zenitel

ANNUAL REPORT 2013

whencommunicationiscritical

THE ZENITEL GROUP

OUR GROUP

Zenitel has firmly established itself at the intersection of two domains - communication on the one hand, security and safety on the other. As a leading player in instant audio and data communication, Zenitel's products and networks are as secure as they are fast. Zenitel is the preferred choice for situations that involve the protection of human lives or the management of critical activities.

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

Zenitel is listed on the Euronext stock exchange in Brussels, with its statutory headquarters situated in Belgium. Zenitel's operational headquarters is based in Norway.

OUR VISION

«The world leading provider of critical communication solutions»

OUR MISSION

«As a company and individuals we aim at providing the highest quality communication solutions available in the market. We are committed to continuously improving our operations and enhancing our partners' and customers' experience»

OUR 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.

OUR BRANDS

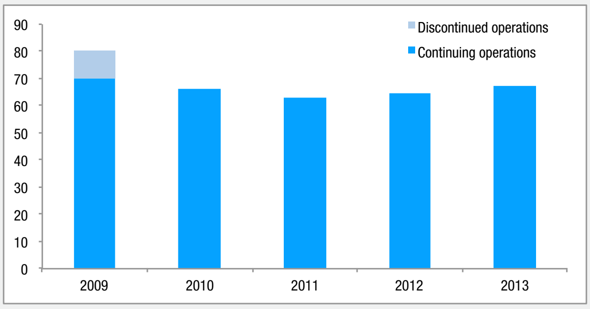
CONTENTS

CONSOLIDATED KEY FIGURES	4
LETTER TO THE SHAREHOLDERS	6
OUR WORLDWIDE PRESENCE	8
OUR BUSINESS	10
HIGHLIGHTS	12
MAIN ORDERS 2013	13
REPORT OF THE BOARD OF DIRECTORS	16
STOCK AND SHAREHOLDER INFORMATION[1]	22
DECLARATION WITH REGARD TO CORPORATE GOVERNANCE[1]	26
FINANCIAL REPORT 2013	38
CONTACT INFORMATION	89
PERSONS RESPONSIBLE	89

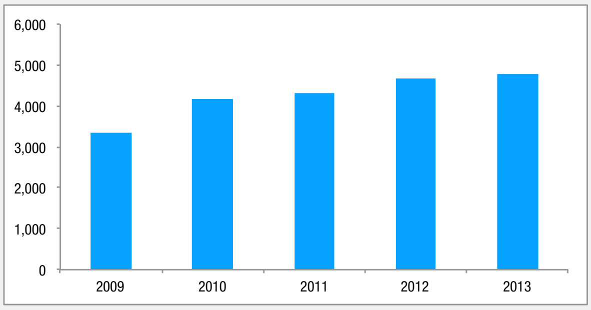
(1) These chapters form an integral part of the Report of the Board of Directors and contain the information required by the Belgian Company Code.

CONSOLIDATED KEY FIGURES

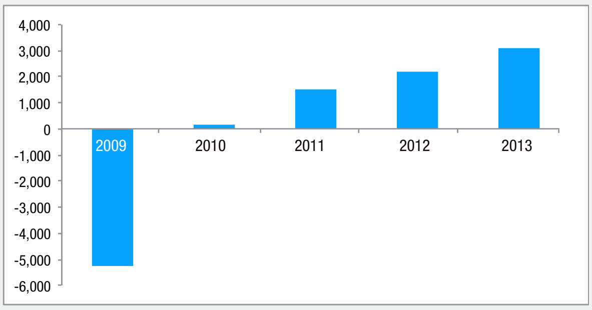
Revenue increase of 4.2 % to 67.4 million in 2013



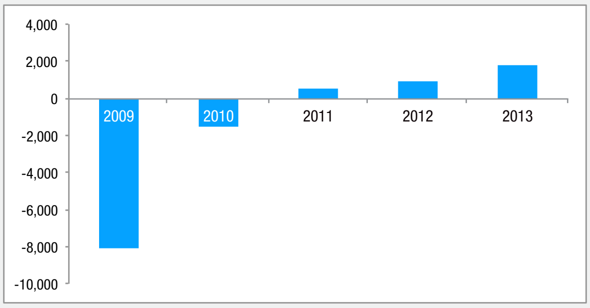
REBITDA of 4.8 million in 2013 against 4.7 million in 2012



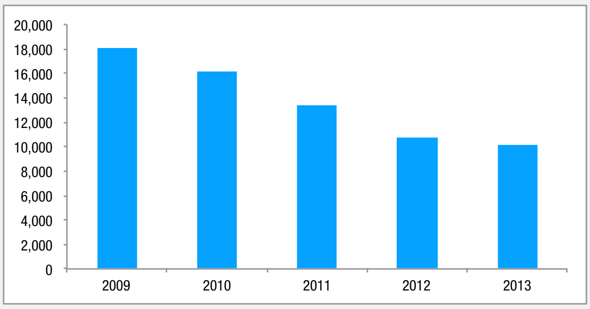
EBIT of 3.1 million in 2013 against 2.2 million in 2012



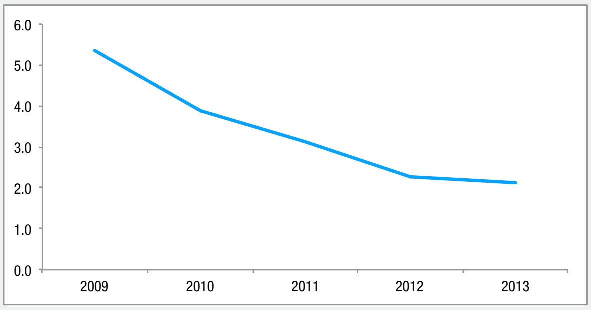
Net result of 1.8 million in 2013 against 0.9 million in 2012



Net debt and provisions decreased by 0.6 million to 10.1 million



Net debt and provisions equals 2.1 times REBITDA (2.3 In 2012)



NB! All values in euro.

CONSOLIDATED KEY FIGURES

THOUSANDS OF EUR	2013	2012	2011	2010	2009
FROM CONSOLIDATED STATEMENT OF PROFIT AND LOSS					
Revenue	67 403	64 706	62 977	66 390	80 246
Recurrent EBITDA [(1)]	4 770	4 679	4 313	4 157	3 361
Operating profit (EBIT)	3 115	2 221	1 501	147	-5 229
Profit of the year	1 761	883	549	-1 538	-8 053
FROM STATEMENT OF FINANCIAL POSITION					
Total assets	37 771	41 030	41 221	42 712	46 255
Shareholders' equity	6 884	7 845	5 862	5 262	5 179
Working capital	2 473	1 238	2 171	2 210	2 790
Total debt [(2)]	9 365	9 907	11 475	12 809	14 263
Total provisions [(3)]	4 664	5 762	6 270	7 484	9 307
Cash and cash equivalents	3 901	4 975	4 294	4 113	5 529
RATIOS					
Equity ratio	18.2%	19.1%	14.2%	12.3%	11.2%
Net debt [(4)] / recurrent EBITDA	1.1	1.1	1.7	2.1	2.6
Net debt [(4)] and provisions [(3)] / recurrent EBITDA	2.1	2.3	3.1	3.9	5.4
Weighted average number of shares (in thousands)	16 441	16 441	16 441	16 441	16 441
Equity/share (EUR)	0.42	0.48	0.36	0.32	0.31
Earnings/share (EUR)	0.11	0.05	0.03	-0.09	-0.49
ROCE[(5)]	30.2%	20.9%	13.2%	1.2%	-41.2%
OTHER KEY FIGURES					
Personnel	270	249	246	282	299

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

[(2)] Total debt: long term and short term interest bearing loans and borrowings

[(3)] Total provisions: Retirement benefit obligations plus provisions (both current and non current)

[(4)] Net debt: Total debt minus cash and cash equivalents

[(5)] ROCE: EBIT / (tangible assets + intangible assets + working capital)

[(6)] NA: multiple not shown, meaningless because of negative recurrent EBITDA in this period

Focused on the execution of our strategy, we are well positioned to meet and overcome tomorrow's challenges and grow our company in terms of both revenue and EBITDA.

DEAR SHAREHOLDERS

In 2013 Zenitel continued to invest in its STENTOFON, VINGTOR and ChuChubi offerings, and delivered increases in both revenue and net results. During 2013 the Board of Directors and the Management Team have been reviewing the Company's vision and mission statements, as well as the group values, goals and strategies that will lead the organization towards 2020. We will continue investing in our employees and in our products, and further reducing our financial debts.

In summary, 2013 was a good year for Zenitel. Some financial highlights:

- Total revenue amounted to 67.4 million euro, up 4.2 % from 2012.
- Recurrent EBITDA amounted to 4.8 million euro, up from 4.7 million euro in 2012, an increase of 2.0%.
- Net result amounted to 1.8 million euro, against 0.9 million euro in 2012.
- Net financial debt and obligations resulting from past restructuring and litigations have been reduced by 0.6 million euro to 10.1 million euro.

The commitment of our employees, partners and customers around the world, has allowed us to deliver top line as well as bottom line growth in 2013. We brought new state-of-the-art products to the market. In terms of employment we added 21 employees to the organization, an increase of 9%. The market has welcomed our new products, resulting in new customers and new partners for Zenitel. Whilst these new products and customers gave us the revenue growth that we always thought possible, we continued to create value for our shareholders by carefully managing our expenses and growing our EBITDA and net results.

