32, § 1, second clause of the Belgian Code of Companies and Associations.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Revenue amounted to 76.3 million euro in 2019. This represents an increase of 14.4 million euro or 23.3% compared to 2018.

Due to the continuous focus on operational efficiency and a well-managed integration of the Phontech business, EBITDA (Earnings Before Interests, Taxes, Depreciation and Amortization) was 6.5 million euro in 2019, compared to 4.2 million euro in 2018, an increase of 2.3 million euro of which 1.8 million euro as a result of the adoption of IFRS 16.

(thousands of euro)	31 December	
	2019*	**2018**
Revenue	76 257	61 831
EBITDA***	**6 509**	**4 240**
Depreciation/amortization*	**-2 586**	**-1 076**
Operating profit (EBIT)**	**3 923**	**3 164**

* Impacted due to the adoption of IFRS 16

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

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

Operating profit or EBIT (Earnings Before Interest and Taxes) amounted to 3.9 million euro, compared to 3.2 million euro in 2018. R&D expenses were all expensed in 2018 and 2019.

Net financial expense was 0.2 million euro, compared to net financial income of 0.2 million euro in 2018.

The total consolidated net result for the Zenitel Group shows a profit of 3.0 million euro in 2019, against a net result of 2.7 million euro in 2018. Earnings per share are 0.91 euro versus a 0.80 euro in 2018.

SEGMENT REPORTING

The Group is no longer organized into separate segments. The activities of the Group consist of operations in Norway, Belgium, Denmark, Singapore, China, France, Finland, Italy, Germany, The Netherlands, Croatia, Brazil, India, UK, USA, United Arab Emirates and a worldwide distributor network.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total assets amounted to 59.1 million euro in 2019, compared to restated 50.1 million euro in 2018, an increase of 9.0 million euro compared to 2018, mainly due to the result of the year and the adoption of IFRS 16. Property, plant and equipment amounted to 4.6 million euro, 3.8 million euro higher than the previous year. Goodwill increased to 3.3 million euro, due to the foreign currency translation impact.

Other intangible assets decreased to 0.2 million euro and are mainly due to the no longer activated R&D expenses in 2018 and 2019. Deferred taxes amounted to 1.2 million euro, an increase of 0.4 million euro. Long-term financial assets amounted to 0.2 million euro, which is in line with last year.

Inventories amount to 12.6 million euro, an increase of 1.9 million euro from the previous year.

Trade and other receivables amount to 14.4 million euro, an increase of 2.4 million euro compared to the previous year.

Equity totals 32.6 million euro, an increase of 3.3 million euro, which can be mainly explained by the impact of the foreign currency translation and the positive result for the year. The equity ratio is 55.1% compared to 58.5% in the previous year, mainly due to the adoption of IFRS 16.

Total non-current liabilities amount to 2.4 million euro, an increase of 1.9 million euro compared to the previous year as a result of the adoption of IFRS 16.

Total current liabilities increased by 3.8 million euro to 24.2 million euro in 2019. Trade and other payables amount to 15.1 million euro, an increase of 1.2 million euro. Short-term borrowings increased by 1.6 million euro to 3.7 million euro. Total long-term and short-term borrowings increased by 3.5 million euro to 5.6 million euro due to the adoption of IFRS 16.
Short-term provisions amounted to 4.4 million euro, which is in line with last year.

The Board of Directors has evaluated the positive consolidation differences, the deferred tax assets, the contracts in progress and the restructuring and other provisions and is of the opinion that the amortizations and provisions are sufficient.

As of 2016, the Board of Directors has decided to no longer capitalize the development costs.

SOURCES AND APPLICATIONS OF FUNDS

Net cash flow of the Zenitel Group amounted to 0.8 million euro in 2019, compared to 1.5 million euro in 2018. The outflow from investment activities amounted to 1.0 million euro in 2019, and the cash flow generated from operations before changes in working capital amounted to 8.1 million euro in 2019, which is 3.7 million euro higher than in 2018. At the end of 2019, Zenitel's net cash and cash equivalents amounted to 21.3 million euro.

HUMAN RESOURCES

The number of full-time equivalents (FTEs) on 31 December 2019 is 303, compared to 300 on 31 December 2018.

IMPORTANT SUBSEQUENT EVENTS

There are no important subsequent events to report that took place after the end of the financial year 2019, other than those described hereafter.

The outbreak of the coronavirus in early 2020 and the results of the measures taken to contain the virus are non-adjusting subsequent events in accordance with IFRS and with Belgian GAAP and hence have no effect on the financial statements of 2019. Based on the facts known as of today, the potential effects do not impact our long-term budget used for the goodwill impairment test. It is expected that the consequences of the Coronavirus will impact our financial performance of 2020 and potentially the measurement of certain assets and liabilities in 2020.

Finally, until the date of this report, we did notice some effects during the beginning of 2020 that could affect the financial performance. Mid-March 2020, the Zenitel operations and supply chain is still in on-going.
The Zenitel team is doing all efforts to further supply our customers.

INFORMATION ON RESEARCH AND DEVELOPMENT

The company continued to invest in the development of new products and services, which resulted in several new product launches.

CONFLICTS OF INTEREST

There were transactions and operations in 2019 that created a conflict of interest or that required the application of articles 523 or 524 of the Belgian Company Code (Articles 7:96 or 7:97 of the Belgian Code of Companies and Associations — see pages 31-32).

STATEMENT ON AUDIT COMMITTEE

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

RISK FACTORS AND UNCERTAINTIES

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

Technology risk: The Group is active in selected professional markets for communication technologies and must define the right products to introduce into each market. The Group faces among others, the risk of (i) not being the first to market a new product, (ii) using third-party components that do not meet the expected quality levels, (iii) not achieving the expected sales volume or profitability, (iv) introducing new products that are not yet ready to be marketed, (v) new technology replacing current technology marketed by the Group, (vi) non-availability of third-party components (temporarily or permanently).

Macro-economic risks: An overall negative economic climate, a lack of liquidity in the financial markets, or a global stock-market collapse, impair the Group's customers and partners or render them unable to secure the funds for planned investments.

Force majeure risks: Events of an exceptional nature (such as a fire) or events on a larger scale (such as pandemic, flooding, earthquake or extreme weather conditions) and human-related force majeure (such as terrorist attacks and disease epidemics) may affect the Group itself and/or its components suppliers. Especially in the case of an R&D and/or a manufacturing site, those events may seriously affect the Group's competitive position, as they may disrupt deliveries to customers or delay new product releases.

Acquisition risks: Part of the Group's long-term growth strategy is based on acquisitions. Therefore, there are risks associated with the acquisition itself, as well as risks related to the integration of the acquired company into the Group, which may result in impaired goodwill.

IT risks: The Group makes extensive use of IT systems and platforms to support its operations which may be adversely affected by a Cyber-attack or by a failure in configuration, hardware or software. Changes in IT technology may cause the Group's information systems to become obsolete and thus, inadequate to handle its growth, resulting in a loss of customers and sales.

Inability to attract and retain personnel: The Group might be unable to attract and retain competent personnel for key roles in the future. Potential impacts might include: loss of knowledge of key systems and possession of specialized skills resulting in a skills and competency gap, loss of corporate knowledge, high staff turnover, customer dissatisfaction, failure to meet business objectives, increased rehiring costs, loss of customers because of customer-employee relationships.

Litigations: The Group has certain pending files that can be qualified as contingent liabilities according to the IFRS definition. The outcome of these litigations is uncertain. The Group believes that it has, in agreement with its Auditor, sufficiently provisioned for these potential liabilities. However, no guarantee can be given that this will be the case and there is a risk that the Group will need to pay some or all of these contingent liabilities in the near future.

Besides these risk factors, the Board of Directors also considers currency exchange rate risks (see next paragraph), risks of tax disputes, uncertainties relating to changing regulations, dependence on major customers, uncertainties relating to the outlooks, and the risks relating to the long Group history.

USE OF FINANCIAL INSTRUMENTS

Financial risk management

Zenitel uses bank forward exchange contracts in order to secure Zenitel's commercial transactions in foreign currencies. Since most of the Norwegian business is exported in the euro currency, Zenitel Norway AS has a NOK deficit and a EUR surplus. The company has put in place hedging systems that secure the needed exchange between EUR/NOK on a rolling basis. Per 31 December 2019, Zenitel has secured its need of Norwegian kroner by monthly forward exchange contracts from euro until December 2020. No other hedging mechanisms are used.

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

The Group has countered the price risk and the risk for inflation 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 the local currency. The same is valid for Norway, since the Group concluded credit facilities in NOK to finance the trade receivables and inventory in Norway.

Fees paid to the statutory auditor or associates offices:

Audit fees:	
Zenitel NV	21 288 euro
Zenitel Group:	98 729 euro

Non audit fees:	
Tax compliance	12 190 euro
Other services:	0 euro

Other audit related fees:	
Zenitel NV:	3 725 euro
Zenitel Group:	7 430 euro

OUTLOOK 2020

The recent events related to the Corona virus increased the uncertainty in the business. The future investments of our customers in critical communication solutions will be evaluated and it is expected that this will have an impact on our 2020 results.

Despite the difficult market circumstances, Zenitel has the intention to further strengthen its market position in the global security market by building on the technology leadership in superior audio communication products enabling seamless integration in security solutions.

For the onshore safety and security business, an increased market share is expected based on new product development and the strengthened global partner network. The Zenitel solutions realize superior audio communication integrated in security platforms with technologies such as access control, video surveillance and fire alarm. The R&D activities combined with the increased market reach are the basis for this expected stronger market position.

In the maritime and energy market, Zenitel will further strengthen its market position based on the integration activities realizing unique and high performing communication solutions for our customers worldwide.

DECLARATION WITH REGARDS TO CORPORATE GOVERNANCE

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

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

The Corporate Governance Charter of the Company was updated in February 2019 in order to be in line with the new Belgian rules and regulations with respect to Corporate Governance. A copy of this Corporate Governance Charter is available on the Zenitel website. Zenitel will amend and adapt to the 2020 Corporate Governance code.

We refer to the separate chapter 'Declaration with regards to Corporate Governance' in this annual report for further information with respect to Zenitel's corporate governance, which should be provided in accordance with Article 3:6, §2 of the Belgian Code of Companies and Associations and the 2020 Belgian Code on Corporate Governance. In the cases where Zenitel does not follow the 2020 Belgian Code on Corporate Governance, you will find an explanation for this in the chapter 'Declaration with regards to Corporate Governance' included elsewhere in this annual report.

The chapter 'Declaration with regards to Corporate Governance' forms an integral part of this report of the Board of Directors.

STATUTORY ACCOUNTS OF ZENITEL NV (UNCONSOLIDATED)

BALANCE SHEET

Financial assets amount to 39.0 million euro and consist of the participations in Zenitel Group companies.

Receivables within one year amount to 0.3 million euro, which is mainly receivables from or loans given to other Zenitel Group entities.

Cash and deferred charges amount to 4.5 million euro which is in line with previous year. The change in equity from 39.5 million euro to 40.7 million euro is entirely related to the result of the year.

Provisions for risk and other liabilities amounted to 2.4 million euro, compared to 3.9 million euro in 2018.

There were no financial debts outstanding at the end of 2019.

INCOME STATEMENT

Other operating income increased from 1.3 million euro to 1.5 million euro in 2019. 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 1.5 million euro in 2019.

Operating expenses in 2019 amounted to 0.4 million euro compared to 0.8 million euro last year.

The above-mentioned changes resulted in an operating profit of 1.2 million euro in 2019 against an operating profit of 0.5 million euro in 2018.

Financial expenses amounted to 0.03 million euro in 2019 and are at the same level as in 2018. In 2018 and 2019, there were no extraordinary results reported.

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 profit of 1,176,339.24 euro, the Board of Directors proposes to appropriate the result as follows:

Result carried forward prior year:	2 682 865.89 euro
Result of the year:	1 176 339.24 euro
Appropriation to legal reserve	-58 816.96 euro
Result carried forward:	**3 800 388.17 euro**

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

Share capital:	20 000 000.00 euro
Share premium:	5 623 849.48 euro
Reserves:	11 248 774.86 euro
Result carried forward:	3 800 388.17 euro
Total:	**40 673 012.51 euro**

ADDITIONAL HONORARIA PAID TO STATUTORY AUDITOR

Audit fee:	21,288 euro
Other audit related fees:	3,725 euro
Non audit fees:	
Tax compliance:	4,250 euro
Other services:	0,00 euro

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

Please refer to the paragraph on risk factors and uncertainties where information is provided on the main risks and uncertainties that could negatively impact the development, financial results or market position of the Company.

RISK FACTORS AND UNCERTAINTIES

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

EXISTENCE OF BRANCH OFFICES

The company has no branch offices.

USE OF FINANCIAL INSTRUMENTS

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

STOCK & SHAREHOLDER INFORMATION

SHARE QUOTATION

Per 31 December 2019, the subscribed capital amounted to 20,000,000.00 euro. It is represented by 3,310,884 shares without nominal value and is fully paid up. The par value of a share is 6.041 euro. The shares are quoted on Euronext Brussels (double fixing) with the symbol ZENT.

TRANSPARENCY

Zenitel NV has not received any notifications in accordance with Article 2 of the Act of 2 May 2007 on the publication of important participations in issuers whereof shares are admitted for trading on a regulated market in 2019.

SHAREHOLDERS AND CAPITAL STRUCTURE

The shareholder structure per 31 December 2019 is the following, as it appears from the notifications Zenitel NV received.

Shareholders	Number of shares	% of total
3D NV*	1 584 776	47.87%
QuaeroQ CVBA	496 230	14.99%
De Wilg GCV*	400 000	12.08%
Zenitel Norway AS	2 500	0.07%
Freefloat	827 378	24.99%
Total	**3 310 884**	**100%**

*Acting in concert

All shares have the same rights and obligations. There are no different kinds of shares. At the end of 2019, there were no warrants outstanding. The Company has not issued any non-voting shares. The Company has implemented a long-term incentive plan for senior managers. Further information thereon is provided in the section on 'Declaration with regards to Corporate Governance'.

No special control rights have been granted to certain securities, which could have an impact in the event of a public takeover bid.

VOTING RIGHTS

There are no limitations in the articles of association of Zenitel NV with respect to the exercise of the voting rights which could have an impact in the event of a public takeover bid.

TRANSFER OF SECURITIES

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

SHAREHOLDERS' AGREEMENTS

Zenitel NV is not aware of any shareholders' agreement that may lead to a limitation of the transfer of securities and/or the exercise of voting rights, which could have an impact in the event of a public takeover bid. Zenitel NV does not know the content of the shareholders' agreement concluded between De Wilg GCV and 3D NV acting in concert.

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

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

DIVIDEND

No dividend payments are planned.

ACQUISITION AND DIVESTMENT OF OWN SHARES

The Company has been authorized by means of a decision of the general meeting of 28 April 2017 to acquire its own shares or bonus shares or certificates that relate thereto, or to divest them in accordance with Article 7:215 and following of the Belgian Code of Companies and Associations.

The general meeting of 28 April 2017 has explicitly granted the authority to the Board of Directors, in accordance with the provisions of Article 7:215 and following of the Belgian Code of Companies and Associations, to acquire by sale or exchange its own shares, bonus shares or certificates that relate thereto or to divest those, without the requirement of a prior decision of the general meeting, either directly or through a person who acts in its own name but on behalf of the company, or through a direct subsidiary in the meaning of Article 7:221 of the Belgian Code of Companies and Associations, if the acquisition or divestment is necessary to avoid a threatening serious disadvantage for the company. This power is valid for a period of three years as from the publication of this decision in the Annexes to the Belgian State Gazette, i.e., until 16 May 2020, and can be renewed.