We continue to operate in a very competitive market, but we have been able to preserve our gross margin, based on the ongoing focus on cost reduction and on the strategic choices that have been made in the past. Since the introduction of our IP based product portfolio, we have gradually shifted our products and services from hardware to software based solutions. The product rationalization and operational efficiency programs are key elements that we constantly monitor and improve to further reduce our costs.

In 2013, Zenitel launched a new networked Public Address & General Alarm (PA/GA) platform called 'Exigo', addressing both the marine (VINGTOR) and the land-based (STENTOFON) markets. The feedback from these markets has been overwhelming, and we have already been able to win major projects within the VINGTOR Marine business sector both in the Merchant as well as in the Oil & Gas segments. We would especially like to mention that Statoil, the largest oil company in Norway, has chosen Exigo as the solution for their PA/GA requirements for the next four years.

Our strategy continues to be investment in new products and markets, which has always been the case even when the cash situation of the company was very tight. We are not changing a successful strategy and will continue to focus on and to invest in our core business by bringing new products and solutions to the market. In the coming years we will launch even more features and options on our Exigo PA/GA system as well as new IP stations and PA panels based on the Turbine technology.

In 2013 Zenitel reduced its borrowings by 0.5 million euro, while net debt increased by 0.5 million euro. Compared to June 2013, net debt is down by 1.5 million euro. The reason for the increase of the net debt is the higher demands for working capital as we continue to grow our revenues, especially related to large projects in the Oil & Gas segment. Our provisions have further decreased by another 1.1 million euro. The ratio of net debt and provisions over recurrent EBITDA decreased from 5.4 at the end of 2009 to 2.3 at the end of 2012. At the end of 2013 this figure was further reduced to 2.1.

In line with our strategy, we remain focused on growing our business and on further reducing our debt. During 2013, we have opened a Marine office in the USA and in January 2014, we have opened a branch in Dubai serving our clients in that region. We will further expand our geographical distribution and open branches closer to our customers.

Focused on the execution of our strategy, we are well positioned to meet and overcome tomorrow's challenges and grow our company both on revenue and EBITDA.

Finally we would like to take the opportunity to extend our thanks and gratitude to our employees for their efforts and dedication, to our management and our Board of Directors for their commitment and to our shareholders and customers for their faith and trust in Zenitel.

Beckers Consulting BVBA
Eugeen Beckers
Chairman

Kenneth Dåstøl
CEO

OUR WORLDWIDE PRESENCE

We expand, we grow and we aim to be present in all the markets of the world.

OUR OFFICES WORLDWIDE

17

OFFICES AND BRANDS

USA	STENTOFON/VINGTOR
France	STENTOFON/VINGTOR
Italy	STENTOFON
Norway, Oslo[1)]	Zenitel/STENTOFON/VINGTOR
Norway, Horten[1)]	Zenitel/STENTOFON/VINGTOR
Norway, Trondheim	Zenitel/STENTOFON/VINGTOR
Brazil	VINGTOR
Croatia	VINGTOR
Germany	VINGTOR
India	STENTOFON
Netherlands	STENTOFON
Singapore	STENTOFON/VINGTOR
Finland	Zenitel/STENTOFON/VINGTOR
Denmark	Zenitel/STENTOFON/VINGTOR
Caribbean[2)]	Zenitel/STENTOFON/VINGTOR/ChuChubi
Belgium	Holding
United Arab Emirates	Zenitel
United Kingdom[3)]	STENTOFON
China[3)]	STENTOFON/VINGTOR

[1)] Headquarters [2)] Caribbean has three offices: Aruba, Curaçao, Sint-Maarten [3)] Related offices

EMPLOYEES WORLDWIDE

270

FTE BY COUNTRY

USA	19	Netherlands	2
France	18	Singapore	29
Italy	3	Finland	11
Norway[1)]	103	Denmark	24
Brazil	2	Caribbean[2)]	31
Croatia	20	Belgium	3
Germany	2	United Arab Emirates	1
India	3		

[1)]Norway, (Headquarters): Horten: 46, Oslo: 53, Trondheim: 4

[2)] Caribbean: Aruba: 4, Curacao: 20, Sint-Maarten : 7

OUR BUSINESS

OVERVIEW

Zenitel has a strong presence in both the onshore and offshore secure communications market through our global brands, VINGTOR and STENTOFON. With our Zenitel distributor network as well as local partners, we are able to target key market segments. While VINGTOR is well established as a global leader in delivering on-board communications equipment to the Marine Market, an increased focus on the Oil and Gas Industry has led to a separate division within the VINGTOR brand developing solutions for both fixed and floating installations. Our STENTOFON brand is well recognized in the Onshore Market, focusing on Building Security such as door communication, elevators, perimeter surveillance; Infrastructure such as trains, airport and roadside communication; and Industry running the gamut from chemical plants to mining facilities.

VALUING OUR PEOPLE

We foster our company culture through a continued enhancement of our workforce, driven by innovation, technology and personal development. We value team work and foster esteem for ongoing training programs and career path development. With a dynamic mix of fresh and experienced expertise, 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 also a significant asset in our efforts to attract the best talents in the business.

OUR RESPONSIBILITY TOWARDS

OUR CUSTOMERS

Customer care and professionalism are important for us in maintaining customer relations. Regular quality control, investments in type approvals and numerous certifications followed by surveys to measure customer satisfaction underline our strategy to build a strong, sustainable and healthy relationship with our customers. A newly established global Customer Service Center takes our responsibility towards customers a major step further.

OUR SUPPLIERS

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

OUR ENVIRONMENT

All 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 also 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.

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

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

OUR PERSONNEL

Key elements in Zenitel's sustainable values system are: team work and mutual respect, ongoing training programs and individual career development.

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 MARKETS

OIL & GAS

Our products and solutions are made for use in advanced operations executed in demanding environments. We work closely with highly skilled professionals in the oil and gas industry.

MARINE

Reliable and instant communication is critical to the operation of any vessel. Integrated communication solutions based on modern technology, meet the requirements of all kinds of vessels.

INDUSTRY

Our solutions are designed to meet the needs of plant owners, managers, employees and visitors. It allows operators to communicate to the entire plant, selected zones, broadcast PA or Emergency Announcements and much more.

BUILDING SECURITY

Solutions for providing a secure environment for all employees, customers and visitors. All our systems meet the highest security requirements with superior quality, engineering, flexibility and integration.

INFRASTRUCTURE

Integrated communication solutions for a wide range of infrastructure projects such as toll booths, airports, roadside & tunnel assistance, harbor docks & ports, city surveillance systems, and trains & metros.

WIRELESS

Zenitel offers segment solutions for everyone who demands fast, reliable and secure communication. Offerings include Analog & Digital Radio Systems, Tetra Systems and Digital Modular Radio.

OUR BRANDS

STENTOFON - The preferred solutions and systems provider for the Onshore secure communications market with advanced, leading-edge equipment.

VINGTOR - Global leader in communication solutions for the Marine market, now encompassing the Oil and Gas industry.

CHUCHUBI - The Caribbean ChuChubi network offers a range of features and benefits providing voice, data and GPS for an optimal communication system.

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

STENTOFON

VINGTOR

HIGHLIGHTS OF 2013

PRIDE, ACCOUNTABILITY, RESULTS, TEAMWORK, INNOVATION

VALUE DRIVEN

With a commitment to our core values and strong company philosophy, we have gradually moved towards a true value driven company in 2013. With the implementation of the Zenitel Value Awards, each quarter, employees who have made an effort to deliver on our company values will get extra recognition and an award from our CEO, Kenneth Dåstøl.

INNOVATION, TEAMWORK, PRIDE, RESULTS

EXIGO

2013 has been the year of Exigo and a joint effort from all departments into bringing Zenitel's latest innovation to our worldwide markets. Whereas VINGTOR promoted Exigo throughout the entire year, STENTOFON first introduced Exigo at the Partner Meeting held in October. Exigo will truly raise the bar in the market for Critical Communication, and has already culminated in a contract with the Norwegian oil company, Statoil.

PRIDE, TEAMWORK

TURBINE VIDEO

This is the coolest commercial for an Intercom station you will ever see! http://youtu.be/6VUsJtUrbfY

TEAMWORK, ACCOUNTABILITY

EXHIBITIONS

Key exhibitions during 2013 were Intersec (Dubai), IFSEC (Birmingham), Nor-Shipping (Oslo), Finnsec (Helsinki), Asis (Chicago), APS (Paris) and ISC West (Las Vegas).

RESULTS, PRIDE

NEW OFFICE IN THE MIDDLE-EAST

A newly established branch office in Dubai (official from February 1, 2014) will increase our sales presence in the Middle-East region, and support our strategy of global approach, local presence.

ACCOUNTABILITY, INNOVATION

SIP COMPLIANCE WITH AVAYA, CISCO, ALCATEL LUCENT, NEC

Offering our IP product range in SIP mode is a natural progression in our long history driven by innovation. It is a result of our dedication in providing our customers with the best products that work anywhere in any iPBX system. During 2013 our Turbine station range was certified for VoIP integration with several market leading systems including Alcatel-Lucent, Avaya, Cisco and NEC.

RESULTS, ACCOUNTABILITY

EXPANSION INTO LATAM MARKET

Zenitel has continued to focus its presence in the Latin American (LATAM) region in 2013, and several key partners have signed a partner agreement throughout the region. During 2013 we participated in numerous roadshows and various exhibitions and events.