The general meeting of 28 April 2017 has moreover granted the Board of Directors the power to acquire by sale or exchange the maximum number of shares, bonus shares or certificates that relate thereto as set forth in Article 7:215, §1 and 7:218, §1 of the Belgian Code of Companies and Associations, and to divest those, either directly or through a person who acts in its own name but on behalf of the company, or through a direct subsidiary in the meaning of Article 7:221 of the Belgian Code of Companies and Associations, against a consideration that cannot be more than 20% lower and cannot be more than 20% higher than the average stock exchange rate of the relevant security on Euronext during the five trading days preceding the acquisition or exchange or divestment. This power is valid for a period of 5 years as from the resolution of the general meeting of 28 April 2017, i.e., until 28 April 2022.

The Board of Directors is furthermore also empowered in accordance with Article 7:226, §1 of the Belgian Code of Companies and Associations, to take a pledge, directly or indirectly through a subsidiary or a person who acts in its own name but on behalf of that subsidiary or the company, as stipulated in Article 7:226, §1 of the Belgian Code of Companies and Associations, on its own shares, bonus shares or certificates that relate thereto and this in accordance with the conditions and duration for acquisition and divestment of own shares set forth above. In accordance with Article 7:215, §2 of the Belgian Code of Companies and Associations the company should, for as long as it is listed or as long as its securities are admitted to an MTF as defined in Article 2, 4° of the Law of 2 August 2002 on the supervision of the financial sector and the financial services, to the extent that it works with at least one daily trading and with a central order book, inform the Financial Services and Markets Authority of acquisitions that it is considering by application of Article 7:215, §1 of the Belgian Code of Companies and Associations. The Board of Directors is furthermore empowered to divest shares or certificates of the company in accordance with Article 7:218, §1, 4° of the Belgian Code on Companies and Associations.

In the course of 2019, Zenitel Norway AS, a direct subsidiary of Zenitel NV, acquired 2,500 shares in Zenitel NV, having a par value of 6.041 euro each and representing 0.07% of the current share capital of Zenitel NV. Consequently, as per 31 December 2019, Zenitel Norway AS held 2,500 shares in Zenitel NV, having a par value of 6.041 euro each and representing 0.07% of the current share capital of Zenitel NV. This acquisition took place within the scope of the authority granted by the extraordinary general meeting of shareholders of Zenitel NV of 28 April 2017 and within the framework of Zenitel NV's long-term share incentive plan, at a purchase price of 13.3421 euro per share, corresponding to a total purchase price of 33,355.25 euro.

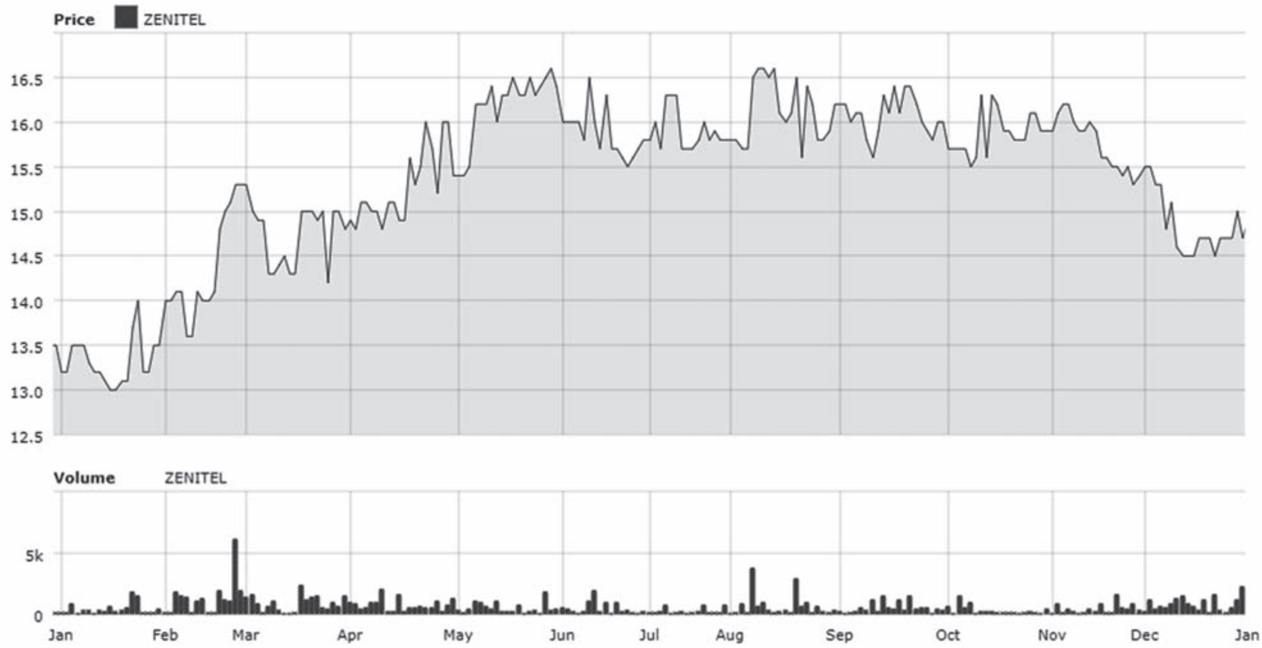
AUTHORIZED CAPITAL

The Board of Directors received the authority to increase the share capital in one or more transactions, during a period of five years as from the publication of the decision of the general meeting dated 28 April 2017, in the Annexes to the Belgian State Gazette, i.e., until 16 May 2022, with a maximum amount of 20,000,000 euro. Within the framework of the authorized capital, the Board of Directors is authorized to cancel or limit the existing shareholders' preferential right, also to the benefit of one or more determined persons, other than members of the company's or its subsidiaries' personnel, as set out in Article 7:190 and following of the Belgian Code of Companies and Associations.

The general meeting of 28 April 2017 has moreover, in accordance with Article 7:202, second paragraph, 2° of the Belgian Code of Companies and Associations, granted the Board of Directors the power to increase the share capital in one or more transactions, as of the date the company receives a notification from the Financial Services and Markets Authority that the latter has been notified of a public takeover bid on the shares of Zenitel NV, by contribution in cash with cancellation or limitation of the existing shareholders' preferential right or by contributions in kind, and/or by the issue of securities carrying voting rights, whether or not representing the share capital, or the issue of securities which give right to subscribe to or acquire such securities, also if such securities are not preferentially offered to the shareholders in proportion to the share capital represented by their shares. In such case, the transaction needs to meet the criteria set out in Article 7:202, second paragraph, 2°, a) to c) of the Belgian Code of Companies and Associations. This power is valid for a period of 3 years as from 28 April 2017, i.e., until 28 April 2020.

AGREEMENTS AFFECTED BY A CHANGE OF CONTROL OF THE COMPANY

Zenitel NV 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 takeover bid. In addition, the Company is not aware of any agreements between it and its Directors or employees for the provision of compensation in the event that, as a consequence of a public takeover bid, the Directors resign or are dismissed without valid reason or the employment of employees is terminated.



STOCK PRICE EVOLUTION

The graph above shows the development of the closing share price of Zenitel shares from 1 January 2019 until 31 December 2019 (see also Euronext website: www.euronext.com).

FINANCIAL CALENDAR

14/02/2020	Press Release Results 2019 (8:00 AM)
27/03/2020	Publication Annual Report 2019 (8:00 AM)
28/04/2020	Annual General Shareholders' Meeting (11:00 AM)
12/08/2020	Press Release Half-Year Results 2020 (8:00 AM)

ABOLISHMENT OF BEARER SHARES

In accordance with the Act of 14 December 2005 on the annulment of bearer securities, any bearer securities which were not yet converted on 31 December 2013 into registered or dematerialized securities were automatically dematerialized and registered by the Company in its own name on a securities account.

In accordance with the aforementioned Act, the Company proceeded with selling those shares that had not yet been claimed by their rightful owner on the regulated market on 30 November 2015. The number of shares that was offered for sale on the regulated market on 30 November 2015, amounted to 9,070. All shares have been sold at euro 1.05 per share. The proceeds of the sale have been deposited with the Deposito- en Consignatiekas/Caisse des Dépôts et Consignations. Since 1 February 2016, the rightful owner can claim the proceeds relating to its shares by submitting its bearer shares with the Deposito- en Consignatiekas/Caisse des Dépôts et Consignations, taking into account a fine, which amounts to 10% per year of the proceeds of such shares (as from 1 January 2016).

The statutory auditor of the Company has confirmed in accordance with Article 11§5 of the Act that the provisions of Article 11 of the Act have been complied with.

With a full range of IP products and solutions, built-in intelligence and security, the Zenitel portfolio is providing organizations with maximum flexibility in scale and performance and is ready to reach unparalleled levels of deployment and usage.

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 the Zenitel articles of association. It is based on Zenitel's articles of association and Zenitel's Corporate Governance Charter.

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

Zenitel has adopted the Belgian Corporate Governance Code 2009 as the reference code. The Belgian Corporate Governance Code 2009 is available at the following website: www.corporategovernancecommittee.be. No other corporate governance practices were applied by Zenitel in 2019. As of 1 January 2020, Zenitel is subject to the Belgian Corporate Governance Code issued on 12 May 2019 (hereinafter, the "Belgian Corporate Governance Code 2020"), available at the following website: www.corporategovernancecommittee.be

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

The Board of Directors of Zenitel reviews its corporate governance charter from time to time and makes such changes as it deems necessary and appropriate. The charter is available free of charge on Zenitel's website (www.zenitel. com) and at the registered office of Zenitel NV. The corporate governance charter will be amended to bring it in line with the Belgian Corporate Governance Code 2020.

SHAREHOLDERS AND SHARES

The information as referred to in Article 3:6, §2, 4° of the Belgian Code of Companies and Associations can be found at the end of the chapter 'Stock and Shareholder Information' of this Annual Report 2019.

BOARD OF DIRECTORS

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

The Board of Directors of the Company is composed of a minimum of three and a maximum of twelve members. Currently, there are seven Board members, of whom six members are non-executive Directors. Four Directors are independent Directors within the meaning of Article 7:87, §1 of the Belgian Code of Companies and Associations juncto Provision 3.5 of the 2020 Belgian Code on Corporate Governance. 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 resolution at the shareholders' meeting at all times. Resigning Directors may be reappointed.

If a directorship position 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 a 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 Chair of the Board or by at least two Directors whenever the interests of the Company so require.

The Board of Directors met six times during 2019. The following significant matters were discussed at the meetings of the Board of Directors during 2019:

- Approval of year-end figures, annual report, agenda of the general shareholders' meeting.
- Verification of the trading updates.
- Status discussions and decisions on ongoing litigation cases.
- The Zenitel Group's financial performance and outlook.
- Status discussion on ongoing reorganization processes.
- Information and decisions on important projects.
- Strategy of the company and of the various business segments.
- Approval of 2020 budget.
- HR topics.
- Reporting of Audit Committee and Nomination and Remuneration Committee.
- Discussion of acquisition opportunities.
- Discussions on financing of the business.
- Functioning of the Board.

CHAIR OF THE BOARD OF DIRECTORS

The Chair is elected from among the members of the Board of Directors for a period which in principle corresponds to his term as a Director.

The Chair is responsible for ensuring that the Board of Directors operates in accordance with the Corporate Governance Charter. Where necessary, he is assisted with this task by the committees.

The Chair 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 Chair promotes regular interaction and dialogue among the Board of Directors. The Chair ensures that the Board of Directors receives up-to-date and relevant information about important aspects of the strategy, business activities and 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 to be an independent Director if he or she meets the criteria set out in Article 7:87, §1 of the Belgian Code of Companies and Associations juncto Provision 3.5 of the 2020 Belgian Code on Corporate Governance.

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

COMPOSITION OF THE BOARD OF DIRECTORS

As per 31 December 2019, the Board of Directors consists of seven members.

The Board of Directors convened six times during 2019. On these occasions, either all or a large majority of the Directors at that point in time were present or attended through conference calls.

There is no familial relationship between any of these persons.

The general meeting of shareholders held on 29 April 2019 decided to appoint Cascade Dynamics BVBA, represented by Gail Smith as an independent Director of the Company with immediate effect until the general meeting of 2022 and to re-appoint Kenneth Dastol as executive Director and Blanco Blad BVBA, represented by Johan Van Gorp as an independent Director of the Company with immediate effect until the general meeting of 2022. Mr Kenneth Dåstøl resigned from his position as Director of the Company on 6 August 2019. He was replaced as person in charge of the Company's daily management (CEO) by K-CL BVBA, permanently represented by Koen Claerbout, on 6 August 2019.

The biographies and the principal activities outside Zenitel of the members of the Board of Directors or their representatives (in the event the Director is a legal person), are set out below.

Jo Van Gorp (representing Blanco Blad BVBA) (°1964) – Mr. Van Gorp is the Chair of Zenitel. He has been a member of Zenitel's Board of Directors since 2010. He is currently Managing Director at Gritt Projects nv and advises companies in areas of general management, marketing, strategy, change management, organizational repositioning, legal and regulatory affairs and public policy. Since 2009, he acted as CEO or COO for several smaller and larger national and international companies. Mr. Van Gorp was a member of the Telenet executive team consecutively in his role of EVP & General Counsel (2004-2006) and Executive Vice President Residential Markets (2006-2009). Before joining Telenet in 2004, Mr. Van Gorp had been CEO at Level 3 Communications NV (1998-2004), Vice President Legal & Regulatory Affairs/ Business Development at Verizon Business (1994-1998) and Senior Advisor European Regulation at BT Global Services (1992-1994). Mr. Van Gorp obtained Master's degrees in both Law at the KU Leuven and European Law at the Europa Institute of the University of Saarland.

Koen Claerbout (representing K-CL BVBA) – (°1972) – Mr. Claerbout is the CEO of Zenitel since 2019. Between 1995 and 2008, he held several management functions in multinationals such as BASF, Suez and Bekaert. He was active in R&D, production, marketing & sales and general management. Since 2008 he has been active as CEO or General Manager of several international companies such as Altachem, JORI and Audioprof. He obtained a Civil Engineering degree from the University of Ghent and has an MBA from the Vlerick Business School.

Yves De Backer (representing Yves De Backer BVBA) – (°1979) – Yves De Backer BVBA, represented by Mr Yves De Backer, became a member of Zenitel's Board of Directors in 2017. Mr. De Backer is a director at 3D NV, engaged in the development of the Private Equity activities of the family-owned investment group 3D NV. Previously, he was a director at Deloitte Corporate Finance, where he advised clients on mergers and acquisitions and corporate strategy. Before that, he was corporate development manager at Enfinity NV, a renewable project developer. He also worked at Bekaert NV, where he focused on assessing strategic investment opportunities for the Bekaert Group. He holds a Master's degree in Business Engineering and a Corporate Finance master class degree from the Catholic University of Leuven.

Wenche Holen (°1964) – Ms. Holen was appointed as an independent Director of Zenitel NV in April 2012. She currently holds the position as COO of Bama Gruppen. Before joining Bama Gruppen in 2010, she has held several executive functions at companies within the Telenor Group, primarily in the areas of products, services and media. Ms. Holen has a profound knowledge of marketing and media in particular. Ms. Holen has an extensive experience from board positions of several other Norwegian companies in the past. Ms. Holen obtained an Engineering degree at Gjøvik School of Engineering and post-graduate degrees in Business Economics and Strategic Leadership at the Norwegian Business School and at the London Business School.