MAIN ORDERS 2013

GERMANY

FSG ROPAX FERRY PROJECT

VINGTOR was chosen to deliver a full communication system for a RoPax ferry built at FSG Shipyard in Germany. VINGTOR supplied the ferry with a fully integrated communication system including: Digital PA/GA System (Exigo), Master Clock System, Batteryless Telephone System, Digital Talk-Back System (ACM-M-D-V2), LAN Network System, IPTV & Infotainment System and an IP Telephone & IP Catering Intercom System (ACM).

UNITED ARAB EMIRATES

SEAJACKS HYDRA JACK-UP VESSEL PROJECT IN DUBAI

VINGTOR was selected to supply a new self-propelled jack-up vessel, specifically designed for Offshore Wind and Oil & Gas installations and maintenance services. The project included a telecommunication package including PABX, PAGA (Public Address and General Alarm), Infotainment/IPTV and LAN (Local Area Network).

NORWAY

EDVARD GRIEG PLATFORM PROJECT

Zenitel won the contract to supply the TETRA radio communication system for the Edvard Grieg platform on the Norwegian Continental Shelf. Zenitel delivered the TETRA infrastructure, leaky feeders for confined area radio coverage and portable TETRA terminals with accessories to the platform. The TETRA system comprised Onboard Communication with interfaces to the PA/GA system and the iPBX telephone system as well special support for Crane Radio communication with links to external VHF radios.

GLOBAL

STATOIL FRAME AGREEMENT FOR EXIGO

VINGTOR was awarded a global frame agreement by Statoil Petroleum ASA, for the delivery of systems for Public Address & General Alarm (PA/GA). The newly developed Exigo system for PA/GA will be used on Statoil's Oil & Gas installations worldwide. The agreement runs the gamut from the delivery of single products to the commissioning of complete PA/GA systems. The agreement is for an initial 4 years with the option for an extension of 2x2 years.

SAUDI ARABIA

TWO PRISON PROJECTS IN SAUDI ARABIA

The success from the prison market in Saudi Arabia continued also in 2013 with two large prison projects consisting of more than 6000 intercom stations in a full IP system. Each system consists of vandal resistant IP substations, IP Desk masters and XE1 AlphaCom servers set up in an AlphaNet configuration. The whole system will be integrated with the building management solution and an iPBX telephone system.

FRANCE

HIGHWAY TOLL PROJECT IN FRANCE

The project is for highway operators that run 1900 km of highways with around 130 tollbooths. We are installing systems in new tollbooths but mainly retrofitting old ones with full IP solutions. We have more than 80 AlphaCom exchanges on an IP network (AlphaNet) which is probably the biggest AlphaCom network in the world.

UNITED ARAB EMIRATES

UNIVERSITY PROJECT IN ABU DHABI

This is a solution for Call for Assistance (CFA) and Call for Assistance Refugees (CFA-R) all over the university campus. More than 800 STENTOFON Turbine stations are spread out on the whole campus. The project is a hybrid system with a mix of analog and IP technology, consisting of XE7 exchanges, XE26 exchanges, IP Flush Masters, IP Desktop Masters, IP Turbine stations, and Analog Turbine stations. The whole system is also integrated with the Lenel Access Control solution.

MEXICO

SAN PEDRO CITY

The city of San Pedro's primary objectives are to increase public safety by reducing crime and violence and improve reaction time to active security threats. STENTOFON was selected to supply the City of San Pedro with a system for use in emergency situations, where anyone can push a call button on a Turbine Intercom to initiate two-way audio communication and provide a visual image for the Central Command Center. One of the goals was to completely change the level of security by adding "voice" to their existing CCTV system. The completed project consists of over 200 Turbine IP Intercoms and Exigo IP hornspeakers. These "Emergency Help Points" are located strategically in high crime areas throughout the city.

EXIGO IN 2013

NATIVE IP PUBLIC ADDRESS & GENERAL ALARM SYSTEM

Launched during 2013, Exigo is an advanced, scalable system specifically designed to meet the demands and needs of Public Address and General Alarm for a variety of applications and environments. The Exigo solution offers enhanced features and functionality, as well as simplistic installation and setup for the Marine, Offshore and Industrial environments.

EXIGO LAUNCHED PRODUCTS - 2013

EXIGO IP SYSTEM CONTROLLER
ESC1

EXIGO IP NETWORK AMPLIFIER
ENA2120

LINE END TRANSPONDER (LET)
ELTSI-1

FLOWIRE CONVERTER
FCDC1


EXIGO EBC1
VINGTOR
EXIGO ENA2120

REPORT OF THE BOARD OF DIRECTORS

In 2013, Zenitel ('the Company') continues the positive trend from the previous year. In 2012, the Company reported a revenue growth of 3%. For 2013, this growth is 4%. The net result increased further from 0.9 million euro in 2012 to 1.8 million euro in 2013. This shows that Zenitel has taken the right strategic decisions, and that they have been properly implemented. Furthermore, reinvesting the profits into the business has enabled the company to realize higher revenues and net profits than in 2012.

STRATEGY

Zenitel stays focused on two activities: Secure Communication Systems (SCS) and the Caribbean network.

The Secure Communication Systems business focuses on the development and marketing of our own products and brands. The STENTOFON, VINGTOR and ZENITEL brands are very well established and recognized in the industry. They serve specific market segments for instant audio and data communication. In 2013, Zenitel continued investing in the development of new products and solutions which resulted, among others, in the launch of Exigo, our new advanced networked Public Address & General Alarm system. Exigo, based on native IP technology, is an advanced, scalable system specifically designed to meet the demands and needs of Public Address & General Alarm for a variety of applications and environments. These products have been very well received in the market, providing a solid basis for further product range extension and additional product features in the future.

The Caribbean ChuChubi network operation has again generated an important EBITDA contribution to the results of the Zenitel group. Zenitel owns and operates a TETRA network, available on several islands in the Caribbean Sea, onto which both public and private radio- and data-users are connected. Our focus is to offer additional services to the existing customer base in order to increase the average revenue per network user as well as to keep our current customers connected to the network. Over the last years we have proven that further alignment of our product portfolio to our customer needs, as well as the territorial expansion of the network, provide great opportunities for further growth.

While the strategic focus has shifted more towards growth, Zenitel is cautious in ensuring that this growth stays profitable. In order to do so, operating expenses are closely monitored and kept at a strict minimum. Continuous focus on operational efficiency enables us to gradually increase our profits. The 2013 results show that these strategies are paying off.

The further reduction of debt remains a high priority. In 2013, Zenitel reduced its borrowings by 0.5 million euro. In addition the provisions decreased by 1.1 million euro. Together with the profitable growth objective, efficient capital management is important to ensure that operational cash flows are sufficient to continue investing in products and sales channels, as well as to paying down debts.

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 2013, all of which were endorsed by the European Union.

An overview of the new standards that became applicable for 2013, and the standards and interpretations that will become applicable after 2013, is included in the Valuation Rules section in the Financial Report chapter. The company did not early adopt or determine the effect of the new standards applicable after 2013.

FINANCIAL YEAR 2013

The Board of Directors is pleased to present you with its report for the financial year 2013. The present report covers both the consolidated (Group) and the unconsolidated (parent company) accounts in accordance with Article 119, second clause of the Belgian Company Code.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Revenue amounted to 67.4 million euro in 2013. This represents a growth of 2.7 million euro or 4.2% compared to 2012. The SCS revenue increased by 5.9% to 62.3 million euro and the revenue of the Caribbean network operation declined by 13.5% to 5.1 million euro. This revenue movement is analyzed further in the Segment Reporting chapter of this report.

With our continued focus on operational efficiency, and investment in the business for further growth, Recurrent EBITDA (Earnings before Interests, Taxes, Depreciation and Amortization) increased from 4.7 million euro to 4.8 million euro, an increase of 2.0%.

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

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

(thousands of EUR)	*Year ended Dec 31st*	
	2013	**2012**
Recurrent EBITDA *	**4 770**	**4 679**
Non-recurrent items with EBITDA impact	0	0
EBITDA **	**4 770**	**4 679**
Depreciation/amortization/impairments	-1 654	-2 457
Operating profit (EBIT)	**3 115**	**2 221**

Operating profit or EBIT (Earnings Before Interest and Taxes) amounted to 3.1 million euro compared to 2.2 million euro in 2012. The strong increase of 0.8 million euro or 40% is due to increased revenue and reduced depreciation and impairments. There were some non-recurring items in 2013, however with no impact on EBITDA.

The net financial expense amounted to 1.2 million euro, being the same level as the previous year.

The total consolidated net result for the Zenitel Group shows a profit of 1.8 million euro, against 0.9 million euro in 2012. Earnings per share, after corrections for treasury shares, amounted to 0.11 euro in 2013 against 0.05 euro in 2012.

SEGMENT REPORTING

The Group is organized in two business units: Secure Communication Systems (SCS) and the network business in the Caribbean. The SCS unit consists of operations in Norway, Denmark, Singapore, China, France, Finland, Italy, Germany, The Netherlands, Croatia, Brazil, India, UK, USA and a worldwide distributor network. The Caribbean business consists of the TETRA network operated under the ChuChubi brand and available on the following islands in the Caribbean: Curaçao, Aruba, Sint-Maarten, Saint-Martin, Anguilla, Bonaire, Sint Eustatius and Saba.