Gail Smith (representing Cascade Dynamics BVBA) (°1959) – Ms. Gail Smith founded the Cavell Group, a convergence and cloud consulting and professional services firm that has delivered projects in over 45 countries. She is also currently an independent director of RigNet, a Nasdaq traded company that serves the oil and gas industry. Ms. Smith was Corporate Group Vice President and President, Europe of Level 3 Communications, LLC (CenturyLink) and prior to that she was VP and General Manager, International Networks for MFS International (Verizon Business). Ms. Smith has worked and managed operations in both the U.S. and Europe. She holds a Master's degree in International Business from Tufts University, a Licence d'État from the Université de Metz in échanges internationaux, and a Bachelor's degree in Economics and Political Science from Claremont McKenna College. Ms Smith also holds certifications in cybersecurity and data privacy.

Liesbet Van der Perre (°1969) – Ms. Van der Perre is a professor at KU Leuven, Belgium, and guest Professor at Lund University, Sweden. She performs research on low-power and secure wireless communication solutions. Until 2015 she was a Director at imec. She has a profound knowledge of communications technologies and was on the advisory board of a few technology companies. She is an author and co-author of over 300 scientific publications. She received an honorary Doctorate degree in technology from Lund University (Sweden) in 2015. Ms. Van der Perre received an M.Sc. degree in Electrical Engineering from K.U.Leuven, accomplishing her Master's thesis at the Ecole nationale supérieure de télécommunications in Paris, and graduated with a Ph.D. degree from KU Leuven.

Hans Swinnen (representing Equity @ Work BVBA) (°1966) – Mr. Swinnen is Partner of 3D-Investors and as such engaged in the development of the Private Equity activities of the family-owned investment group 3D NV. As Chairman of Pauwels Consulting, Plastiflex and Aspel and Director of 3P, he is actively involved in the development and internationalization of these companies. Until 2006, Hans Swinnen was CEO of the Thomas Cook Group in Belgium and, in that role, responsible for the airline, tour operating and retail activities of the group. Mr. Swinnen holds a Master's degree in Applied Economic Sciences (TEW) from the University of Leuven (KUL).

Name and position	Independent/Dependent	Executive/Non-Executive	Term*
Blanco Blad BVBA, represented by Johan Van Gorp, Chair	Independent	Non-executive	2022
K-CL BVBA, represented by Koen Claerbout	Dependent	Executive	2021
Yves De Backer BVBA, represented by Yves De Backer	Dependent	Non-executive	2020
Wenche Holen	Independent	Non-executive	2021
Cascade Dynamics BVBA, represented by Gail Smith	Independent	Non-executive	2022
Liesbet Van der Perre	Independent	Non-executive	2021
Equity @ Work BVBA, represented by Hans Swinnen	Dependent	Non-executive	2021

DIVERSITY OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Group strives actively towards diversity at the highest governance bodies. When considering candidates for vacancies, the Remuneration and Nomination Committee takes account of diversity criteria.

The general meeting of shareholders held on 29 April 2019 appointed one additional female Director (Cascade Dynamics BVBA, represented by Ms. Gail Smith). The said Director is a member of the Audit Committee and the Nomination and Remuneration Committee. As a result, the Company believes that it is compliant with the Belgian legislation and the recommendations of the Belgian Commission for Corporate Governance regarding this matter.

The Board of Directors consists of 3 female and 4 male Directors. The age of the Board Members and its Committees Members varies between 35-45 years (1 Director), 45-50 years (2 Directors) and 50-65 years (4 Directors). All members of the Board and Committees have an extensive experience on management, technology and international executive-level positions.

AUDIT COMMITTEE

The Board of Directors has appointed an Audit Committee (AC), which must consist of at least three members, all of whom are non-executive Directors, at least one of whom should be independent. Currently the Audit Committee is composed of four non-executive Directors of whom three are independent. 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 in respect of which the Audit Committee considers that action or improvement is required. 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 to recommend the choice and remuneration of the statutory auditor. The Committee should report regularly to the Board of Directors on its findings and conclusions. Furthermore, it should inform the Board of Directors regarding all areas in which, in its opinion, action or improvement is necessary. The Audit Committee should produce recommendations on the necessary steps that need to be taken. The audit review and the reporting on that review should cover the Company and its subsidiaries as a whole.

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

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

As of 31 December 2019, the Audit Committee consists of:

Name and position	Term*
Yves De Backer BVBA, represented by Yves De Backer, Chair	2020
Blanco Blad BVBA, represented by Jo Van Gorp, Independent Director	2022
Cascade Dynamics BVBA, represented by Gail Smith, Independent Director	2022
Wenche Holen, Independent Director	2021

*The term of the mandates of the Directors will end immediately after the annual shareholders' meeting.

The Audit Committee met four times during 2019. The following significant matters were discussed at the meetings of the Audit Committee in 2019.

- Presentation of the external auditor and financial statements of 2018.
- Discussion and proposal of the new Company external auditor to the general assembly.
- Financial statements per 30 June 2019, and forecast.
- Impacts of the pending litigations.
- The financial performance including cash flows and outlooks for the year and beyond.
- Discussion and evaluation of internal controls and risk management.
- Discussions regarding fraud prevention.
- Discussion and evaluation of acquisitions.
- Tax risk assessment of the Zenitel Group.
- Internal audit report regarding the audits carried out at Zenitel Norway.
- Discussion with the statutory auditor in the absence of management.

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, and where appropriate, on the resulting proposal to be submitted by the Board of Directors to the general meeting of shareholders. It also prepares the remuneration report as set out further in this declaration with regards to corporate governance and provides explanations to this report at the annual general meeting of shareholders.

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

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

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 and senior management; and the remuneration policy for the Directors, Committee members, CEO, and senior managers. More information on the tasks of the Nomination and Remuneration Committee can be found in Zenitel's Corporate Governance Charter, which is available on the website: www.zenitel.com.

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

Once a year, the Nomination and Remuneration Committee discusses the work performance of 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 cases where changes have to be made to the composition of the Board of Directors, the Committees or senior management.

Name and position	Term*
Yves De Backer BVBA, represented by Yves De Backer, Chair	2020
Cascade Dynamics BVBA, represented by Gail Smith, Independent Director	2022
Wenche Holen, Independent Director	2021

*The term of the mandates of the Directors will end immediately after the annual shareholders' meeting held in the year corresponding to the Director's name.

The Nomination and Remuneration Committee met four times in 2019.

The following significant matters were discussed at the meetings of the Nomination and Remuneration Committee in 2019.

- Proposal of appointment of a new Director.
- Evaluation of functioning of the Board of Directors
- Discussion and approval of the remuneration report 2018.
- Decision on 2018 bonus payments and timing of these payments.
- Decision on the 2019 bonus schedules and salary packages for the executive team and the senior management team.
- Approval of the motivation and the contents of the "Explain" paragraphs in the Declaration with regards to the corporate governance chapter of the Annual Report 2019.
- The dismissal of the CEO and appointment of a new CEO.

REPORT OF ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

In the table below, an overview is given of the attendance of each Director at the various meetings in 2019:

Name	BOD (Total 6)	AC (Total 4)	NRC (Total 4)
Blanco Blad BVBA, represented by Jo Van Gorp	6/6	4/4	-
K-CL BVBA, represented by Koen Claerbout, CEO	3/3	-	-
Wenche Holen	6/6	4/4	4/4
Liesbet Van der Perre	6/6	-	-
Yves De Backer BVBA, represented by Yves De Backer	6/6	4/4	4/4
Equity@Work BVBA represented by Hans Swinnen	5/6	-	-
Cascade Dynamics BVBA, represented by Gail Smith	3/3	2/2	2/2
K-CL BVBA, represented by Koen Claerbout	3/3	-	-
Kenneth Dåstøl, former CEO	3/3	-	-

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 Mr. Koen Claerbout (representing K-CL BVBA) as CEO of the Zenitel Group as of 6 August 2019, to replace Mr Kenneth Dåstøl.

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 the presentation to the Board of Directors of 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 Chair of the Board. He works in close cooperation with the Board of Directors and its Committees to enable the Board, the Chair and the Committees to exercise their responsibilities. The Managing Director and the Chair of the Board meet regularly to discuss strategic initiatives and all relevant matters of daily management and to determine in dialogue the agenda for the Board of Directors.

EXECUTIVE TEAM

The Executive Team is appointed by the Board of Directors. The team consists of the Chief Executive Officer (K-CL BVBA, represented by Koen Claerbout) and the Chief Financial Officer (Mark Küpers), and reports to the Board of Directors.

The role of the Executive Team is, among others, to review envisaged acquisitions, mergers and divestments, review corporate restructuring programs, update and develop alternative long-term strategies, and present this to the Board of Directors and to execute actions based on decisions of the Board of Directors. The team is established to ensure the fast and efficient management and control of the activities and to enable adequate reporting and exchange of information with the Board of Directors and within the Leadership Team. The Executive Team does not act as a management committee in the meaning of Article 524bis of the Belgian Company Code.

LEADERSHIP TEAM

The operations of the Company are managed by a Leadership Team. As of 31 December 2019, the Leadership Team consisted of the following members: K-CL BVBA represented by Koen Claerbout, Mark Küpers, Thomas Hægh, Svein Damre, Lars Paulsson and Ingrid Glad Bratvold.

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

The Leadership Team has monthly meetings and discusses the operations of the Zenitel Group.

DIVERSITY OF THE LEADERSHIP TEAM

At Zenitel, diversity is a priority on all levels and in all aspects. The Group strives for a healthy gender balance and geographical spread in addition to providing local employment in all communities in which we operate. We continually monitor, assess and evaluate gaps and areas for improvement in the composition of our senior management team, in terms of gender, age, capabilities, and expertise, as well as geography.

In 2019, the Leadership Team consisted of 1 woman and 5 men. 2 members of the team are between 40 to 50 years and 4 members are older than 50 years. The Leadership Team's wide expertise focuses on management, technology, research & development and services. The geographical diversity in the Leadership Team contributes to a more international experience and local representation.

DIRECTOR AND EXECUTIVE MANAGEMENT CONFLICTS OF INTERESTS

Articles 523 and 524 of the Belgian Company Code (Articles 7:96 and 7:97 of the Belgian Code of Companies and Associations) contain 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 2018, there were no transactions and operations that required the application of articles 523 and 524 of the Belgian Company Code (Articles 7:96 and 7:97 of the Belgian Code of Companies and Associations).

In 2019, there were transactions and operations that required the application of article 523 of the Belgian Company Code (Article 7:96 of the Belgian Code of Companies and Associations).

1.1 Dismissal of the managing director and approval of the termination agreement concluded between the Company and the managing director with respect to the termination of the managing director's employment agreement;

After a reading of the agenda and before deliberations and voting:

- Kenneth Dåstøl states that he has a direct conflict of interest with the resolutions to be adopted by the board of directors at this meeting, within the meaning of Article 523 of the Company Code (Article 7:96 of the Belgian Code of Companies and Associations).

  Item 1.1 on the agenda concerns the termination of Mr Dåstøl's employment agreement and his dismissal as managing director of the Company, pursuant to his employment agreement Mr Dåstøl receives a compensation from the Company for the exercise of his mandate of managing director. The decision of the board of directors regarding this item on the agenda will therefore have an impact on the financial situation of Mr Dåstøl. As this gives rise to a conflict of interest, Mr Dåstøl's will not take part in the deliberation and the vote regarding this item on the agenda in accordance to article 523 of the Belgian Company Code (Article 7:96 of the Belgian Code of Companies and Associations).
- K-CL BVBA, permanently represented by Mr Koen Claerbout, states that it has a direct conflict of interest with the resolutions to be adopted by the board of directors at this meeting, within the meaning of Article 523 of the Company Code (Article 7:96 of the Belgian Code of Companies and Associations).

Item 1.1 and 1.2 on the agenda regards the termination of Mr Dåstøl's employment agreement and his dismissal as managing director of the Company, as well as the appointment of K-CL BVBA as managing director and the approval of the management agreement to be concluded between the Company and K-CL BVBA. The decision of the board of directors with regards to the termination of Mr Dåstøl's employment agreement and his dismissal as managing director of the Company will have a direct impact on the decision with regards to the appointment of K-CL BVBA as managing director and the approval of the management agreement to be concluded between the Company and K-CL BVBA. Pursuant to this management agreement K-CL BVBA will receive a compensation from the Company for the exercise of its mandate of managing director. The decision of the board of directors regarding both items on the agenda will therefore have an impact on the financial situation of K-CL BVBA. As this gives rise to a conflict of interest, K-CL BVBA will not take part in the deliberation and the vote regarding both items on the agenda in accordance to article 523 of the Belgian Company Code (Article 7:96 of the Belgian Code of Companies and Associations).

Each of the remaining members of the board of directors states that (s)he has no direct or indirect conflict of interest, within the meaning of Article 523 of the Company Code (Article 7:96 of the Belgian Code of Companies and Associations), of a financial nature with the resolutions to be adopted by the board of directors at this meeting.

Mr Dåstøl and Mr Claerbout as permanent representative of K-CL BVBA leave the meeting.

The board of directors discusses the proposal made by the nomination and remuneration and decides to dismiss Mr Dåstøl, as managing director of the Company.

The chair reminds that the Company and Zenitel Norway AS concluded an employment agreement with Mr Dåstøl, for the exercise of his mandate as managing director.

Pursuant to article 7.1 of the employment agreement, the Company, Zenitel Norway AS and the managing director are entitled to terminate the agreement with a notice period of six or three months, respectively.

The board of directors decides to terminate Mr Dåstøl employment agreement and approves the draft termination agreement with Mr Dåstøl.

Mr Dåstøl submits his resignation as a director of the Company. The board of directors acknowledges the resignation of Mr Dåstøl as director of the Company.

1.2 Appointment of a managing director and approval of the managing director's management agreement

The board of directors discusses the advice of the Nomination and Remuneration Committee with respect to the appointment of a new managing director of the Company and resolves to appoint K-CL BVBA, a company organised under the laws of Belgium, having its registered office in Avennesdreef 4, 9031 Gent, and registered with the Crossroads Bank for Enterprises under the number: 0806.354.070, permanently represented by Mr Koen Claerbout, as managing director entrusted with the day-to-day management of the Company.

The board of directors discusses the terms and conditions of the draft management agreement.

This management agreement provides for conditions which are in line with common market practice. Since the mandate of Mr Dåstøl was terminated, a new managing director has to be appointed.

The board of directors resolves to approve the draft management agreement and to appoint K-CL BVBA, permanently represented by Mr Koen Claerbout, as managing director of the Company.

Mr Claerbout as permanent representative of K-CL BVBA and Mr Dåstøl join the meeting and are informed of the decision.

REMUNERATION REPORT
THE PROCEDURES APPLIED

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

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

The Remuneration and Nomination Committee on 13 February 2019, evaluated the 2018 variable remuneration, the 2019 salary increases and the 2019 bonus schemes for executive management and proposed its conclusions to the Board of Directors for their approval. The Board of Directors on 13 February 2019, approved the Remuneration and Nomination committee's proposals of 13 February 2019.

The remuneration of non-executive Directors comprises fixed amounts, and they did not change in 2019, compared to 2018.

THE APPLIED 2019 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 in cash. The variable part of the remuneration is, on the one hand, based on the realization of the budgeted group results, and on the other hand, of specifically defined quantitative and qualitative financial and operational targets in the relevant field of responsibility. In 2019, no remuneration was given based on shares, warrants or any other rights to acquire shares. The Directors' remuneration policy is based on a fixed remuneration in cash. No performance-based variable remuneration or remuneration based on shares, warrants or any other rights to acquire shares have been granted. Members of the Remuneration and Nomination Committee are not specifically remunerated for their tasks. The members of the Audit Committee receive an extra fixed remuneration in cash.