(thousands of EUR)	*Year ended Dec 31st*	
Secure Communication Systems (SCS)	**2013**	**2012**
Revenue	62 331	58 842
Recurrent EBITDA	4 701	4 120
EBIT	4 029	2 893
FTE	236	213

SCS is reporting a revenue increase of 3.5 million euro or 5.9%. This increase is mainly driven by the growth in VINGTOR products both in the merchant marine and in the Oil & Gas market. The Scandinavian wireless solutions businesses continue to decrease as expected with less service revenues in Denmark.

The SCS business generated a Recurrent EBITDA of 4.7 million euro against 4.1 million euro in the previous year, an increase of 14.1%, due to the continuing effort to improve operational efficiency and top line growth.

(thousands of EUR)	*Year ended Dec 31st*	
Caribbean	**2013**	**2012**
Revenue	5 071	5 864
Recurrent EBITDA	1 269	1 776
EBIT	-274	997
FTE	32	34

The Caribbean operations realized a turnover of 5.1 million euro, being a 0.8 million euro or 13.5% decline from 2012. The recurrent revenue stream from the network business remained stable. The decline in revenue is due to less one-off projects.

Recurrent EBITDA is 1.3 million euro in 2013, down from 1.8 million in 2012, as a result of the decline in revenue.

The unallocated operations negatively impacted the recurrent EBITDA with 1.2 million euro, the same level as the previous year. The impact on the operating profit amounted to -0.6 million euro in 2013 compared to -1.7 million euro in 2012.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total assets amounted to 37.8 million euro, a decrease of 3.3 million euro compared to 2012.

Property, plant and equipment amount to 1.9 million euro, down 1.2 million euro compared to the previous year, due to normal depreciations and disposals. Goodwill decreased to 3.8 million euro, due to the foreign currency translation impact.

Other intangible assets increased to 2.2 million euro and consisted of increased capitalized development costs. Deferred taxes amounted to 2.3 million euro, a decrease of 0.3 million euro due to the foreign currency translation impact. Long term financial assets decreased by 0.5 million euro to 0.5 million euro.

The decrease is mainly explained by received payments relating to sold activities in 2009.

Inventories amount to 6.8 million euro, a decrease of 1.0 million euro from the previous year. Contracts in progress increased by 0.5 million euro to 1.3 million euro.

Trade and other receivables amount to 14.6 million euro, an increase of 1.1 million euro compared to the previous year. The increase is mainly driven by milestone invoicing in December 2013 for Oil & Gas projects.

Equity totals 6.9 million euro, a decrease of 1.0 million euro after a negative impact from exchange differences arising on translation of foreign operations of 2.8 million euro. The equity ratio decreased to 18.2% from 19.1%.

Total non-current liabilities decreased from 7.2 million euro to 3.6 million euro. The decrease is the result of loan and pension payments in 2013, and the shift from long term to short term of an important part of the long term borrowings and pension liabilities.

Total current liabilities increased by 1.2 million euro to 27.2 million euro in 2013. Trade and other payables amount to 16.6 million euro, a decrease of 0.3 million euro. Short term borrowings increased by 2.2 million euro to 6.5 million euro. Total long term and short term borrowings decreased from 9.9 million euro to 9.4 million euro, which is explained by the loan repayments made in 2013. Short term provisions decreased from 4.0 million euro to 3.7 million euro.

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

SOURCES AND APPLICATIONS OF FUNDS

Net cash flow of the Zenitel Group amounted to 2.2 million euro in 2013, against 0.5 million euro in 2012. In total, 1.7 million euro borrowings were repaid in 2013. The cash outflow from investment activities amounted to 4.1 million euro in 2013 and the cash flow generated from operations amounted to 3.6 million euro in 2013 against 6.1 million euro in 2012. At the end of 2013, Zenitel's net cash and cash equivalents amounted to 0.6 million euro.

HUMAN RESOURCES

The number of full-time equivalents (FTE) on December 31, 2013 is 270.1.

The following table illustrates the evolution of the FTEs in the Zenitel group during the past two years:

FTE	2013	2012
Secure Communication Systems	236.0	213.1
Caribbean	31.5	32.0
Support Centers	2.5	3.5
Total	**270.1**	**248.6**

The increase of FTEs in 2013 is mainly due to extra FTEs in Development, Sales and Marketing.

IMPORTANT SUBSEQUENT EVENTS

There are no important subsequent events to report which took place after the end of the financial year 2013.

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

No transactions or operations occurred in 2013 that would have required application of articles 523 and 524 of the Belgian Company Code.

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

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

STATEMENT ON AUDIT COMMITTEE

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

RISK FACTORS AND UNCERTAINTIES

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

Technological evolution in the secure communications market could impact our competitive position or technological revolutions might cause important impairments of assets.

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

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

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

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

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

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

USE OF FINANCIAL INSTRUMENTS

Financial risk management

Zenitel uses bank forward exchange contracts in order to secure Zenitel's commercial transactions in foreign currencies. Since most of the Norwegian business is export in the euro currency, Zenitel Norway AS has a NOK deficit and a EUR surplus. The company has put in place hedging systems that secure the needed exchange between EUR/NOK on a rolling basis. Per 31.12.2013 Zenitel has secured its need of Norwegian kroner by monthly forward exchange contract from euro until October 2014. No other hedging mechanisms are used.

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

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

Fees paid to the statutory auditor or associates offices:

Audit fees:	
Zenitel NV:	32,590 euro
Zenitel Group:	73,491 euro
Non audit fees:	
Tax & legal assistance:	54,893 euro

OUTLOOK 2014

Focused on the execution of our strategy, we are well positioned to meet and overcome tomorrow's challenges and grow our company both on revenue and EBITDA.

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 March 2012 in order to be in line with the new Belgian rules and regulations with respect to Corporate Governance. An update has also been made in February 2014 to the Charter provisions of the Act of 20 December 2010 on the exercise of certain rights of shareholders in listed companies. A copy of this Corporate Governance Charter is available on the Zenitel website.

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

The chapter 'Declaration with regards to Corporate Governance' which is included elsewhere in this Annual Report 2013, forms an integral part of this report of the Board of Directors.

STATUTORY ACCOUNTS OF ZENITEL NV (UNCONSOLIDATED)

BALANCE SHEET

Financial fixed assets amount to 43.1 million euro and consist of the participations in Zenitel group companies. The decrease of 0.4 million euro is coming from the sale of Zenitel Denmark to Zenitel Norway AS.

Receivables within one year amount to 1.1 million euro and consist mainly of receivables from other Zenitel Group entities.

Cash and deferred charges stayed in line with the previous year.

The change in equity from 23.259 million euro to 26.674 million euro is fully related to the result of the year (see below).

Provisions for pensions decreased from 0.9 million euro as per year-end 2012 to 0.8 million euro as per year-end 2013 as a result of payments made in 2013. Provisions for risk and other liabilities decreased by 0.5 million euro to 3.0 million euro.

Total financial debts decreased by 1.5 million euro to 5.7 million euro at the end of 2013 due to debt repayments. The long term liabilities decreased from 5.3 million euro to 3.0 million euro and the short term financial debts increased from 1.8 million euro to 2.7 million euro.

INCOME STATEMENT

Other operating income increased from 4.5 million euro to 4.9 million euro. The reported Other operating income consists mainly of management and license fees charged to other Zenitel Group companies. The total amount of management and license fees charged amounted to 4.9 million euro in 2013, more or less in line with previous years.

Operating expenses increased from 4.7 million euro in 2012 to 4.9 million euro in 2013, which was mainly related to the increase in professional services in 2013.

The above mentioned changes resulted in an operating profit of 3.4 million euro in 2013 against an operating loss of 0.1 million euro in 2012.

Financial income increased from 0.2 million euro in 2012 to 1.0 million euro in 2013. This can be explained by higher foreign exchange conversion impact on liabilities to other Zenitel Group entities.

Financial costs amounted to 0.5 million euro and consisted in 2013 mainly of interests paid on the outstanding borrowings. The net extraordinary result amounted to 2.4 million euro in 2013, compared to 1.4 million euro in 2012.

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 the year of 3,414,532.83 euro the Board of Directors proposes to appropriate the result as follows:

Result carried forward prior year:	(63,345,388.21) euro
Transfer from capital and reserve:	63,345,388.21 euro
Result of the year:	3,414,532.83 euro
Result carried forward:	3,414,532.83 euro

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

Share capital:	10,000,000.00 euro
Share premium:	2,380,311.88 euro
Reserves:	10,879,235.50 euro
Result carried forward:	3,414,532.83 euro
Total:	26,674,080.21 euro

ADDITIONAL HONORARIA PAID TO STATUTORY AUDITOR

During the year under review, 12,079 euro additional fees for tax and legal advice have been paid to the statutory auditor of Zenitel NV.

AUTHORIZED CAPITAL

On April 29, 2013, an extraordinary shareholders meeting decided to renew the powers of the Board of Directors to increase the capital up to an amount of 25,274,722.95 euro for a period of five years. The extraordinary shareholders meeting of October 1, 2013 decreased the share capital of 25,274,722.95 euro to 10,000,000.00 euro and therefore also decreased the maximum amount of the authorized capital to 10,000,000.00 euro. The Board of Directors has not used its capacity regarding the authorized capital since then.

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

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

RISK FACTORS AND UNCERTAINTIES

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

EXISTENCE OF BRANCH OFFICES

The company has no branch offices.

JUSTIFICATION OF APPLICATION OF VALUATION RULES UNDER GOING CONCERN

The statutory balance sheet of Zenitel NV showed as per December 31, 2012 a loss carried forward of 63.3 million euro.

On October 1, 2013, an extraordinary shareholders meeting decided to eliminate the losses carried forward per 31 December 2012 by compensation with the available reserves, issue premiums and capital. The elimination of the 63.345 million euro loss carried forward was compensated as follows: 21.725 million euro from the available reserves, 26.345 million euro from the issue premiums and 15.275 million euro coming from the share capital.

Since the strategic reorganizations in 2009, the Company has been able to continue to focus on its Secure Communication Systems and Caribbean businesses, and at the same time, the Company was able to reduce loans and restructuring obligations. The further reduction of loans and restructuring obligations will continue to be an important factor in the company's cash flow going forward. The financial results for 2013 show that the company is able to generate the cash needed to serve its obligations.

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

USE OF FINANCIAL INSTRUMENTS

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

STOCK & SHAREHOLDER INFORMATION

SHARE QUOTATION

Per 31 December 2013, the subscribed capital amounted to 10,000,000.00 euro. It is represented by 16,554,422 shares without nominal value and is fully paid up. The par value is 0.6041 euro. The shares are quoted on Euronext Brussels (double fixing) with symbol ZENT.

TRANSPARENCY

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, 3D NV and De Wilg GCV did a transparency notification in 2013. There have not been any other threshold crossings.

SHAREHOLDERS AND CAPITAL STRUCTURE

The shareholder structure per 31 December 2013 is the following as it appears from the notifications Zenitel NV received.

Shareholders	Number of shares	% of total
De Wilg GCV*	2 000 000	12.08%
3D NV*	5 546 875	33.51%
The Company (Zenitel Norway AS)	113 113	0.68%
QuaeroQ CVBA	2 481 150	14.99%
Freefloat	6 413 284	38.74%
Total	**16 554 422**	**100.00%**

*Acting in concert

All shares have the same rights and obligations. There are no different kinds of shares. At the end of 2013 there were no warrants outstanding and there was no stock option plan for employees applicable. The Company has not issued any non-voting shares.

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

VOTING RIGHTS

Zenitel Norway AS, a subsidiary of Zenitel NV, holds 113,113 shares of Zenitel NV. The voting rights attached to these shares are suspended.

There are no legal limitations or limitations in the articles of association of Zenitel NV with respect to the exercise of the voting rights which could have an impact in the event of a public 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 which may lead to a limitation of the transfer of securities and/or the exercise of voting rights, which could have an impact in the event of a public takeover bid. Zenitel NV does not know the content of the shareholders' agreement concluded between De Wilg CGV and 3D NV acting in concert.

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

There are no specific rules applicable 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 have been made or are planned.

ACQUISITION AND DIVESTMENT OF OWN SHARES

The Board of Directors is authorized by means of an amendment of the articles of association of 28 April 2010, to acquire the shares, VVPR-strips, bonus shares and certificates which relate thereto of Zenitel NV by sale or exchange, or to divest them, without a prior resolution of the general meeting, either directly or indirectly 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 627 of the Belgian Company Code, if the acquisition or divestment is necessary to prevent a seriously threatening disadvantage to the Company. This power is valid for a period of three years as from the publication of the decision in the Annexes to the Belgian State Gazette, i.e. until 13 May 2014, and is renewable.

The general meeting of 28 April 2010 has moreover empowered the Board of Directors to acquire by sale or exchange the maximum number of shares, VVPR-strips, bonus shares and certificates which relate thereto as set forth in Article 620 §1 and 622 §2 of the Belgian Company Code, and to divest those, either directly or indirectly through a person who acts in his/her own name but on behalf of the Company, or through a direct subsidiary in the meaning of Article 627 of the Belgian Company Code, against a consideration which cannot be lower than 20% and not higher than 20% of the average stock exchange rate of the relevant security on Euronext during the five dealing days preceding the acquisition or exchange or divestment. This power is valid for a period of five years as from the resolution of the general meeting, i.e. until 28 April 2016.

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

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

AUTHORIZED CAPITAL

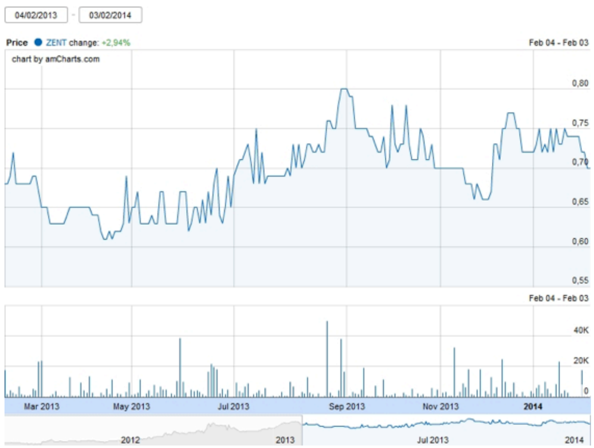
The Board of Directors is authorized for a period of five years starting from the publication of the decision of the extraordinary shareholders meeting of 29 April 2013 in the Annexes to the Belgian State Gazette, i.e. until 6 August 2018, to increase the share capital in one or more times with a maximum of 25,274,722.95 euro. The extraordinary shareholders meeting of 1 October 2013 decreased the share capital of 25,274,722.95 euro to 10,000,000.00 euro and therefore also decreased the maximum amount of the authorized capital to 10,000,000.00 euro. The Board of Directors may issue shares, convertible bonds and warrants, or non-voting shares, shares with a preferential dividend and liquidation preference and convertible shares. This authorization of the Board of Directors is also valid for incorporation of reserves. The Board of Directors can remove or limit the preferential subscription rights of the shareholders, also to the benefit of one or more determined persons. Particularly, the general meeting of shareholders of 29 April 2013 has authorized the Board of Directors to increase the share capital of the Company in one or more times, as from the date the Company has received the notice of the FSMA that a public takeover bid has been launched on the securities of the Company, and this by means of a contribution in cash with removal or limitation of the preferential subscription rights of the existing shareholders or by means of contributions in kind in accordance with Article 607 of the Company Code. This power is granted for a period of three years.

AGREEMENTS AFFECTED BY A CHANGE OF CONTROL OF THE COMPANY

Zenitel is not aware of any important agreements to which it is a party, that enter into force, experience amendments or are terminated in the event of a change of control of the Company following a public 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 below shows the development of the closing share price of Zenitel shares from 4th February 2013 until 3rd February 2014. (see also Euronext website, www.euronext.com)



FINANCIAL CALENDAR

27/02/2014	Press Release Results 2013 (8:00 AM)
21/03/2014	Publication Annual Report (8:00 AM)
25/04/2014	Press Release Trading Update Q1 (8:00 AM)
28/04/2014	Annual General Shareholders' Meeting (11:00 AM)
22/08/2014	Press Release Half-Year Results 2014 (8:00 AM)
23/10/2014	Press Release Trading Update Q3 (8:00 AM)

The financial statements were authorized for issue by the Board of Directors on March 18, 2014.

ABOLISHMENT OF BEARER SHARES

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

DECLARATION AS REGARDS 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 are applied by Zenitel.

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

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

SHAREHOLDERS AND SHARES

The information as referred to in article 96§2,4° of the Belgian Company Code can be found at the end of the chapter Stock and Shareholder Information of this Annual Report 2013.

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 526ter of the Belgian Company Code. The articles of association state that Directors are elected for a renewable term of six years maximum, which term ends at the relevant annual shareholders' meeting. However, all current Directors are appointed for three years. Directors may be dismissed by resolution at the shareholders' meeting at all times. Resigning Directors may be reappointed.

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

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

The Board of Directors met six times during 2013. The following significant matters were discussed at the meetings of the Board of Directors during 2013:

- Approval year-end figures, annual report, agenda of the general shareholders meeting
- Verification of the trading updates
- Status discussions and decisions on ongoing litigation cases

- The Zenitel Group's financial performance and outlook
- Status discussion on ongoing restructuring and reorganization processes
- Information and decisions on important projects
- Strategy of the company and of the various business segments
- Discussion and proposal to eliminate the losses carried forward per 31 December 2012
- Approval of 2014 budget
- HR issues
- Reporting of Audit Committee and Nomination and Remuneration Committee
- Discussion of acquisition opportunities
- Discussions on financing of the business
- Functioning of the Board

CHAIRMAN OF THE BOARD OF DIRECTORS

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

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

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

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

INDEPENDENT DIRECTORS

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

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

COMPOSITION OF THE BOARD OF DIRECTORS

Per 31st December 2013, the Board of Directors consists of seven members.

The Board of Directors convened six times during 2013. On these occasions either all or a large majority of the Directors at that point in time were present or attended through conference call.

There is no family relationship between any of these persons.

At the General Assembly of 2013, VZH NV complied with all prescriptions of Art. 526ter of the Belgian Company Code, which is why the Board of Directors proposed to the General Assembly to enact VZH NV as an independent Director as from that day. At the

The Board of Directors per 31st December 2013

Name and position	Independent / dependent	Executive / non-executive	Term*
Beckers Consulting BVBA, permanently represented by Eugeen Beckers, Chairman	Dependent	Non-executive	2014
Blanco Blad BVBA, permanently represented by Jo Van Gorp	Independent	Non-executive	2016
Kenneth Dåstøl, CEO	Dependent	Executive	2016
Frank Donck	Dependent	Non-executive	2016
Wenche Holen	Independent	Non-executive	2015
Grethe Viksaas	Independent	Non-executive	2015
VZH NV, permanently represented by Eric Van Zele	Independent	Non-executive	2015

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

moment of his reappointment in 2012, VZH NV was not independent with regards to Art. 526ter of the Belgian Company Code due to the fact that he participated in transactions relating to the sale of respectively the majority share (in 2009) and the remaining minority share (in 2011) of Zenitel Belgium NV to Crescent NV. VZH NV is a shareholder and Director of Crescent NV.