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

DIRECTORS' REMUNERATION

The annual remuneration for a non-executive Director is a fixed fee of 20,000 euro. The Chairman receives double that amount. Similarly, the members of the Audit Committee receive a fixed fee of 7,500 euro and the Chairman of the Audit Committee 15,000 euro on an annual basis, for their specific tasks in the Audit Committee. No benefits in kind nor variable remuneration are granted to the non-executive members of the Board of Directors. No amounts have been set aside or accrued by Zenitel or its subsidiaries to provide pension, retirement or similar benefits to the non-executive Directors. The CEO, as the only executive director, is not remunerated for his work in the Board of Directors. No benefits in kind nor variable remuneration are granted to the members of the Board of Directors. A summary of the remuneration of the Board members in 2019 is shown in the table below.

Name and position	Remuneration in euro	
Blanco Blad BVBA, represented by Jo Van Gorp, Chair	Non-executive	47 500
K-CL BVBA, represented by Koen Claerbout, CEO	Executive	NA
Liesbet Van der Perre	Non-executive	20 000
Wenche Holen	Non-executive	27 500
K-CL BVBA, represented by Koen Claerbout	Non-executive	10 000
Yves De Backer BVBA, represented by Yves De Backer	Non-executive	35 000
Cascade Dynamics BVBA, represented by Gail Smith	Non-executive	13 750
Equity @ Work BVBA, represented by Hans Swinnen	Non-executive	20 000

Remuneration in euro	CEO		Executive Team excluding the CEO	
	2019	2018	2019	2018
Basic Remuneration	247 508	216 457	117 025	112 183
Variable Remuneration*	94 222	56 650	44 372	20 866
Group insurance premiums	23 996	39 499	8 840	8 424
Other Benefits	19 725	28 458	4 033	7 290
Total	**385 451**	**341 064**	**174 270**	**148 763**

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

MOTIVATION AND DECISIONS OF THE BOARD OF DIRECTORS ON SEVERANCE PACKAGES

Due to the dismissal of the former CEO an amount of 0.163 million euro as severance package has been paid in 2019. The normal salary package of the former CEO was included in the above table up until the date of his dismissal.

A severance amount of 0.188 million euro will be paid in 2020. The settlement agreement with the former CEO provided in a put and call option which will both expire on 31 March 2020.

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

When the mandate of a member of the Board of Directors is up for renewal, the individual contribution of the board member will be evaluated. The Chair of the Board of Directors has also, on a regular basis, discussions with each individual board member in order to evaluate both the functioning of the members of the Board of Directors individually and as a whole. When doing so, the following aspects are taken into account: the quality of the interaction between management and the Board of Directors and 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 of the Board. The Board of Directors also does a self-evaluation on a regular basis.

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

INSIDER TRADING POLICY

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

THE STATUTORY AUDITOR

The statutory auditor of ZENITEL NV is EY Bedrijfsrevisoren BV, having its registered office at De Kleetlaan 2, 1831 Diegem, represented by its permanent representative Mr Marnix Van Dooren. EY Bedrijfsrevisoren was appointed for a period of three years at the general shareholders' meeting of 29 April 2019. The statutory auditor is a member of the Institute for Company Auditors ('Instituut der bedrijfsrevisoren'). The remuneration amounted to 21,288 euro in 2019. The total fee for EY for the Group audit amounted to 120,017 euro per year. The other audit related services amounted to 11,155 euro. EY invoiced an amount of 12,190 euro for tax compliance services.

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 and 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 2020 Belgian Code on Corporate Governance 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 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 under continuous review and updated to conform 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 fulfilled 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 monitors 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 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 hands-on involvement of executive management in the day-to-day operations of the group companies.

Also with respect to 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 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, which 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 attainment 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 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 identified in a timely manner and discussed at management and – if significant – at board level. The identification of these changing conditions and regulations are both based on the skills and continuous learning of the Zenitel employees involved and on advice received from external consultants.

CONTROL ACTIVITIES

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

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

Besides all controls based on the local entities' reporting, Group management makes sure that regular review meetings with local management and local controllers are held. During these meetings, all issues with respect to operations and financial reporting are discussed, and because of the involvement of Group management in the local operations, Group management can 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 whereby the local entities are subject to an internal audit. These internal audits focus on risks from both an operational and a financial reporting point of view. Furthermore, internal audits focus on compliance with the Group rules, local rules and regulations and adequate internal controls. The findings of these internal audits are communicated to the Audit Committee and follow up is carried out on the specific remedial actions taken as a result of 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 manner. 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 as 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 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 has to issue periodic financial information to the market on a half-year basis. 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, the approval of at least two board members is also required. The Company's relations and communications with regulators, analysts and shareholders are the responsibility of the executive management team. Internal communications are mainly conveyed 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 on data information gathering and communication systems are subject to security measures protecting the confidentiality of, the restricted access to, and the consistency of the gathered and communicated information. Taking into account the size of the Company and the existing systems and procedures in place, executive management is of the opinion that these are sufficient in order to be able to comply with all legal information and communication requirements.

MONITORING

It is mainly the Audit Committee's responsibility to monitor the effectiveness of the internal control and risk management system. Based on its annual review of the internal controls and risk management system, the Audit Committee makes recommendations to the Board of Directors. Given the constantly changing environment, the internal control and risk management system is subject to a constant process of reevaluation. For instance, when based on findings of an internal or external audit, deficiencies in the internal control 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 conveyed to the Audit Committee. This process of identification, remediation and follow-up on the remediation is considered key in the continuous improvement process of the internal control and risk management system. The practice is in place whereby the internal control procedures are periodically challenged and the necessary actions implemented in order to adapt it to the changing internal and external conditions. Based on this practice and the above-mentioned descriptions of the components of the internal control 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 control 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 2020 Belgian Code on Corporate Governance, as well as with the majority of the provisions. Some of the provisions are not complied with, but their objectives are reached through other measures.

Below is 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.

Principle 5 of the 2020 Belgian Code on Corporate Governance stipulates that the Company should have a rigorous and transparent procedure for the nomination and evaluation of its Board of Directors and its members. The Company is confident that it fulfills the individual requirements stipulated in this principle, however not as formalized as indicated in Principle 5 of the 2020 Belgian Code on Corporate Governance. Through the regular discussions carried out by the Chair with the individual members of the Board of Directors and through an evaluation of each board member at the moment or at the nomination of the renewal of the mandate, the Board of Directors is confident that it meets the objectives of Principle 5 of the 2020 Belgian Code on Corporate Governance. A self-evaluation is also undertaken by the Board of Directors on a regular basis.

FINANCIAL REPORT

Building on over 70 years of breakthrough innovations, Zenitel systems are at the forefront of today's technology landscape, well positioned to drive the future of Intelligent Communications.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2019

(thousands of euro)			31 December
	Notes	**2019**	**2018**
CONTINUING OPERATIONS			
Revenue	1	76 257	61 831
Raw materials and consumables used (**)	4	-35 160	-26 728
Employee benefits expense	5	-27 516	-21 566
Depreciation and amortization expenses (*)	15,16,17	-2 586	-1 076
Consulting expense		-1 809	-1 930
Facility expense (*)	6	-2 894	-4 143
Other expenses	7	-2 369	-3 224
Operating Profit/(Loss)		**3 923**	**3 164**
Finance income	9	145	413
Finance costs	10	-443	-337
Net foreign exchange gains/(losses)	11	140	143
PROFIT BEFORE TAX		**3 765**	**3 383**
Income tax expense	12	-743	-730
Profit for the year		**3 022**	**2 653**
Attributable to:			
Owners of the Company		3 022	2 653
EARNINGS PER SHARE			
Weighted average number of ordinary shares in issue ('000)		**3 308**	**3 311**
FROM CONTINUING OPERATIONS			
Basic earnings per share	14,1	0.91	0.80
Diluted earnings per share	14,2	0.91	0.80

(*) Impacted upon the adoption of IFRS 16.
(**) Impairment on current assets are included in raw materials and consumables used.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2019

(thousands of euro)			31 December
	Notes	**2019**	**2018**
PROFIT FOR THE YEAR		**3 022**	**2 653**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations (*)		309	-134
Items that will not be reclassified subsequently to profit or loss:			
OCI actuarial gains & losses		-43	13
Other comprehensive income for the period (net of income tax)		266	-121
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**3 288**	**2 532**
Attributable to:			
Owners of the Company		3 288	2 532

The accounting policies and notes form an integral part of these consolidated financial statements.
(*) In 2019 and 2018, the positive/negative exchange differences in the other comprehensive income line were mainly booked on foreign operations held in Norwegian Krone, US Dollar and Singaporean Dollar.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ZENITEL GROUP AT 31 DECEMBER 2019

(thousands of euro)		31 December	
ASSETS	**Notes**	**2019**	**2018**
Non-current assets			
Property, plant and equipment[1]	15	4 593	806
Goodwill	16	3 272	3 246
Other intangible assets	17	195	360
Deferred tax assets	13	1 173	822
Financial assets	19	240	238
Total non-current assets		**9 474**	**5 472**
Current assets			
Inventories	20	12 648	10 705
Contracts in progress	21	-	83
Trade and other receivables	22	14 374	12 016
Deferred charges and accrued income		1 287	1 491
Cash and cash equivalents	23	21 331	20 371
Total current assets		**49 640**	**44 666**
TOTAL ASSETS		**59 114**	**50 138**
EQUITY AND LIABILITIES			
Capital and reserves			
Capital		20 000	20 000
Share premium account		5 340	5 340
Reserves		-342	-651
Retained earnings		7 617	4 638
Treasury shares		-37	-
Equity attributable to equity holders of the parent		32 578	29 327
Total equity		**32 578**	**29 327**
Non-current liabilities			
Borrowings and lease liabilities[2]	25	1 934	61
Retirement benefit obligations	26	418	357
Deferred tax liabilities	13	-	28
Total non-current liabilities		**2 352**	**446**
Current liabilities			
Trade and other payables	24	15 091	13 874
Borrowings and lease liabilities[2]	25	3 678	2 059
Current tax liabilities		1 026	-
Provisions	27	4 389	4 432
Total current liabilities		**24 184**	**20 365**
TOTAL EQUITY AND LIABILITIES		**59 114**	**50 138**

The accounting policies and notes form an integral part of these consolidated financial statements.
(1) Including right-of-use assets due to the adoption of IFRS 16.
(2) Including lease liabilities due to the adoption of IFRS 16.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2019

(thousands of euro)	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of the parent	Total 31 December
BALANCE ON 1 JANUARY 2018							
As previously reported	**20 000**	**5 340**	**-65**	**-517**	**1 972**	**26 730**	**26 730**
Profit for the year	-	-	-	-	2 653	2 653	2 653
OCI actuarial gain and losses	-	-	-	-	13	13	13
Other comprehensive income for the year, net of income tax	-	-	-	-134	-	-134	-134
Total comprehensive income for the year	-	-	-	-134	2 666	2 532	2 532
(Acquisition)/sale of treasury shares	-	-	65	-	-	65	65
BALANCE AT 31 DECEMBER 2018	**20 000**	**5 340**	**-**	**-651**	**4 638**	**29 327**	**29 327**

(thousands of euro)	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of the parent	Total 31 December
BALANCE ON 1 JANUARY 2019	**20 000**	**5 340**	**-**	**-651**	**4 638**	**29 327**	**29 327**
Profit for the year	-	-	-	-	3 022	3 022	3 022
OCI actuarial gains & losses	-	-	-	-	-43	-43	-43
Other comprehensive income for the year, net of income tax	-	-	-	309	-	309	309
Total comprehensive income for the year			-	309	2 979	3 288	3 288
(Acquisition)/sale of treasury shares	-		-37	-	-	-37	-37
BALANCE AT 31 DECEMBER 2019	**20 000**	**5 340**	**-37**	**-342**	**7 617**	**32 578**	**32 578**

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

CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2018

(thousands of euro)			31 December
	Notes	**2019**	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit/(Loss) for the year		**3 022**	**2 653**
Income tax expense recognized in profit or loss	12	743	730
Finance cost recognized in profit or loss	10	443	337
Finance income recognized in profit or loss	9	-145	-413
Impairment loss recognized on trade receivables	22	84	-101
Impairment loss recognized on inventory	20	1 401	128
Depreciation and amortization of non-current assets(*)	15,16,17	2 586	1 076
Cash generated from operating activities before changes in working capital		**8 134**	**4 410**
Changes in working capital	32	-4 255	-1 268
Interest paid		-291	-238
Income taxes paid		-54	-177
Net cash generated from operating activities		**3 535**	**2 728**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		18	18
Proceeds received from available for sale investments		121	-
Net Cash outflow on acquisitions		-	-1 275
Payments for property, plant and equipment	15	-1 036	-314
Proceed from disposal of tangible assets		2	1
Payments for intangible assets	17	-120	-179
Net cash (used in)/generated by investing activities		**-1 015**	**-1 749**
CASH FLOWS FROM FINANCING ACTIVITIES			
(Acquisition)/sale of treasury shares		-37	65
Movement in used factoring facility		212	512
Repayment of borrowings and lease liabilities(*)	25	-1 870	-19
Net cash received/(used) in financing activities		**-1 695**	**558**
Net (decrease)/increase in cash and cash equivalents		**823**	**1 535**
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At start of the year		20 371	18 950
Increase/(decrease)		823	1 535
Effect of exchange rate changes on the balance of cash held in foreign currencies		137	-114
At the end of the year		**21 331**	**20 371**
Total cash and cash equivalents	23	21 331	20 371
Net cash and cash equivalents at the end of the year		**21 331**	**20 371**

The accounting policies and notes form an integral part of these consolidated financial statements.
(*)Impacted due to the adoption of IFRS 16

Zenitel is a company with solid foundations and an eye to the future. We continue to invest in product development and innovative technology so that our proud legacy of intelligent communication can continue for decades to come.

ACCOUNTING POLICIES AND FINANCIAL RISK FACTORS

Zenitel (the 'Company') is a limited liability company registered in Belgium. The consolidated financial statements of the company for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and jointly controlled entities. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Group are described in this annual report.

The financial statements were authorized for issue by the Board of Directors for publication on 24 March 2020.

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. The consolidated financial statements are presented in euro and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

AMENDMENTS TO IFRS AFFECTING AMOUNTS REPORTED IN THE FINANCIAL STATEMENTS

During the current financial year, the Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, that are relevant to its operations and effective for the accounting year starting on 1 January 2019. The Group has not applied any new IFRS requirements that are not yet effective as per 31 December 2019.

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments are applied for the first time in 2019, they did not have a material impact on the annual consolidated financial statements of the Group/the interim condensed consolidated financial statements of the Group (except for IFRS 16).

The nature and the impact of each of the following new standards, amendments and/or interpretations are described below:

- Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation
- IFRS 16 Leases
- Amendments to IAS 19 Employee Benefits - Plan Amendments, Curtailment or Settlement
- Amendments to IAS 28 Investments in Associates and Joint Ventures - Long-term Interests on Associates and Joint Ventures
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements Cycle – 2015-2017.

The adoption of these new standards and amendments has not led to major changes in the Group's accounting policies, except for IFRS 16 (see below).

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

- Amendments to References to the Conceptual Framework in IFRS Standards, effective 1 January 2020[4]
- Amendments to IFRS 3 Business Combinations – Definition of a business, effective 1 January 2020
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Interest Rate Benchmark Reform[4]
- Amendments to IAS 39 Financial Instruments: Recognition and measurement and IFRS 7 Financial Instruments: Disclosures - Interest Rate Benchmark Reform[4]
- IFRS 17 Insurance Contracts, effective 1 January 2021[4]
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of material, effective 1 January 2020[4]

[4] Not yet endorsed by the EU as at 16 October 2019

First adoption of IFRS 16

IFRS 16 Leases (effective 1 January 2019) sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance-sheet model. It replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases incentives and SIC 27 Evaluating Substance of Transactions involving the Legal Form of a Lease. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard.

Transition to IFRS 16

The Group applied in 2019 the adoption of IFRS16 on its consolidated financial statements. As a result of this adoption, the group determined following operating lease contracts that are in scope of IFRS 16: (i) office and site premises, (ii) cars and (i) IT equipment.

The Group adopted IFRS 16 using the modified retrospective transition method.

The Group elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The most important judgements and assumptions in determining the lease asset and liability are:

- use of the practical expedients. e.g. use of a single discount rate per group of contracts, summarized per their duration. Those leases were assumed to have similar characteristics. No hindsight was used. The Group did not reassess if a contract is, or contains, a lease at the date of initial application.

- The Group assessed the non-cancellable period of each of the contracts in scope of IFRS 16. This includes the period covered by an option to extend the lease, if the lessee is reasonably certain to exercise that option.

In summary the impact of IFRS 16 adoption as at 1 January 2019 is as follows:

	Impact of IFRS 16 on 1 January 2019
(thousands of euro)	
Property, plant and equipment (right-of-use assets)	3 941
Lease Liability	3 941

As the Group's assets are equal to the liabilities at the date of transition, there is no impact on the Group's equity or profit or loss statement (including deferred taxes). The Group presents right-of-use assets in a separate line item within "property, plant and equipment" and lease liabilities within "Borrowings and lease liabilities" in the statement of financial position.

The following is an analysis of the impact of the adoption of IFRS 16 as at 1 January 2019 and the existing off-balance lease obligation as of 31 December 2018:

	Reconciliation IAS 17 to IFRS 16
(thousands of euro)	
Minimum lease payments under operating leases IAS 17 as of 31 December 2018	**4 033**
Effect from discounting at the incremental borrowing rate	-583
Effect from lease term assumptions as of 1 January 2019	491
Lease liabilities under IFRS 16 as of 1 January 2019	**3 941**

Accounting policies

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period in exchange for consideration.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. Assets and liabilities arising from a lease are initially measured on a present value basis, discounted using the Group's best estimation for the weighted average incremental borrowing rate. The right-of-use asset is subsequently depreciated and/or impaired when deemed necessary. The right-of-use asset is also adjusted for certain re-measurements of the lease liability.

The lease liability is subsequently increased by the interest cost on the lease liability and reduced by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable, or a change in the reassessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option curtained not to be exercised.

The Group has applied judgement to determine the lease term for lease contracts containing renewal options.

Impact for the period

As a result of the application of IFRS 16, the Group recognized 3.9 million euro of right-of-use assets and 3.9 million euro of lease liabilities as at 1 January 2019.

Due to the adoption of IFRS 16, an amount of 1.8 million euro that was previously classified as OPEX expenses (booked in facility- and other expenses) is now presented as depreciations (1.8 million euro) and interest expense (0.05 million euro). This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

The recognized right-of-use assets relate to the following types of assets:

RoU assets		*(thousands of euro)*
	RoU 31 December 2019	RoU 1 January 2019
Rent of buildings/offices	2 538	3 254
Cars	546	397
IT equipment	186	290
Total	**3 270**	**3 941**

The expenses of short-term lease contracts and low value contracts are considered immaterial.

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 when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income 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 in line with those used by other members of the Group.

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

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. This is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group and liabilities incurred by the Group to the former owners of the acquisition and the equity interests issued by the Group in exchange for control of the acquisition. Acquisition-related costs are generally expensed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquirer’s identifiable net assets. The choice of measurement is made on a transaction-by-transaction basis.

The reporting entity attributes profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interest based on the present ownership interests, even if the results in the non-controlling interest has a deficit balance.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group’s investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group’s share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

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 reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the statement of position 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 consolidated statement of profit or loss 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 other comprehensive income (OCI).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group companies, using a different functional currency than the euro, are expressed in euro using exchange rates prevailing at the statement of position 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

Licenses, 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 programs 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 consolidated statement of profit or loss as an expense as incurred.

Until 31 December 2015, 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 costs previously recognized as an expense are 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.

Due to short life cycles, the unpredictability of which development projects will become successful, the volatility of technologies and the markets Zenitel operates in, the Board of Directors concluded that Zenitel's development expenses in 2018 and 2019 no longer meet the criteria of IAS38.57. As the criteria of IAS38.57 are no longer fulfilled, capitalization of development expenses in 2018 and 2019 was not allowed. The remaining capitalized development costs are amortized on a systematic basis over their expected useful lives, being 3 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 that are expected to benefit from the synergies of the combination. The cash-generating unit(s) to which the goodwill has been allocated is 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 attributed 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 consideration transferred, 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
Machine tools and heavy equipment:	10 years
Network infrastructure:	7-10 years
Electronic measuring appliances:	5 years
Quality control appliances:	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

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 benefit 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 consolidated statement of profit or loss 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 AND SIMILAR RIGHTS

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period in exchange for consideration.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. Assets and liabilities arising from a lease are initially measured on a present value basis, discounted using the Group's best estimation for the weighted average incremental borrowing rate. The right-of-use asset is subsequently depreciated and/or impaired when deemed necessary. The right-of-use asset is also adjusted for certain re-measurements of the lease liability.

The lease liability is subsequently increased by the interest cost on the lease liability and reduced by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable, or a change in the reassessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option curtained not to be exercised.

The Group applies judgement to determine the lease term for lease contracts containing renewal options.

CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 25, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Group's policy is to borrow centrally, using a mixture of long-term and short-term capital market issues and borrowing facilities, to meet the anticipated funding requirements. These borrowings together with cash generated from operations, are on-lent or contributed as equity to certain subsidiaries.

The Board of Directors reviews the capital structure on a quarterly basis. As a part of this review, the Board of Directors considers the cost of capital and the risk associated with each class of capital. Based on the recommendations of the Board of Directors, the Group balances its overall capital structure through new share issues and the issue of new debt or the redemption of existing debt. When analyzing the capital structure of the Group, the same debt/equity classifications are used as that of 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 statement of financial position 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 only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revaluated amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

INVENTORIES

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

Raw materials, consumables and goods purchased for resale are valued at the lower of their cost or their net realizable value. Cost is determined using the weighted average cost method. The cost of work in process and finished goods comprise all the costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The conversion costs include the cost of production and the related fixed and variable production overhead costs (including depreciation). Net realizable value represents the estimated sale price less all estimated costs of completion and costs to be incurred in marketing, sales and distribution.

FINANCIAL INSTRUMENTS

Trade Receivables and Other Receivables

Trade receivables and other 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. The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Cash & Cash Equivalents

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale are recognized initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition, they are measured at fair value and changes thereon, and other than impairment losses and foreign currency differences on available-for-sale debt instruments, they are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets comprise equity securities and debt securities.

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.

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 consolidated income statement.

Treasury Shares

When the Group purchases its own shares, the amount paid, including attributed 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.

Derecognition (including factoring)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

In the framework of the factoring agreement that the Group holds in Norway, not all risks related to these factoring receivables have been transferred. Hence the receivables have not been derecognized and the associated factored amounts have been recognized in the short-term financial liabilities.

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 providing 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 consolidated statement of position 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.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Restructurings

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

The Group is in the business of providing communication systems. The Group's contracts with customers for the sale of goods generally include one performance obligation. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer. The Group also has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the product.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). As no variable consideration, significant financing components, noncash consideration or consideration payable to customers are included in the contracts, the transaction price is fully allocated to the sale of equipment.

Rendering of services/Contracts in progress

The Group's contracts in progress relate to the installation of communication systems on ships. The Group considers whether there are promises in the contract that are separate performance obligations to which separate transaction prices are allocated. The Group is responsible for the overall management of the project and identifies various separate performance obligations to be provided, including design work, procurement of materials, test phases, installation and finishing work. The Group accounts each of these performance obligations separately because each of these provide a service to the group's customers. Each performance obligation has an individual transaction price in the contract. The key performance obligation in a project relates to the commissioning of the communication system on the ship.

The considerations in the Group's contracts do not include variable amounts, do not contain significant financing components and finally there are no non-cash considerations or considerations payable to customers.

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 Income

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 estimated 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.

INCOME TAXES

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each statement of position 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 statement of position 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 contribution retirement plans, the assets of which are held in separate trustee- administered funds or Group insurances. Payments to defined contribution benefit plans are charged as an expense as they fall due.

The Group's commitments under defined benefits plans, and the related costs, are valued using the 'projected unit credit method' with actuarial valuations being carried out at each statement of position date. Actuarial gains and losses of the Group's defined benefit obligation are recognized immediately as an item in OCI.

Other Long-Term Employee Benefits

These benefits are accounted for on the same basis as post-employment benefits.

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 statement of position date are discounted to present value.

Profit-Sharing & Bonus Plans

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

FINANCIAL RISK FACTORS

Fluctuations in foreign currency exchange rates on sales and purchases, inter-company loans and interest rate variances are inherent risks in the performance of the business. The Group entities seek to minimize potential adverse effects of these financial risks on the financial performance of their local businesses

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, and 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 euro 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 NOK, DKK, USD and SGD.

Since most of the Norwegian business is export in the euro currency, Zenitel Norway AS has a NOK deficit and a euro surplus. The company has put in place hedging systems that secure the needed exchange between euro/NOK on a rolling basis.

Further information on these Hedges is given in Note 28.

TRANSACTIONAL FOREIGN CURRENCY RISK

As far as foreign currency risk on borrowing is concerned, it is the Company's policy to have debt in the subsidiaries as much as possible in the functional currency of the subsidiary. The transactional currency risk mainly arises from the open foreign currency positions outstanding of group companies against, respectively, the NOK, DKK, USD and SGD. On the basis of the average volatility during the last 5 years of these currencies against the euro, we estimated the reasonably possible changes of exchange rate of these currencies against the euro for respectively 2019 and 2018 as follows:

1 euro equals	Closing Rate 31 Dec 2019	Possible volatility of rates in %	Rates used for the sensitivity analysis	Closing rate 31 Dec 2018	Possible volatility of rates in %	Rates used for sensitivity analysis
NOK	9.86	3.2%	9.55 - 10.17	9.94	4.6%	9.49 - 10.39
DKK	7.47	0.1%	7.46 - 7.48	7.47	0.1%	7.46 - 7.48
USD	1.12	2.9%	1.09 - 1.15	1.14	6.2%	1.07 - 1.21
SGD	1.51	2.1%	1.48 - 1.54	1.56	3.4%	1.51 - 1.61

If the above-indicated currencies had weakened/strengthened during 2019 and 2018 by the above estimated changes against the euro, with all of the other variables held constant, the 2019 and 2018 net result would not have been significantly affected in 2019 (less than 0.1 million euro) and 2018 (less than 0.1 million euro). Neither would there have been a material impact on other components of equity both in 2019 and 2018.

TRANSLATIONAL FOREIGN CURRENCY RISK

100 percent of Zenitel's revenue is generated by its subsidiaries. 87 percent (2018: 85 percent) of revenue is coming from subsidiaries located in a non-euro currency country. A currency translation risk arises when the financial data of these foreign operations are converted into Zenitel's presentation currency, the euro.

The foreign currencies in which the main Zenitel subsidiaries operate are the NOK, DKK, USD and SGD. On the basis of the average volatility during the last 5 years of these currencies against the euro, we estimated the reasonably possible change of the exchange rate of these currencies against the euro for respectively 2019 and 2018 as follows:

1 euro equals	Closing rate 31 Dec 2019	Ave. Rate 2019	Possible volatility of rates in 2019	*Rates as used in the sensitivity analysis for 2019*		Closing rate 31 Dec 2018	Ave. rate 2018	Possible volatility of rates in 2018	*Rates as used for the sensitivity analysis for 2018*	
				Possible closing rate	Possible average rate				Possible closing rate	Possible average rate
NOK	9.86	9.85	3.16%	9.55 - 10.17	9.54 - 10.16	9.94	9.63	4.57%	9.49 - 10.39	9.19 - 10.07
DKK	7.47	7.47	0.14%	7.46 - 7.48	7.46 - 7.48	7.47	7.45	0.13%	7.46 - 7.48	7.44 - 7.46
USD	1.12	1.12	2.86%	1.09 - 1.15	1.09 - 1.15	1.14	1.18	6.21%	1.07 - 1.21	1.11 - 1.25
SGD	1.51	1.53	2.12%	1.48 - 1.54	1.50 - 1.56	1.56	1.59	3.41%	1.51 - 1.61	1.54 - 1.64

If the euro had weakened/strengthened during 2019 and 2018 by the above estimated possible changes against the above listed currencies with all other variables held constant, the 2019 profit would have been 0.1 million euro or 2.6% of net income higher/lower (2018: 0.1 million euro or 0.6% of net income) while the translation reserves in equity would have been 1.0 million euro or 3.0% of total equity higher/lower (2018: 0.1 million euro or 0.5% of total equity).

CREDIT RISKS

Credit risk encompasses all forms of counter-party exposure, i.e., where counter-parties 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 counter-party credit risk.

Zenitel mitigates its exposure to counter-party credit risk through counter-party credit guidelines, diversification of counter- parties, working within agreed counter-party 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 counter-parties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk. An aging analysis of the current trade and other receivables is included in Note 22.

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

(millions of euro)		31 December
	2019	**2018**
Other financial assets	0.2	0.2
Trade & other receivables	14.4	12.0
Bank deposits	0.8	0.8
Total	**15.4**	**13.0**

The majority of the Group's receivables is due within 90 days and largely comprises 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. Further information on the existing credit lines is given in Note 25.

The following table sets forth details of the remaining contractual maturities of financial liabilities as of 31 December 2019 and 2018.

(millions of euro)				31 December				31 December
	2019				2018			
	Total	Payment due within 1 year or less	Payment due later than 1 year but not later than 5 years	Payment due later than 5 years	Total	Payment due within 1 year or less	Payment due later than 1 year but not later than 5 years	Payment due later than 5 years
Used factoring credit facility	2.2	2.2	-	-	2.0	2.0	-	-
Trade and other payables	15.1	15.1	-	-	13.9	13.9	-	-
Leasing and similar rights	3.4	1.4	2.0	0.0	0.1	-	0.1	0.0
Total	**20.7**	**18.7**	**2.0**	**0.0**	**16.0**	**15.9**	**0.1**	**0.0**

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 Group manages the risk by maintaining an appropriate mix between fixed and floating rate borrowings. As per year-end 2019 and 2018, 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 Dec 2019	Interest charge 2019	Ave. interest rate 2019	Possible volatility of rate in 2019	Outstanding debt 31 Dec 2018	Interest charge 2018	Ave. interest rate 2018	Possible volatility of rate in 2018
Used factoring facility	2.2	0.1	2.89%	1.9%	2.0	0.1	2.89%	1.9%
Leasing and similar rights	3.4	-	1.60%	Fixed Rate	0.1	-	5.26%	Fixed Rate
Total	**5.6**	**0.1**			**2.1**	**0.1**		

INTEREST RATE SENSITIVITY

The Group's sensitivity to interest rate is mainly determined by the floating rate on short-term bank borrowings 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, the 2019 net result would have been 0.01 million euro lower/higher (2018: 0.01 million euro 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 2019 and 2018, 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 Beijing Nera Stentofon Communication Equipment in China (10%) and Zenitel UK (15%). Refer to Note 19 of these financial statements.