The General Assembly reappointed one independent and two dependent Directors in 2013: Blanco Blad NV as an independent Director and Kenneth Dastøl and Frank Donck, both as dependent Directors. Their mandate lasts until the General Assembly in 2016.

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

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

Jo Van Gorp (permanently representing Blanco Blad BVBA) (°1964) – Mr. Van Gorp has been a member of Zenitel's Board of Directors since 2010. He is currently advising companies in areas of general management, marketing, strategy, change management, organizational repositioning, legal and regulatory affairs and public policy. Some of his recent mandates are: COO of Right Brain Interface NV from October 2013 until January 2014, CEO of Dacentec NV from June 2011 until February 2013, CEO of Topcom Europe NV from May 2010 till June 2011, and interim CEO of DNS BE from October 2009 till March 2010. Mr. Van Gorp was a member of the Telenet executive team consecutively in his role of EVP & General Council (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.

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

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

Wenche Holen (°1964) – Mrs. Holen was in April 2012 appointed as an independent Director of Zenitel NV. She is Executive Vice President of Bama Gruppen and is responsible for Strategy and Business Development and for a business segment. 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. Mrs. Holen has a profound knowledge of marketing and media in particular. Mrs. Holen is also a member of the Board of Directors of Intelecom Group and was on the Board of Directors of several other Norwegian companies in the past. Mrs. 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.

Grethe Viksaas (°1958) – Mrs. Viksaas was in April 2012 appointed as an independent Director of Zenitel NV. She is a founder and has been CEO of the Basefarm group since 2000. Until then she has held several management positions in different Norwegian ICT companies (e.g. SOL Systems AS, Ericsson AS and Norsk Data). Mrs. Viksaas has a profound knowledge of the ICT market in Norway and internationally. Mrs. Viksaas is also Chairman of the Board of Directors of Basefarm AB, Basefarm BV and Aal Station. Mrs. Viksaas obtained a Master's degree in Computer Science at the University of Oslo.

Eric Van Zele (permanently representing VZH NV) (°1948) – Mr. Van Zele joined the Board of Directors of Zenitel in 2006. He has been President and CEO of Barco NV since January 2009. He also serves as Chairman of the Board of Reynaers Aluminum NV in Duffel, Belgium. Prior to 2009, Mr. Van Zele was Director on the management board of the Indian Avantha Group and served as President and CEO of Pauwels International from 2004 through 2008. Prior to that, he was President and CEO of Telindus NV (2000-2003) and Vice President of Raychem Corporation (Menlo Park, CA, 1972-1999). Eric Van Zele holds a Master's degree in Mechanical Engineering (KU Leuven 1972) and post-graduate degrees in management from Stanford University (1992).

GENDER DIVERSITY OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

In 2012 the general meeting appointed two female Directors. The two female Directors are members of the Audit Committee, while one of them is also a member of the Nomination and Remuneration Committee. As a result, the Company believes that it is compliant with the recent Belgian legislation and the recommendations of the Belgian Commission for Corporate Governance regarding this matter.

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 five 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 needed. It also makes recommendations as to the necessary steps to be taken.

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

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

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

As of December 31, 2013, the Audit Committee consists of:

Name and position	Term*
Beckers Consulting BVBA, permanently represented by Eugeen Beckers	2014
Blanco Blad BVBA, permanently represented by Jo Van Gorp, Chairman and independent Director	2016
Frank Donck	2016
Wenche Holen	2015
Grethe Viksaas	2015

* 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 Audit Committee met four times during 2013. The following significant matters were discussed at the meetings of the Audit Committee in 2013

- Presentation of the external auditor and financial statements of 2012
- Financial statements per 30 June 2013, opinion-imited review of the external auditor 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
- Internal audit report regarding the audits carried out at Zenitel USA and Zenitel Denmark AS
- Discussion with statutory auditor in absence of management

NOMINATION AND REMUNERATION COMMITTEE

The Board of Directors decided to merge the Remuneration Committee and the Nomination Committee into one 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 is being discussed. Furthermore, the Chairman of the Board of Directors has an open invitation to attend the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee advises the Board of Directors on applications for and the appointment of Directors, Committee members, CEO and senior managers; the scope and composition of the Board of Directors, the Committees 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 operation and performance of the key staff. The parameters in this respect are clearly specified by the Nomination and Remuneration Committee.

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

As of December 31, 2013, the Nomination and Remuneration Committee consists of:

Name and position	Term*
Blanco Blad BVBA, permanently represented by Jo Van Gorp	2016
Frank Donck, Chairman	2016
Wenche Holen	2015

*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 2013.

The following significant matters were discussed at the meetings of the Nomination and Remuneration Committee in 2013:

- Evaluation and proposal of appointment of Compliance Office/Company Secretary
- Proposal of reappointment of three Directors
- Evaluation of functioning of the Board of Directors
- Discussion and approval of the remuneration report 2012
- Decision on 2012 bonus payments and timing of these payments
- Decision on the 2013 bonus schedules and salary packages for the executive team and the senior management team
- Approval of the motivation and the content of the "Explain" paragraphs in the Declaration with regards to the corporate governance chapter of the Annual Report 2012

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 2013:

Name	BOD (Total 6)	AC (Total 4)	NRC (Total 4)
Beckers Consulting BVBA, permanently represented by Eugeen Beckers	6/6	3/4	-
Blanco Blad BVBA, permanently represented by Jo Van Gorp	6/6	4/4	4/4
Kenneth Dåstøl	6/6	-	-
Frank Donck	4/6	3/4	3/4
Grethe Viksaas	6/6	4/4	-
Wenche Holen	5/6	2/3	2/4
VZH NV, permanently represented by Eric Van Zele	6/6	-	-

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. Kenneth Dåstøl as CEO of the Zenitel Group as of January 1, 2010.

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

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

EXECUTIVE TEAM

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

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

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

SENIOR MANAGEMENT TEAM

The operations of the Company are managed by a Senior Management Team. As of 31 December 2013 the Senior Management Team consisted of the following members: Kenneth Dåstøl, Glenn Wiig, Thomas Hægh, Svein Damre, Svein Lindhjem, Hanne Eriksen, Cecilie Bergenstjerna and Tor Kristian Lystad.

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

The Senior Management Team meets every month and discusses the operations of the Zenitel Group.

DIRECTOR AND EXECUTIVE MANAGEMENT CONFLICTS OF INTERESTS

Articles 523 and 524 of the Belgian Company Code 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 the year 2013, the procedures relating to conflicts of interest within the meaning of articles 523 and 524 of the Belgian Company Code have not been applied.

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 bench mark 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 of 25 February 2013 evaluated the 2012 variable remuneration, the 2013 salary increases and the 2013 bonus schemes for executive management and proposed its conclusions to the Board of Directors for their approval. The Board of Directors of 25 February 2013 approved the Remuneration and Nomination committee's proposals of 25 February 2013.

The remuneration of non-executive Directors are fixed amounts and they did not change in 2013 compared to 2012.

THE APPLIED 2013 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 their field of responsibility. In 2013 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 the double of that amount. Similarly, the members of the Audit Committee receive a fixed fee of 7,500 euro and the Chairman 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 2013 is shown in the table below.

Name and position	Remuneration in EUR	
Beckers Consulting BVBA, permanently represented by Eugeen Beckers, Chairman	Non-executive	47,500
Blanco Blad BVBA, permanently represented by Jo Van Gorp	Non-executive	35,000
Kenneth Dåstøl, CEO	Non-executive	NA
Frank Donck	Non-executive	27,500
Wenche Holen	Non-executive	27,500
Grethe Viksaas	Non-executive	27,500
VZH NV, permanently represented by Eric Van Zele	Non-executive	20,000

As of 1 January 2010, Beckers Consulting BVBA entered into a separate consulting agreement with Zenitel NV. Conforming to this agreement, Beckers Consulting BVBA reports directly to the Board of Directors and the scope of its advisory services covers limited and well defined areas. This agreement has been discussed by the Remuneration & Nomination Committee in 2010, and approved by the Board in 2010 with respect to the conflict of interest procedure. The agreement foresees assistance by Mr. Eugeen Beckers on a time and material basis. The fees have been set at arm's length. With reference to this agreement, Beckers Consulting BVBA invoiced 51,652 euro in 2013 to the Company for consulting services performed besides the above mentioned remuneration for his Directorship.

EVALUATION CRITERIA FOR THE REMUNERATION OF THE EXECUTIVE TEAM

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

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

In order to earn a bonus, the average score needs to be higher than 75% of the maximum score. All members of the Executive Team earned a bonus in 2013. The bonus level is based on a percentage of the annual salary.

REMUNERATION TO THE CEO AND EXECUTIVE TEAM

Remuneration to the CEO and the Executive Team is made in NOK. Amounts for both years are converted to euro with a NOK/EUR rate of 7.87.

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

SHARES, SHARE OPTIONS AND OTHER RIGHTS TO ACQUIRE SHARES

No shares, share options or any other rights to acquire shares have been granted, exercised or lapsed during the financial year 2013.

RECLAIM PROVISIONS

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

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

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

MOTIVATION AND DECISIONS OF THE BOARD OF DIRECTORS ON SEVERANCE PACKAGES

Not applicable.