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

In the application of the Group's accounting policies, which are described in this section, management is required to make judgments, 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 on-going basis, especially given the current economic and financial market crisis, and given the Group's 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 judgments 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 identified assets and liabilities assumed of the acquired subsidiary at the date of acquisition. In accordance with IAS 36, goodwill arising on consolidation is tested annually for impairment or more frequently 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 (CGUs) or groups of cash generating units that are expected to benefit from the synergies of the business combination. The CGUs 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). Zenitel only has one CGU to which goodwill is allocated, the SCS business.

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

The (pre-tax) discount rate applied to cash flow projections is the weighted average cost of capital (WACC) of 10.8% (pre-tax discount rate 2018: 11.6%). 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. The cash flow forecast is calculated over a 5-year time frame including a terminal value at the end of 2024. The cash flow is based on actual performance and estimated development of key drivers. The following assumptions are made:

- Growth rate of 2.0% for 2020 (2019: 23.0%) applied on revenues.
- Growth rate of 2.0% (2018: 2.0%) applied on terminal value.
- Inflation rate of 1.43% (2018: 2.71%) applied on operating expenses (weighted average inflation rate of each country included in the CGU).
- Cost of Goods as a % of revenue sold kept stable for the following years.

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

The calculation shows a cushion (difference between value in use and carrying value) of 46.2 million euro, and the sensitivity analysis shows that 2.6% (2018: 3.6%) is to be subtracted from the growth rate before goodwill is impaired. CGU SCS requires a WACC exceeding 19.9% before goodwill is impaired (2018: 28.7%).

The Company cannot 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 its recoverable amount.

CONTINGENCIES

Critical judgment was applied in evaluating and determining the contingent liabilities as further disclosed in Note 27 & 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REVENUE

The following is an analysis of the Group's revenue for the year.

(thousands of euro)		*31 December*
	2019	**2018**
Revenue from the sale of goods	70 146	61 756
Revenue from the rendering of services	6 111	75
Total revenue	**76 257**	**61 831**

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

Due to the sale in 2015 of Zenitel's Caribbean company, the Zenitel Group is no longer organized in different business segments.

ENTITY-WIDE DISCLOSURES

Information about geographical areas:

(thousands of euro)		*31 December*
	2019	**2018**
Revenues		
Belgium (Country of domicile)	-	-
Norway	46 717	38 741
Singapore	5 351	3 585
Finland	4 475	3 701
France	5 706	4 925
USA	11 562	8 021
Other foreign countries	2 446	2 858
Total	**76 257**	**61 831**

(thousands of euro)		*31 December*
	2019	**2018**
Non current assets*, located in		
Belgium (Country of domicile)	66	-
Norway	5 708	4 055
Other foreign countries	2 287	356
Total	**8 061**	**4 411**

*Excluding financial assets and deferred tax assets.

3. BUSINESS COMBINATION

In November 2018, Zenitel acquired the Phontech operations from Jotron AS. Phontech is specialized in Intercom and Public Address & General Alarm solutions for the Maritime and Oil & Gas markets with worldwide market presence. This strategic acquisition will strengthen Zenitel its position as a worldwide market leader for intelligent critical communication solutions in the Maritime industry. The purchase price was fully paid by own funds.

The transaction costs in the amount of 0.2 million euro were booked as consulting expenses and the gain on bargain purchase of 0.4 million euro was booked in the line Finance income of the consolidated statement of profit or loss for the year ended 31 December 2018.

The initial purchase price allocation was finalized per 31 December 2018 and no adjustments were identified.

The long-term growth strategy of Zenitel remains focused on presence in multiple markets as well as possible acquisitions.

4. RAW MATERIALS AND CONSUMABLES USED

(thousands of euro)		*31 December*
	2019	**2018**
Supplies	33 297	29 481
Subcontractors	2 132	235
Changes in inventories of finished goods and work in progress	-459	-3 152
Other	190	164
Total raw materials and consumables used	**35 160**	**26 728**

Impairment on current assets are included in total raw materials and consumables used.

5. EMPLOYEE BENEFITS EXPENSES

(thousands of euro)		*31 December*
	2019	**2018**
Wages and salaries	22 635	17 645
Social security costs	2 798	2 371
Other employee benefits	1 034	814
Short-term employee benefits	**26 467**	**20 830**
Pension costs – defined contribution plans	1 038	736
Pension costs – defined benefit plans	11	-
Pension costs	**1 049**	**736**
TOTAL EMPLOYEE BENEFITS EXPENSES	**27 516**	**21 566**
Average number of employees	**303**	**300**
Employees	297	286
Management	6	14

The increase in short-term employee benefits in 2019 is mainly due to the acquisition of the Phontech operations (27 FTE's) in November 2018.

6. FACILITY EXPENSES

(thousands of euro)		*31 December*
	2019	**2018**
Housing costs	1 052	2 237
Telecom expenses	302	307
Insurances	55	66
Utilities	352	384
Other facility costs	1 132	1 149
Total facility expenses	**2 894**	**4 143**

7. OTHER EXPENSES

(thousands of euro)		*31 December*
	2019	**2018**
Advertising, publicity and trade fairs	874	677
Travel & related costs	1 793	1 632
Car expenses and allowances	219	600
Other	-517	315
Total other expenses	**2 369**	**3 224**

8. RESEARCH & DEVELOPMENT COSTS

(thousands of euro)		*31 December*
	2019	**2018**
Research and development costs	**3 206**	**2 941**

Whereof 2.3 million euro (2.2 million in 2018) was included in the Employee benefits expense (Wages and salaries).
In 2019 and 2018, development costs were no longer capitalized.

9. FINANCE INCOME

(thousands of euro)		*31 December*
	2019	**2018**
Gain and bargain purpose (note 3)	-	378
Other (aggregate of immaterial items)	145	35
Total finance income	**145**	**413**

10. FINANCE COSTS

(thousands of euro)		*31 December*
	2019	**2018**
Interest on bank overdrafts, used factoring facility and loans	38	59
Interest on obligations under leases	63	-6
Other financial charges	342	284
Total finance costs	**443**	**337**

The weighted average interest rate on funds borrowed generally is 0.8% per annum (2018: 1.9% per annum).

11. NET FOREIGN EXCHANGE GAINS / (LOSSES)

(thousands of euro)		*31 December*
	2019	**2018**
Foreign exchange rate losses	-1 122	-662
Foreign exchange rate gains	1 262	805
Net foreign exchange gains / (losses)	**140**	**143**

12. INCOME TAXES

(thousands of euro)			*31 December*
	Notes	**2019**	**2018**
Current tax expense / (income)		1 095	174
Adjustments recognized in the current year in relation to current tax of prior years		12	176
Deferred tax expenses	13	-364	380
Total income tax expense/(income) relating to continuing operations		**743**	**730**

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

(thousands of euro)		*31 December*
	2019	**2018**
Profit before tax	**3 765**	**3 383**
Tax calculated at tax rate of 29.58% (2018 and 2019)	1 114	1 001
Effects of:		
- Different tax rates in other countries	-123	-175
- Adjustments recognized in the current year in relation to current tax of prior years	12	176
- Income not subject to tax	-220	-427
- Expenses not deductible for tax purposes	270	330
- Utilization of previously unrecognized tax losses	-82	-159
- Other	108	124
-Recognition of tax losses	20	-159
- Unrecognized tax losses of the current year	-356	19
Total income tax expense/(income)	**743**	**730**

The tax rate used for the 2019 and 2018 reconciliation is the corporate tax rate of 29.58 % payable by corporate entities in Belgium on taxable profits under tax law in that jurisdiction.

No income tax has been recognized directly in equity or in other comprehensive income in 2019 nor in 2018.

13. DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 22.0% (2018: 23.0 %). This percentage is 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 assets relate to the tax losses carried forward of Zenitel Norway AS and a part of Zenitel NV.

(thousands of euro)		*31 December*
	2019	**2018**
At the beginning of the year		
- deferred tax liability	-28	-25
- deferred tax asset	822	1 194
Income statement income/(charge)	364	-380
Other changes	15	5
At the end of the year	**1 173**	**794**
Recognized in the balance sheet as		
- deferred tax liability	-	-28
- deferred tax asset	1 173	822

The other changes mainly relate to exchange differences.

Deferred tax assets/(liabilities)	Impairments	Tax losses	Provisions	Depreciation	Other	Total
At 31 December 2017	**279**	**808**	**75**	**85**	**-78**	**1 169**
(Charged)/credited to P/L	-52	-280	-77	-22	51	-380
Other changes	-1	6	2	-1	-1	5
At 31 December 2018	**226**	**534**	**-**	**62**	**-28**	**794**
(Charged)/credited to P/L	210	-6	188	-6	-18	368
Other changes	12	-	-1	11	-1	11
At 31 December 2019	**448**	**528**	**187**	**57**	**-47**	**1 173**

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 euro)		*31 December*
	2019	**2018**
Deferred tax assets	1 173	822
Deferred tax liabilities	-	-28
Total	**1 173**	**794**

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.

The following companies have unrecognized tax losses (and credits):

(thousands of euro)			*31 December*
Company	**2019**	**2018**	**Expiry date**
Zenitel NV	48 846	49 508	None
Zenitel Finance Netherlands BV	7 819	7 846	10 years
Zenitel France S.A.	-	-	None
Zenitel Finland Oy	1 057	1 074	10 years
Zenitel Denmark A/S	4 542	4 437	None
Zenitel Italy SRL	945	910	None

Some tax losses carried forward as per year-end 2019 indicated in the table above do have an expiry date.
Tax losses carried forward as per year-end 2018 also had an expiry date.

14. EARNINGS PER SHARE

14.1 BASIC EARNINGS PER SHARE

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

		31 December
	2019	**2018**
Basic earnings per share continuing operations (euro)	**0.91**	**0.80**

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 euro)	**3 022**	**2 653**
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	**3 308 384**	**3 310 884**

14.2 DILUTED EARNINGS PER SHARE

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

		31 December
	2019	**2018**
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures) – See Note 31	3 308 384	3 310 884
Adjustments for warrants	-	-
Weighted average number of ordinary shares for diluted earnings per share	3 308 384	3 310 884
Diluted earnings per share (euro)	0.91	0.80

15. PROPERTY, PLANT & EQUIPMENT

(thousands of euro)	Land & buildings	Installations & machinery	Furniture, fixtures & vehicles	Leasing & similar rights (*)	Other tangible assets	Total
Cost or valuation						
Balance as at 1 January 2018	**-**	**3 424**	**2 593**	**-**	**1 579**	**7 596**
Additions	-	86	37	-	192	314
Additions acquired through business combinations		178	86	-	46	310
Disposals	-	-1	-1	-	-1	-3
Net foreign currency exchange differences	-	13	1	-	14	28
Balance as at 1 January 2019(*)	**-**	**3 700**	**2 716**	**3 941**	**1 829**	**12 186**
Additions	-	206	290	1 168	485	2 149
Disposals	-	-2	-23	-	-48	-73
Others	-	-132	-	-	-	-132
Net foreign currency exchange differences	-	33	31	-	16	78
Balance as at 31 December 2019	**-**	**3 804**	**3 012**	**5 109**	**2 468**	**14 207**
Accumulated depreciation and impairment						
Balance as at 1 January 2018	**-**	**-3 239**	**-2 496**	**-**	**-1 415**	**-7 150**
Depreciation expense	-	-102	-49	-	-107	-257
Eliminated on disposals of assets	-	1	1	-	1	3
Net foreign currency exchange differences	-	-17	-3	-	-16	-36
Balance as at 1 January 2019	**-**	**-3 357**	**-2 547**	**-**	**-1 536**	**-7 440**
Depreciation expense	-	-171	-101	-1 839	-187	-2 298
Eliminated on disposals of assets	-	2	22	-	48	71
Others	-	120	-	-	-	120
Net foreign currency exchange differences	-	-30	-27	-	-11	-68
Balance as at 31 December 2019	**-**	**-3 436**	**-2 653**	**-1 839**	**-1 686**	**-9 614**
Carrying amount						
As at 31 December 2018	**-**	**343**	**170**	**-**	**293**	**806**
As at 31 December 2019	**-**	**368**	**359**	**3 270**	**596**	**4 593**

(*) Impacted due to the adoption of IFRS 16

16. GOODWILL

(thousands of euro)		*31 December*
Cost	**2019**	**2018**
Balance at beginning of year	**54 296**	**54 682**
Effect of foreign currency exchange differences	308	-386
Balance at end of year	**54 604**	**54 296**
Accumulated impairment losses		
Balance at beginning of year	**-51 050**	**-51 403**
Effect of foreign currency exchange differences	**-282**	353
Balance at end of year	**-51 332**	**-51 050**
Carrying amount		
At the beginning of the year	**3 246**	**3 279**
At the end of the year	**3 272**	**3 246**

Of which all is related to the SCS Business

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

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

The (pre-tax) discount rate applied to cash flow projections is the weighted average cost of capital (WACC) of 10.8% (pre-tax 2018: 11.6%). The components for the determination of the WACC are based on sector-specific parameters received from various banks and analysts and taking into account the financial position of Zenitel and historical performance of the individual CGU.

A growth rate of 2.0% for 2020 (2019: 23.0%) has been used and the assumed inflation rate is 1.43% (2019: 2.71%).

Sensitivity analysis shows that 2.6% (2018: 3.6%) is to be subtracted from the growth rate before goodwill is impaired. CGU SCS requires a WACC exceeding 19.9% (2018: 28.7%) before goodwill is impaired.

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

The Company cannot 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 its recoverable amount.

17. OTHER INTANGIBLE ASSETS

(thousands of euro)			*31 December*
Cost	**Capitalized development, others**	**Software, licenses**	**Total**
Balance at 1 January 2018	**6 849**	**1 074**	**7 922**
- of which internally generated	5 968	-	5 968
- of which externally acquired	881	1 074	1 955
Additions (including internally generated)	-	179	179
Net foreign currency exchange differences	-64	-6	-70
Balance at 1 January 2019	**6 785**	**1 248**	**8 031**
- of which internally generated	5 909	-	5 909
- of which externally acquired	876	1 248	2 123
Additions (including internally generated)	-	120	120
Net foreign currency exchange differences	50	14	64
Balance at 31 December 2019	**6 835**	**1 382**	**8 215**
- of which internally generated	5 952	-	5 952
- of which externally acquired	882	1 382	2 264
Accumulated amortization and impairment			
Balance at 1 January 2018	**-6 004**	**-932**	**-6 935**
Amortization expense	-684	-134	-818
Net foreign currency exchange differences	77	5	82
Balance at 1 January 2019	**-6 611**	**-1 061**	**-7 672**
Amortization expense	-175	-113	-289
Net foreign currency exchange differences	-48	-12	-60
Balance at 31 December 2019	**-6 835**	**-1 186**	**-8 020**
Carrying amount			
As at 31 December 2018	**173**	**186**	**360**
As at 31 December 2019	**-**	**195**	**195**

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.

Development costs are no longer capitalized since 1 January 2016 – we refer to the Accounting Policies.

18. NET IMPAIRMENT ON CURRENT ASSETS

(thousands of euro)			*31 December*
Continuing operations	**Notes**	**2019**	**2018**
Net impairment on inventories	20	-1 401	128
Net impairment on receivables	22	-84	-101
Total impairment on current assets		**-1 484**	**27**

*In 2018, the net impairment includes the recovery of an amount of 0.1 million euro related to the settlement of a bankruptcy.