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

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

Remuneration in EUR	CEO		Executive Team excluding the CEO	
	2013	2012	2013	2012
Basic Remuneration	280,437	271,171	139,018	134,350
Variable Remuneration*	107,632	94,084	39,797	51,233
Group insurance premiums	8,791	7,433	8,845	7,426
Other Benefits	31,045	30,196	23,358	22,510
Total	**418,120**	**402,884**	**224,283**	**215,518**

* 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.

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. This policy is a part of Zenitel's Corporate Governance Charter.

THE STATUTORY AUDITOR

The statutory auditor of ZENITEL NV is BDO Bedrijfsrevisoren Burg. Venn. CVBA, The Corporate Village, Da Vincilaan 9 Bus E6, 1935 Zaventem, represented by Ms. Veerle Catry. BDO Bedrijfsrevisoren was appointed for a period of three years at the general shareholders' meeting of April 29, 2013. The statutory auditor is a member of the Institute for Company Auditors ('Instituut der bedrijfsrevisoren'). The remuneration amounted to 32,590 euro per year. The total fee for BDO for the Group audit amounted to 106,081 euro per year.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

CONTROL ENVIRONMENT

The Board of Directors is responsible for the definition and creation of the Zenitel company culture. In order to do so it sets the tone with respect to integrity and ethics. One of the instruments in setting the tone at the top is the Corporate Governance Charter which defines clearly the responsibilities of the governing bodies of the company and the code of conduct with respect to transactions in Zenitel shares. This Corporate Governance Code is continuously under review and updated 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 the accounting and financial reporting, clear roles and responsibilities are defined. A Zenitel accounting manual exists in order to ensure the consistency and compliance of the reported figures for consolidation purposes. In order to enable accurate and timely reporting, guidelines and reporting deadlines are communicated through the organization.

The 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 achievement of the goals set by the Company. For each risk, an analysis is performed that evaluates the importance, the probability and the possible control measures that are or could be put in place (taking also into account their costs). Also the Company's ability to identify and react to changing external and internal conditions that might cause risks to increase, are subject to an evaluation process. Finally, the Audit Committee is 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 advises 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 with the 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 make sure that operational and financial reporting issues are dealt with in a consistent and effective manner, in line with the goals set by the Company.

The Audit Committee has installed an internal audit function whereby the local entities are subject to an internal audit. These internal audits will focus on risks from both an operational as well as a financial reporting point of view. Furthermore, internal audits focus on compliance with the Group rules, local rules and regulations and adequate internal controls. The findings of these internal audits are communicated to the Audit Committee and follow-up is 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 way. Finally, all important reporting units are subject to external audits.

Based on its evaluation of the above-mentioned control activities and taking into account the size of the Company, it is the executive management's opinion that these control activities are sufficient to guarantee an effective implementation of the Company guidelines 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 on a monthly basis on well-defined and communicated items to Group management. Currently there are different information processing systems in the different reporting entities of the Group. Through the use of this web-based and customized reporting tool, it is possible to gather and consolidate all financial information of the individual reporting entities in a consistent manner.

The Company has to issue periodic financial information to the market on a quarterly 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 controlsand 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 Belgian Code for Corporate Governance 2009 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.

- Due to the size of the Company, the Board of Directors has decided to combine the Nomination Committee and the Remuneration Committee and therefore does not follow principle 5.3 and principle 5.4 of the Belgian Code for Corporate Governance 2009 on these topics.
- Principle 4 of the Belgian Corporate Governance Code 2009 stipulates that the Company should have a rigorous and transparent procedure for the nomination and evaluation of its Board of Directors and its members. The Company is confident that it fulfills the individual requirements stipulated in this principle, however not as formalized as indicated in Principle 4 of the Corporate Governance Code 2009. Through the regular discussions of the Chairman with the individual members of the Board of Directors and through an evaluation of each board member at the moment of the nomination of the renewal of the mandate, the Board of Directors is confident that it meets the objectives of Principle 4 of the Belgian Corporate Governance Code 2009. A self-evaluation is also undertaken by the Board of Directors on a regular basis.

FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS	39
VALUATION RULES AND FINANCIAL RISK FACTORS	44
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	61
STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF THE COMPANY ZENITEL NV FOR THE YEAR ENDED 31 DECEMBER 2013	86
EXTRACT FROM THE BELGIAN GAAP NON-CONSOLIDATED FINANCIAL STATEMENTS OF ZENITEL NV	87
DIVIDEND POLICY	88
LEGAL & ARBITRATION PROCEEDINGS	88

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

(thousands of EUR)		*Year ended December 31st*	
	Notes	**2013**	**2012 Restated**
Revenue	1	67 403	64 706
Raw materials and consumables used	4	-33 434	-30 920
Employee benefits expense	5	-20 430	-19 788
Depreciation and amortization expenses	15,16,17	-1 636	-1 830
Impairment on non current assets	15	-513	0
Net impairment on current assets	18	-18	-627
Consulting expense		-1 209	-906
Facility expense	6	-4 395	-4 219
Other expenses	7	-2 653	-4 196
Operating Profit / (Loss)		***3 115***	***2 221***
Finance income	9	54	56
Finance costs	10	-1 048	-909
Net foreign exchange gains / (losses)	11	-263	-407
Share of profit / (loss) from equity accounted investments	19	18	16
PROFIT BEFORE TAX		**1 877**	**977**
Income tax expense	12	-116	-94
Profit for the year		**1 761**	**883**
Attributable to:			
Owners of the Company		1 761	883
Non-controlling interest		0	0
EARNINGS PER SHARE			
Weighted average number of ordinary shares in issue (‘000)		16 441	16 441
FROM OPERATIONS			
Basic earnings per share	14.1	0.11	0.05
Diluted earnings per share	14.2	0.11	0.05

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

(thousands of EUR)		*Year ended December 31st*	
	Notes	**2013**	**2012 Restated**
PROFIT FOR THE YEAR		**1 761**	**883**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
None			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		-2 759	1 262
OCI actuarial gains and losses		37	0
Other comprehensive income for the period (net of income tax)		-2 722	1 262
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-961	2 145
Attributable to:			
Owners of the Company		-961	2 145
Non-controlling interests		0	0

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ZENITEL GROUP AT 31 DECEMBER 2013

(thousands of EUR)		*Year ended December 31st*	
ASSETS	**Notes**	**2013**	**2012 Restated**
Non-current assets			
Property, plant and equipment	15	1 854	3 097
Goodwill	16	3 827	4 369
Other intangible assets	17	2 150	1 939
Deferred tax assets	13	2 301	2 632
Financial assets	19	468	933
Total non-current assets		**10 599**	**12 969**
Current assets			
Inventories	20	6 799	7 759
Contracts in progress	21	1 288	787
Trade and other receivables	22	14 578	13 488
Financial assets	19	0	86
Deferred charges and accrued income		604	966
Cash and cash equivalents	23	3 901	4 975
Total current assets		**27 171**	**28 061**
TOTAL ASSETS		**37 771**	**41 030**

(thousands of EUR)			*Year ended December 31st*
EQUITY AND LIABILITIES	**Notes**	**2013**	**2012 Restated**
Capital and reserves			
Capital		10 000	25 274
Share premium account		2 380	15 115
Reserves		10 879	4 771
Retained earnings		-13 417	-34 357
Treasury shares		-2 958	-2 958
Equity attributable to equity holders of the parent		6 884	7 845
Total equity		6 884	**7 845**
Non-current liabilities			
Borrowings	25	2 895	5 648
Retirement benefit obligations	26	735	1 155
Deferred tax liabilities	13	9	16
Provisions	27	0	367
Total non-current liabilities		3 639	7 186
Current liabilities			
Trade and other payables	24	16 620	16 933
Borrowings	25	6 469	4 259
Current tax liabilities	12	230	568
Retirement benefit obligations	26	275	279
Provisions	27	3 654	3 961
Total current liabilities		**27 248**	**25 999**
TOTAL EQUITY AND LIABILITIES		**37 771**	**41 030**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

(thousands of EUR)							*Year ended December 31st, 2012*
	Share capital	**Share premium**	**Treasury shares**	**Foreign currency translation reserve**	**Retained Earnings**	**Attributable to equity holders of the parent**	**Total**
BALANCE ON JANUARY 1, 2012							
As previously reported	**25 274**	**15 115**	**-2 958**	**3 509**	**-35 078**	**5 862**	**5 862**
Profit for the year					883	883	**883**
Other comprehensive income for the year, net of income tax				1 262		1 262	1 262
Total comprehensive income for the year	0	0	0	1 262	883	2 145	2 145
BALANCE ON DECEMBER 31, 2012	**25 274**	**15 115**	**-2 958**	**4 771**	**-34 195**	**8 007**	**8 007**

(thousands of EUR)							*Year ended December 31st, 2013*
	Share capital	**Share premium**	**Treasury shares**	**Foreign currency translation reserve**	**Retained Earnings**	**Attributable to equity holders of the parent**	**Total**
BALANCE ON JANUARY 1, 2013 RESTATED	**25 274**	**15 115**	**-2 958**	**4 771**	**-34 357**	**7 845**	**7 845**
Profit for the year					1 761	1 761	1 761
OCI actuarial gains and losses					37	37	37
Other comprehensive income for the year, net of income tax				-2 759	0	-2 759	-2 759
Total comprehensive income for the year	0	0	0	-2 759	1 798	-961	-961
Capital decrease	-15 274	-12 735	0	0	28 009	0	0
BALANCE ON DECEMBER 31, 2013	**10 000**	**2 380**	**-2 958**	**2 012**	**-4 550**	**6 884**	**6 884**

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

RESTATED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ZENITEL GROUP AT 31 DECEMBER 2012

Note that to maintain a correct comparison base, and where applicable, 2012 figures published in this report have been restated following the revision of IAS19 (IAS19R) on Employee Benefits and more specifically on post-employment benefits. The nature and impact of this restatement is disclosed on page 55.