19. FINANCIAL ASSETS

(thousands of euro)		*31 December*
	2019	**2018**
Available for sale investments	240	238
Total	**240**	**238**
of which current	-	-
of which non-current	240	238

(thousands of euro)		*31 December*
Available for sale investments	**2019**	**2018**
At the beginning of the year	**238**	**240**
Acquisition	-	-
Disposals	-	-
Impairments	-	-
Net foreign currency exchange differences	2	-2
At the end of the year	**240**	**238**

(thousands of euro)		*31 December*
The breakdown of the outstanding balance is as follows:	**2019**	**2018**
- BNSC - Beijing Nera Stentofon Comm. Equipment (China):	240	238
Total	**240**	**238**

The available-for-sale investments are accounted at fair value. Fair values are assessed on a regular basis and at the end of 2019, no objective evidence indicates that available-for-sale investments are impaired.

20. INVENTORIES

(thousands of euro)		*31 December*
	2019	**2018**
Raw materials	1 014	904
Goods purchased for resale	11 634	9 801
Total inventories	**12 648**	**10 705**

Total inventory write offs amounted to 1.4 million euro in 2019 (0.1 million euro in 2018). Inventory expenses and impairments are included in the 'Raw materials and consumables used' line of the income statement.

21. CONTRACTS IN PROGRESS

(thousands of euro)		*31 December*
	2019	**2018**
Contracts in progress	-	83
Total contracts in progress	**-**	**83**

22. TRADE & OTHER RECEIVABLES

(thousands of euro)		*31 December*
	2019	**2018**
Trade receivables	14 326	11 916
Allowance for doubtful debts	-607	-520
Total	**13 719**	**11 396**
OTHER RECEIVABLES		
Tax receivables other than income tax	288	256
Income tax receivable	-	90
Other receivables	367	274
Total other receivables	**655**	**620**
Total trade and other receivables	**14 374**	**12 016**

The total amount of trade receivables is presented after deduction of a bad debt allowance of 0.6 million euro (2018: 0.5 million euro). The aging of our current trade and other receivables can be detailed as follows:

(thousands of euro)			*Of which:*							
	Gross amount as of 31 December 2019	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 360 days	Valuation allowance for doubtful debtors	Net carrying amount as at 31 December 2019
Trade receivables	14 326	7 941	3 662	935	266	893	240	389	-607	13 719
Tax receivables, other than income tax	287	287	-	-	-	-	-	-	-	287
Income tax receivable	-	-	-	-	-	-	-	-	-	-
Other receivables	367	367	-	-	-	-	-	-	-	367
Total	**14 980**	**8 595**	**3 662**	**935**	**266**	**893**	**240**	**389**	**-607**	**14 374**

(thousands of euro)			*Of which:*							
	Gross amount as of 31 December 2018	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 360 days	Valuation allowance for doubtful debtors	Net carrying amount as at 31 December 2018
Trade receivables	11 916	5 908	3 548	1 189	482	413	225	152	-520	11 397
Tax receivables, other than income tax	256	256	-	-	-	-	-	-	-	256
Income tax receivable	90	90	-	-	-	-	-	-	-	90
Other receivables	274	274	-	-	-	-	-	-	-	274
Total	**12 536**	**6 527**	**3 548**	**1 189**	**482**	**413**	**225**	**152**	**-520**	**12 016**

The average credit period on sales of goods and services is 67.6 days (2018: 69.4 days). No interest is charged on trade receivables for the first 60 days from the date of the invoice. Thereafter, the interest charged is charged at 2% per annum on the outstanding balance. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the balance sheet date. An allowance is recognized when there is objective evidence that the individual asset is impaired.

(thousands of euro)		*31 December*
Movement of the allowance for doubtful debtors	**2019**	**2018**
Balance at beginning of the year	-520	-509
Amounts written off during the year	-7	53
Amounts recovered during the year	137	17
Decrease / (Increase) in allowance recognized in profit or loss	-209	-81
Translation difference	-8	1
Balance at end of year	**-607**	**-520**

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. The two largest customers account for approximately 5.1% and 3.9% 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.

23. CASH AND CASH EQUIVALENTS

(thousands of euro)		*31 December*
	2019	**2018**
Cash at bank and in hand	20 511	19 576
Short-term bank deposit	820	795
Total cash and cash equivalents	**21 331**	**20 371**

The weighted average effective interest rate on short-term bank deposits amounts to -0.215 % (2018: -0.173%).

24. TRADE AND OTHER PAYABLES

(thousands of euro)		*31 December*
	2019	**2018**
Trade payables	**7 396**	**7 415**
Remuneration & staff related liabilities	4 718	3 581
Accrued expenses	1 133	1 367
Advances received on contracts	481	23
Other	1 362	1 487
Other payables	**7 695**	**6 458**
Total trade and other payables	**15 091**	**13 873**

The fair value of the derivative financial instrument amounted to 0.1 million euro (2018: 0.3 million euro) are included in the line 'other'. Further information on these financial instruments is given in note 28.

25. BORROWINGS

(thousands of euro)	*31 December* 2019	2018
Non-current		
Leasing and similar rights	1 934	61
	1 934	**61**
Current		
Used factoring facility	2 231	2 037
Leasing and similar rights	1 447	22
	3 678	**2 059**
Total borrowings	**5 612**	**2 120**

		31 December
The weighted average interest rate per year amounts to (%):	**2019**	**2018**
Leasing and similar rights	1.60	5.26
Used factoring facility	1.30	2.89

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

(thousands of euro)	*31 December 2019*			*31 December 2018*		
	Total future payments	Unexpired interest expenses	Present value	Total future payments	Unexpired interest expenses	Present value
Not later than one year	3 678	5	3 673	2 059	5	2 054
Between one and five years	1 934	10	1 924	61	13	48
Total	**5 612**	**15**	**5 597**	**2 120**	**18**	**2 102**

NON-CURRENT BORROWINGS

Lease agreements in which Group companies are the lessee, give rise to financial liabilities on the balance sheet. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

CURRENT BORROWINGS

Zenitel Norway AS has a factoring agreement of NOK 35 million (equaling 3.5 million euro). This factoring agreement allows for borrowing up to 80% of the value of customer invoices. As per 31 December 2019, 2.2 million euro of this credit facility was used against 2.0 million euro as per 31 December 2018. The interest rate on this facility on average amounted to 1.3% in 2019 (2.9% in 2018). At the same time, a credit line up to a maximum of 1.9 million euro is available. As per year end of 2019 and 2018, this credit line was not used.

Included in the amount, the company holds lines for bank guarantees at different credit institutions for in total almost 2.8 million euro (2018: 3.1 million euro) of which 1.4 million euro are used to secure the completion of customer contracts.

26. RETIREMENT BENEFIT OBLIGATIONS

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

The obligation resulting from defined benefit pension plans is determined using the projected unit credit method. Gains and losses arising from changes in actuarial assumptions are recognized in other comprehensive income.

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

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

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

(thousands of euro)		*31 December*
	2019	**2018**
Present value of funded obligations	1 330	1 276
Fair value of plan assets	-1 177	-1 153
Funded status	**153**	**123**
Present value of unfunded obligations	265	234
Net liability	**418**	**357**
Amounts recognized in the balance sheet		
Recognized as non current liability / retirement benefit obligations	418	357
Recognized as current liability / retirement benefit obligations	-	-
Net liability	**418**	**357**

The amounts recognized in the income statements are as follows:

(thousands of euro)		*31 December*
	2019	**2018**
Current service cost	18	21
Interest costs	14	15
Expected return on plan assets	-10	-11
Total pension costs	**22**	**25**
Actual return on plan assets	**34**	**46**

The total pension cost as indicated in the table above is included in the Employee benefits expense-line of the statement of profit and loss.

(thousands of euro)		*31 December*
	2019	**2018**
Opening defined benefit obligation as previously reported	**1 510**	**1 645**
Service cost	18	21
Interest cost	14	15
Plan participants' contributions	1	1
Actuarial losses (gains)	66	22
Net transfer in/(out)	-	-
Exchange differences on foreign plans	3	-2
Benefits paid	-17	-192
Closing defined benefit obligation	**1 595**	**1 510**

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

(thousands of euro)		*31 December*
	2018	**2018**
Opening fair value of plan assets	**1 153**	**1 274**
Expected return	10	11
Actuarial gains and (losses)	23	35
Contributions by employer	5	26
Plan participants' contributions	1	1
Net transfer in/(out)	-	-
Exchange differences on foreign plans	2	-2
Benefits paid	-17	-192
Closing fair value of plans assets	**1 177**	**1 153**

The group expects to contribute less than 0.1 million euro to its defined benefit pension plans in 2020.

(thousands of euro)		*31 December*
	2019	**2018**
Defined benefit obligation	1 595	1 510
Plan assets	1 177	1 153
Surplus/(deficit)	**418**	**357**

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

(thousands of euro)		*31 December*
	2019	**2018**
Fair value of plan assets		
Debt instruments	656	643
Other	521	510
Weighted average expected return	**1 177**	**1 153**

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:

		31 December
	2019	**2018**
Assumptions to determine benefit obligations	**%**	**%**
Discount rate	0.42	0.92
Rate of compensation increase	2.37	2.35
Rate of price inflation	2.00	2.00

27. PROVISIONS

(thousands of euro)	Technical Guarantees	Other	Total
On 1 January 2018	**785**	**4 358**	**5 143**
Additions to provisions	18	29	47
Utilization	-296	-445	-741
Reversal of provisions	-21	-	-21
Exchange differences	4	-	4
On 31 December 2018	**490**	**3 942**	**4 432**
Non-current	-	-	-
Current	490	3 942	4 432
Total	**490**	**3 942**	**4 432**
On 1 January 2019	**490**	**3 942**	**4 432**
Additions to provisions	430	1 155	1 586
Utilization	-	-1 037	-1 037
Reversal of provisions	-1	-593	-594
Exchange differences	2	-	2
On 31 December 2019	**922**	**3 467**	**4 389**
Non-current	-	-	-
Current	922	3 467	4 389
Total	**922**	**3 467**	**4 389**

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 the level of repairs and replacements.

Other

The other provisions cover principally a risk related to legal claims.

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

28. FINANCIAL INSTRUMENTS

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

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

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

- The fair values of financial assets and financial liabilities 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 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 2019*		*31 December 2018*			
	Carrying value	Fair value	Carrying value	Fair value	Level	Balance sheet caption
Financial assets available for sale	**240**	**240**	**238**	**238**		**Financial assets**
Available for sale investments	240	240	238	238	3	Financial assets
Loans and receivables	**14 374**	**14 374**	**12 016**	**12 016**		
Trade receivables	13 719	13 719	11 396	11 396	3	Trade and other receivables
Other receivables	655	655	620	620	3	Trade and other receivables
Financial liabilities at amortized cost	**20 703**	**20 703**	**15 993**	**15 993**		
Borrowings and lease liabilities	5 612	5 612	2 120	2 120	3	Borrowings and lease liabilities LT and ST
Trade payables	7 396	7 396	7 415	7 415	3	Trade and other payables
Other payables	7 695	7 695	6 458	6 458	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.

Since most of the Norwegian business is export in the euro currency, Zenitel Norway AS has a NOK deficit and a euro surplus. The company has put in place short-term FX forward contracts that secure the needed exchange between EUR/NOK on a rolling 12-month basis. The fair value of these contracts amounts to 0.1 million euro (2018: 0.3 million euro) at 31 December 2019.

29. CONTINGENCIES

During the normal course of business, the Company and its subsidiaries are party to various legal claims and complaints resulting in contingent liabilities with uncertainty on timing and/or amount. The contingent liabilities relate to possible obligations with respect to old projects, soil contamination, warranties given and redundancies. No further overview or quantification of the contingencies is being disclosed, since it is not practicable to do so.

30. COMMITMENTS

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 euro)		*31 December*
	2019	**2018**
Not later than 1 year	1 559	1 738
Later than 1 year and not later than 5 years	2 257	2 295
Later than 5 years	18	-
Total Lease Commitments	**3 834**	**4 033**
Effect from discounting and low value assets	-564	-92
Total Lease liabilities under IFRS 16	**3 270**	**3 941**

Operating lease agreements relate to office premises, site rents, car lease and IT equipment.

COMMITMENTS FOR EXPENDITURE BY GROUP COMPANIES

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

31. ORDINARY SHARES, TREASURY SHARES & WARRANTS

The total number of Zenitel shares on 31 December 2019 amounted to 3,310,884.

Ordinary shares & treasury shares:

	Number of ordinary shares	Treasury shares	Total
On 31 December 2017*	3 305 063	5 821	3 310 884
On 31 December 2018	3 310 884	-	3 310 884
On 31 December 2019	3 308 384	2 500	3 310 884
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	3 308 384		

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

All issued shares are fully paid. Shares have no par value.
The total authorized capital is per 31 December 2019 euro 20,000,000.

Warrants were granted in the past to directors and to employees.
However there are no warrants outstanding anymore as at year end 2019.

32. MOVEMENT IN WORKING CAPITAL

(thousands of euro)			*31 December*
	Notes	**2019**	**2018**
Movements in working capital:			
(Increase) / decrease in trade and other receivables		-2 442	- 1 265
(Increase) / decrease in inventories		-3 344	-1 790
(Increase) / decrease contract work in progress		83	97
(Increase) / decrease in other assets		204	-281
Increase / (decrease) in trade and other payables		1 217	2 901
Increase / (decrease) in provisions and retirement benefit obligations		-43	-770
Effect of exchange rate changes on working capital components*		70	-159
Total movement in working capital		**-4 255**	**-1 267**

* The components of working capital were mainly impacted by currency translation effect due to the NOK/EUR conversion in 2019 and 2018.

33. RELATED-PARTY TRANSACTIONS

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

A) Landlord of office building in Zellik

3D NV is one of the reference shareholders of the Zenitel Group and is the landlord of the building in which Zenitel NV has its offices in Zellik (Belgium) . The rent charged by 3D NV to Zenitel NV is determined on an at arms' length basis and amounts to 22 K euro per year.

B) BNSC and Zenitel UK

In 2019, the group sold goods to the related parties BNSC and Zenitel UK for a total of 1.8 million euro (2018: 1.8 million euro). The receivables related to these sales amounted to 0.3 million euro at 31 December 2019 (2018: 0.3 million euro).

C) Directors' remuneration

(thousands of euro)		*31 December*
	2019	**2018**
Directors' remuneration	174	163

D) Key management remuneration

(thousands of euro)		*31 December*
KEY MANAGEMENT REMUNERATION*	**2019**	**2018**
Short term employee benefits	536	453
Post-employment benefits	24	37
Other long-term benefits	-	-
Share-based payments (see warrants above)	-	-
Termination benefits	-	-
TOTAL KEY MANAGEMENT REMUNERATION (cost to the Company)**	**560**	**490**
KEY MANAGEMENT - AVERAGE FTE	**2.0**	**2.0**

The CEO's total remuneration package for 2019 amounted to 0.2 million euro fixed remuneration and 0.1 million euro variable remuneration. Remuneration of directors and key executives is determined by the remuneration committee in having regard to the performance of individuals and market trends. Remuneration to the Key Management is made in NOK. Amounts for both years are converted to euro with a NOK/EUR rate of 9.85.

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

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

34. PRINCIPAL SUBSIDIARY UNDERTAKINGS

Europe	Ownership	Country of incorporation
Zenitel Norway AS	100 %	Norway
Nor Electronics AS	100 %	Norway
Zenitel Denmark A/S	100 %	Denmark
Zenitel Etronic ApS	100 %	Denmark
Zenitel Finland Oy	100 %	Finland
Zenitel France S.A.	100 %	France
Zenitel Italy SRL	100 %	Italy
Zenitel Finance Netherlands B.V.	100 %	Netherlands
Zenitel Mediterranean d.o.o.	100%	Croatia
Zenitel UK Ltd.	15 %	United Kingdom

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

Rest of World		Country of incorporation
Zenitel Marine Asia Pte. Ltd.	100 %	Singapore
BNSC (China)	10 %	China

35. POST BALANCE-SHEET EVENTS

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

EY Bedrijfsrevisoren
EY Reviseurs d'Entreprises
Pauline van Pottelsberghelaan 12
B-9051 Gent

Tel: +32 (0)9 242 51 11
ey.com

Independent auditor's report to the general meeting of Zenitel NV for the year ended 31 December 2019

As required by law and the Company's articles of association, we report to you as statutory auditor of Zenitel NV (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2019 and the disclosures (all elements together the "Consolidated Financial Statements") and includes as well our report on other legal and regulatory requirements. These two reports are considered as one report and are inseparable.

We have been appointed as statutory auditor by the shareholders' meeting of 29 April 2019, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee. Our mandate expires at the shareholders' meeting that will deliberate on the Consolidated Financial Statements for the year ending 31 December 2021. We performed the audit of the Consolidated Financial Statements of the Group during 4 consecutive years.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Zenitel NV, which consists of the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2019 and the disclosures, which show a consolidated balance sheet total of € 59.114 thousands and of which the consolidated income statement shows a profit for the year of € 3.022 thousands.

In our opinion, the Consolidated Financial Statements give a true and fair view of the consolidated net equity and financial position as at 31 December 2019, and of its consolidated results for the year then ended, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the Consolidated Financial Statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including those with respect to independence.

We have obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current reporting period.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

Besloten vennootschap
Société à responsabilité limitée
RPR Brussel – RPM Bruxelles - B.T.W. – T.V.A. BE 0446.334.711 – IBAN N° BE71 2100 9059 0069
*handelend in naam van een vennootschap/agissant au nom d'une société

A member firm of Ernst & Young Global Limited

Valuation of provisions for litigations

- Description of the matter

As at 31 December 2019, the other provisions included in the provisions in the statement of financial position and disclosed in Note 27 of the Consolidated Financial Statements amount to € 3.467 thousands. These other provisions mainly relate to provisions to cover the risks in respect of pending claims, litigations and disputes in which the Group is involved.

Since the outcome of the pending claims and litigations cannot be predicted with certainty, the ultimate outcome could have a material effect on the Consolidated Financial Statements of the Group. Therefore, the valuation of provisions for these pending claims and litigations is complex and requires judgement from management. Due to the uncertainty of the outcome and the significant exposures involved, the valuation of the claims and litigations is significant to our audit.

- Summary of audit procedures performed

We have, amongst others, performed following procedures:

- Evaluating management's assessment of the likely outcome and potential exposures arising from all significant claims and litigations.
- Assessing the progress of all significant claims and litigations by holding discussions with management and those charged with governance.
- Inspecting the meeting minutes of the board of directors and the audit committee, in which these claims and litigations are discussed.
- Reading and analyzing pertinent and new correspondence between the parties involved in the claims and litigations.
- Obtaining confirmation on the status of these claims and litigations directly from the Group's external legal counsel. We have also held meetings with the Group's external counsel handling these claims and litigations to confirm the fact patterns and confirm certain assertions and information provided by the management of the Group.
- Assessing the recognition and valuation of claims, litigations and disputes in accordance with IAS 37 Provisions.
- Assessing the appropriateness of the information on claims and litigations as disclosed in note 27 of the Consolidated Financial Statements.

Goodwill impairment

- Description of the matter

As at 31 December 2019, the Consolidated Financial Statements include goodwill for an amount of € 3.272 thousands.

The Group reviews the carrying amount of its sole cash generating unit ("CGU") annually or more frequently if impairment indicators are present. The impairment assessment involves a comparison of the estimated recoverable amount of the CGU to its carrying amount. Additional information is provided in Note 16 and the section "Valuation rules and financial risk factors" of the Consolidated Financial statements.

The Group's assessment of impairment of goodwill is a judgmental process which requires estimates concerning the future cash flows, the weighted average cost of capital ("WACC"), and the growth rate of revenue and costs to be applied in determining the value in use.

- Summary of audit procedures performed

We have, amongst others, performed following procedures:

- Challenging and assessing each of the key assumptions and methodology used in the annual impairment test of the CGU with the assistance of our internal valuation specialists. These key assumptions include the WACC, the growth rate of revenue and costs, and projected cash flows.
- Assessing the reasonableness of the projected cash flows as included in the goodwill impairment test based on historic performance and the available business plan, and evaluating the Group's historic forecasting accuracy.
- Testing the accuracy of the underlying impairment model.
- Assessing management's sensitivity analyses

- Assessing the appropriateness and completeness of the disclosures as included in Note 16 and in the section "Valuation rules and financial risk factors" of the Consolidated Financial Statements.

Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium and for such internal controls relevant to the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern, The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, and to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and we maintain professional skepticism throughout the audit. We also perform the following tasks:

- identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements resulting from fraud is higher than when such misstatements result from errors, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- conclude on the appropriateness of the Board of Directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going-concern;
- evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and evaluating whether the Consolidated Financial Statements reflect a true and fair view of the underlying transactions and events.

We communicate with the Audit Committee within the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audits of the subsidiaries. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee within the Board of Directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Directors' report on the Consolidated Financial Statements, and other information included in the annual report.

Responsibilities of the auditor

In the context of our mandate and in accordance with the additional standard to the ISAs applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Directors' report on the Consolidated Financial Statements, and other information included in the annual report, as well as to report on these matters.

Aspects relating to Board of Directors' report and other information included in the annual report

In our opinion, after carrying out specific procedures on the Board of Directors' report, the Board of Directors' report is consistent with the Consolidated Financial Statements and has been prepared in accordance with article 3:32 of the Code of companies and associations (former article 119 of the Belgian Company code).

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Directors' report and other information included in the annual report, being:

- Consolidated key figures (pages 4 to 5)
- Letter to the shareholders (pages 6 to 7)

contain any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, there are no material inconsistencies to be reported. In addition, we do not provide any assurance regarding the Board of Directors' report and other information included in the annual report.

Independence matters

Our audit firm and our network have not performed any services that are not compatible with the audit of the Consolidated Financial Statements and have remained independent of the Company during the course of our mandate.

The fees related to additional services which are compatible with the audit of the Consolidated Financial Statements as referred to in article 3:65 of the Code of companies and associations were duly itemized and valued in the notes to the Consolidated Financial Statements.

Other communications

- This report is consistent with our supplementary declaration to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

Ghent, 25 March 2020

EY Bedrijfsrevisoren BV
Statutory auditor
Represented by

Marnix Van Dooren
Partner*
*Acting on behalf of a BV/SRL

Ref. : 20MVD0147


SUBWAY SHUTTLE
42ND STREET
TICKET MACHINES

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

BALANCE SHEET AFTER APPROPRIATION

(thousands of euro)		*31 December*
ASSETS	**2019**	**2018**
Fixed assets	**38 979**	**38 979**
Formation expenses	-	-
Intangible assets	-	-
Tangible assets	-	-
Financial assets	38 979	38 979
Current assets	**4 962**	**5 094**
Amounts receivable more than one year	-	-
Amounts receivable within one year	445	627
Cash at bank and in hand	4 509	4 454
Deferred charges and accrued income	8	13
TOTAL ASSETS	**43 941**	**44 073**

(thousands of euro)		*31 December*
EQUITY AND LIABILITIES	**2019**	**2018**
Capital and reserves	**40 673**	**39 497**
Issued capital	20 000	20 000
Share premium account	5 624	5 624
Reserves	11 249	11 190
Result carried forward	3 800	2 683
Provisions and deferred taxation	**2 580**	**4 090**
Pensions and similar obligations	152	149
Other liabilities and charges	2 428	3 941
Creditors	**688**	**486**
Amounts payable after one year	-	-
Amounts payable within one year	486	486
Current portion of amounts payable after one year	-	-
Financial debt	-	-
Suppliers	388	361
Taxes, remuneration and social security	300	125
Other amounts payable	-	-
Accrued charges and deferred income	-	-
TOTAL EQUITY AND LIABILITIES	**43 941**	**44 073**

INCOME STATEMENT AND RESULT APPROPRIATION

(thousands of euro)		*31 December*
	2019	**2018**
Operating income	**1 553**	**1 330**
Turnover	-	-
Other operating income	1 553	1 330
Operating Charges	**-378**	**-780**
Services and other goods	-872	-775
Remuneration, social security costs and pension costs	-1 017	-494
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	-	-
Decrease in provisions for obsolete inventory and doubtful customer receivables	-	-
Decrease/(increase) in provisions for liabilities and charges	1 511	493
Other operating charges	-	-4
Operating profit / (loss)	**1 175**	**550**
Financial income	**4**	**2**
Income from financial fixed assets	4	2
Income from current assets	-	-
Other financial income	-	-
Financial charges	**-3**	**-3**
Interest and other debt charges	-	-
Write offs of current assets excluding inventory and customer receivables: addition (-); reversal (+)	-	-
Other financial charges	-3	-3
Profit / (loss) on ordinary activities before taxes	**1 176**	**549**
Extraordinary income	**-**	**-**
Reversal of provisions for exceptional risks and charges	-	-
Other extraordinary income	-	-
Extraordinary charges	**-**	**-**
Provisions for extraordinary liabilities and charges (increase: -, decrease: +)	-	-
Other extraordinary charges	-	-
Profit / (loss) for the period before taxes	**1 176**	**549**
Income taxes	-	-
Income taxes (-)	-	-
Adjustment of income taxes & write-back of tax provisions	-	-
Profit / (loss) for the period	**1 176**	**549**
Profit / (loss) for the period available for appropriation	**1 176**	**549**
Profit / (loss) to be appropriated	**1 176**	**549**
Profit / (loss) for the period available for appropriation	1 176	549
Profit / (loss) brought forward	-	-
Profit / (loss) to be carried forward	1 176	549

The financial information presented in this caption is an extract of the non-consolidated financial statements of Zenitel NV. The complete version of the statutory non-consolidated financial statements, together with the report of the Board of Directors and the report of the statutory auditor will be deposited at the National Bank of Belgium in Dutch in the month following the General Assembly.

These financial statements were prepared in conformance with the accounting and reporting laws and regulations applicable in Belgium ("Belgian GAAP").

DIVIDEND POLICY

No dividend payments are planned.

LEGAL AND ARBITRATION PROCEEDINGS

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

CONTACT INFORMATION

This Annual Report 2019 will be made available to investors at no cost at the registered office of Zenitel NV, Z.1 Research Park 110, 1731 Zellik, Belgium. This Annual Report is also available via the internet on the following website: www.zenitel.com under 'Investor Relations'.

Zenitel has arranged for an electronic Dutch translation of this Annual Report 2019 and takes responsibility for consistency between the texts in these two language versions. Should there be any difference of interpretation between the English and the 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, the press releases and the annual information can be found on the Company's website referred to above. A copy of these and of any document referred to in this Annual Report, that 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 four 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 NV.

To obtain information on Zenitel, please contact:

Johan Meersman	Mark Küpers, CFO	Koen Claerbout, CEO
+ 32 2 895 22 22	+ 47 40 00 25 00	+ 32 2 895 22 22

Zenitel NV, Z.1. Research Park 110, B-1731, Zellik, Belgium, VAT BE 0403 150 608 - RPR Brussels
info@zenitel.com – www.zenitel.com

The Annual Report 2019 is also available on www.zenitel.com (investor relations > financial reports) as from 27 March 2020.
Het jaarverslag 2019 is ook verkrijgbaar in het Nederlands op www.zenitel.com (investor relations > financial reports) vanaf 27 maart 2020.

RESPONSIBILITY FOR AUDITING THE ACCOUNTS

The consolidated and statutory annual accounts of the Company as at and for the period ended on 31 December 2019, prepared respectively in accordance with the International Financial Reporting Standards (IFRS) and the Belgian Generally Accepted Accounting Principles, have been audited by EY Bedrijfsrevisoren BV, De Kleetlaan 2, 1831 Diegem, represented by Mr. Marnix Van Dooren.

RESPONSIBILITY FOR THE CONTENTS 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.

Koen Claerbout	Mark Küpers
CEO	CFO

zenitel

www.zenitel.com

BELGIUM
Zenitel NV (Head Office)
Z.1 Research Park Zellik 110
BE-1731 Zellik
+32 2 895 22 22
+32 2 370 51 19
info@zenitel.com

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

CROATIA
Zenitel Mediterranean d.o.o.
Put Brace Honovica 6
HR-51414 Icici/Opatija
+385 51 29 19 10
+385 51 29 25 55
dragan.radosevic@zenitel.com

DENMARK
Zenitel Denmark A/S
Herstedøstervej 27-29A
DK-2620 Albertslund
+45 43 43 74 11
+45 43 43 75 22
info.denmark@zenitel.com

Zenitel Etronic ApS
Rødeledsvej 95
DK-5700 Svendborg
+45 62 21 38 50
+45 62 22 45 50
info@etronic.dk

FINLAND
Zenitel Finland Oy
Olarinluoma 14
FI-02200 Espoo
+358 20 7792270
+358 20 7792271
info.finland@zenitel.com

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

GERMANY
Langeoogstraße 6
DE-26603 Aurich
+49 4941 6976 720
+49 4941 6976 715
alfred.eilts@zenitel.com

INDIA
#6, Lottegolla Halli
RMV II Stage
Bangalore 560 094
+91-80-2341 1629
++91-80-2351 1897

ITALY
Zenitel Italia SRL
Viale Brianza 181
IT-20092 Cinisello Balsamo MI
+39 02 3860 82 37
+39 02 61 24 71 10
massimo.donzelli@zenitel.com

THE NETHERLANDS
Zenitel Finance Netherlands BV
Vendelier 35
NL-3905PB Veenendaal
+31 36 54 62 600
Fax. +31 36 54 62 601
robbert.willemsen@zenitel.com

NORWAY
Oslo
Zenitel Norway AS
Sandakerveien 24C
NO-0473 Oslo
P.O. Box 1068 Bekkajordet
NO-3194 Horten
+47 40 00 25 00
Fax. +47 22 37 85 32
info@zenitel.com

Horten
Zenitel Norway AS
Bromsveien 17
3183 Horten
P.O. Box 1068 Bekkajordet
NO-3194 Horten
+47 40 00 25 00
+47 33 03 16 61
info@zenitel.com

Trondheim
Zenitel Norway AS
Ingvald Ystgaards vei 3A
NO-7047 Trondheim
+47 40 00 25 00
+47 73 90 53 90
info@zenitel.com

Nor Electronics AS
P.O. Box 2151
Verkstedveien 2B
NO-6517 Kristiansund
+47 715 88070
+47 715 88071
post@nor-electronics.no

SINGAPORE
Zenitel Marine Asia Pte. Ltd.
69 Ubi Crescent #05-c
SG-408561 Singapore
+65 63 83 0200
+65 63 83 0700
sales@zenitel.com.sg

UNITED ARAB EMIRATES
Zenitel Norway AS DMCC Branch
Unit 4503 -18 & 19, 45th Floor BB2
Mazaya Business Avenue
Jumeirah Lakes Towers
P.O Box – 111587
Dubai, UAE
+971 4 567 0715/0716
+971 4 432 8232
info.dubai@zenitel.com

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

Zenitel USA Marine Inc.
5621 Salmen St
New Orleans
LA 70123
zenitel@zenitelusa.com