(thousands of EUR)				*Year ended December 31st,*
	Notes	**2012 Restated**	**IAS 19 adjustments**	**2012 as previously reported**
EQUITY AND LIABILITIES				
Capital and reserves				
Capital		25 274		25 274
Share premium account		15 115		15 115
Reserves		4 771		4 771
Retained earnings		-34 357	-162	-34 195
Treasury shares		-2 958		-2 958
Equity attributable to owners of the Company		7 845	-162	8 007
Total equity		**7 845**	**-162**	**8 007**
Non-current liabilities				
Borrowings	25	5 648		5 648
Retirement benefit obligations	26	1 155	162	993
Deferred tax liabilities	13	16		16
Provisions	27	367		367
Total non-current liabilities		**7 186**	**162**	**7 024**
Current liabilities				
Trade and other payables	24	16 933		16 933
Borrowings	25	4 259		4 259
Current tax liabilities	12	568		568
Retirement benefit obligations	26	279		279
Provisions	27	3 961		3 961
Total current liabilities		**25 999**	**0**	**25 999**
Total equity and liabilities		**41 030**	**0**	**41 030**

CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

(thousands of EUR)		*Year ended December 31st*	
	Notes	**2013**	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit / (Loss) for the year	**32**	**1 761**	**883**
Income tax expense recognized in profit or loss	12	115	94
Finance cost recognized in profit or loss	10	1 048	909
Loss / (gain) on effective settlement		-513	0
Loss / (gain) from equity accounted investments		-18	0
Investment revenue recognized in profit or loss	9	-54	-56
Impairment loss recognized on trade receivables		0	18
Impairment loss recognized on inventory	20	18	608
Depreciation and amortization of non-current assets	15,16,17	1 636	1 829
Impairment of non-current assets		513	0
Development costs expensed	8	2 264	2 044
Cash generated from operating activities before changes in working capital		**6 769**	**6 329**
Changes in working capital	32	-2 163	749
Interest paid		-932	-909
Income taxes paid		-115	-94
Net cash generated from operating activities		**3 560**	**6 075**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		54	56
Proceeds received from minority interest		18	0
Payments for property, plant and equipment	15	-836	-1 068
Proceeds from disposal of property, plant and equipment	15	0	51
Payments for intangible assets	17	-1 064	-937
Development costs paid	8	-2 264	-2 044
Net cash (used in) / generated by investing activities		**-4 091**	**-3 942**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	25	-1 713	-1 619
Net cash received / (used) in financing activities		**-1 713**	**-1 619**
Net (decrease)/increase in cash and cash equivalents		**-2 245**	**514**
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At start of the year		2 885	2 371
Increase / (decrease)		-2 245	514
At the end of the year		**640**	**2 885**
Total Cash and cash equivalents	23	3 901	4 975
(Used factoring facility)	25	-2 199	-1 720
(Bank overdrafts)	25	-1 062	-370
Net cash and cash equivalents at the end of the year		**640**	**2 885**

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

VALUATION RULES AND FINANCIAL RISK FACTORS

Zenitel (the “Company” or the “Group”) is a limited liability company domiciled in Belgium. The consolidated financial statements of the company for the year ended 31 December 2013 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 March 21, 2014.

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.

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 January 1, 2013. The Group has not applied any new IFRS requirements that are not yet effective as per December 31, 2013.

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

- Annual Improvements to IFRSs 2009-2011 Cycle (issued by the IASB in May 2012)
- IFRS 1 - First-time Adoption of International Financial Reporting Standards (Amendment March 2012) — Amendments for government loan with a below-market rate of interest when transitioning to IFRSs
- IFRS 7 - Financial Instruments: Disclosures (Amendment December 2011) — Amendments related to the offsetting of assets and liabilities
- IFRS 13 - Fair Value Measurement - Original Issue May 2011
- IAS 1 Presentation of Financial Statements (Amendment June 2011) — Amendments to revise the way other comprehensive income is presented
- IAS 19 - Employee Benefits (Amendment June 2011) — Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects
- IAS 27 - Consolidated and Separate Financial Statements — Reissued as IAS 27 Separate Financial Statements (May 2011)
- IAS 28 - Investments in Associates — Reissued as IAS 28 Investments in Associates and Joint Ventures (May 2011)
- IFRIC 20 - Stripping Cost in the Production Phase of Surface Mine

The adoption of these new standards and amendments has not led to major changes in the Group’s accounting policies .

AMENDMENTS TO IFRS AFFECTING THE REPORTED FINANCIAL PERFORMANCE AND/OR FINANCIAL POSITION

There were no amendments to IFRS affecting the reported financial performance and/or financial position.

NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE

The Group elected not to early-adopt the following new Standards, Interpretations and Amendments, which have been issued but are not yet effective as per December 31, 2013.

- Annual Improvements to IFRSs 2010-2012 Cycle (issued by the IASB in December 2013)
- Annual Improvements to IFRSs 2011-2013 Cycle (issued by the IASB in December 2013)
- IFRS 7 - Financial Instruments: Disclosures (Amendment December 2011) — Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures
- IFRS 7 – Financial Instruments: Disclosures (Amendment November 2013) — Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9
- IFRS 9 - Financial Instruments — Classification and Measurement (Original issue November 2009, and subsequent amendments)
- IFRS 10 - Consolidated Financial Statements – Original Issue May 2011
- IFRS 10 - Consolidated Financial Statements (Amendment June 2012) – Amendments to transitional guidance
- IFRS 10 - Consolidated Financial Statements (Amendment October 2012) – Amendments for investment entities
- IFRS 11 - Joint Arrangements - Original Issue May 2011
- IFRS 11 - Joint Arrangements (Amendment June 2012) – Amendments to transitional guidance
- IFRS 12 - Disclosure of Interests in Other Entities - Original Issue May 2011
- IFRS 12 - Disclosure of Interests in Other Entities (Amendment June 2012) – Amendments to transitional guidance
- IFRS 12 - Disclosure of Interests in Other Entities (Amendment October 2012) – Amendments for investment entities
- IAS 19 - Employee Benefits (Amendment November 2013) — Amendments relating to Defined Benefit Plans: Employee Contributions
- IAS 27 - Consolidated and Separate Financial Statements (Amendment October 2012) — Amendments for investment entities
- IAS 32 - Financial Instruments: Presentation (Amendment December 2011) — Amendments relating to the offsetting of assets and liabilities
- IAS 36 – Impairment of Assets (Amendment May 2013) — Recoverable Amounts Disclosures for Non-Financial Assets
- IAS 39 – Financial Instruments: Recognition and Measurement (Amendment June 2013) — Novation of Derivatives and Continuation of Hedge Accounting
- IAS 39 – Financial Instruments: Recognition and Measurement (Amendment November 2013) — — Amendments for continuation of hedge accounting (fair value hedge of interest rate exposure) when IFRS 9 is applied
- IFRIC 21 – Levies (May 2013)

[1]To amend in case of major impact of these changes in the Group's accounting policies

The Company has not yet determined the potential impact of the above new standards, interpretations and amendments. The Company did not early-adopt these standards and has not yet determined the potential impact of the interpretation of these standards. None of the other new standards, interpretations and amendments, which are effective for annual periods beginning after 1st January 2014 and which have not been adopted early, are expected to have a material effect on the Group's future financial statements.

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

Subsidiaries

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated 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 into line with those used by other members of the Group.

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

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, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 and IAS 19 respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquisition are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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-transactions basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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

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

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

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

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

INTERESTS IN JOINT VENTURES

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

FOREIGN CURRENCIES

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the exchange rates prevailing at the dates of the transactions. At each statement of position 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 equity.

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.

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

GOODWILL

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. The cash-generating unit(s) to which the goodwill has been allocated 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 cost of the business combination, the excess remaining after reassessment is recognized immediately into profit and loss.

TANGIBLE ASSETS

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Industrial buildings:	40 years
Office buildings:	50 years
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 benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the 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

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

ZENITEL AS LESSEE

Finance leases

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

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

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

Operating lease

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

CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 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 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 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 so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revaluated amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

INVENTORIES

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

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

CONTRACTS IN PROGRESS

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the statement of position date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

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

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

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

CONTRACT REVENUE

Contract revenue comprises:

- The initial amount of revenue agreed in the contract; and

Variations in contract work, claims and incentive payments to the extent that:

- it is probable that they will result in revenue; and
- they are capable of being reliably measured.

CONTRACT COSTS

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

FINANCIAL INSTRUMENTS

Trade Receivables

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

Investments

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

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

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

Other Receivables & Financial Assets related to Divestments

In 2009 the Company sold its MCCN network operations in Belgium and The Netherlands. The transaction price was composed of a fixed amount payable in the period until September 2012 and a contingent amount payable in the period until September 2014. Per October 2013, the buyer bought off the contingent part of the price and paid all the remaining obligation in cash to Zenitel.

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, other than impairment losses and foreign currency differences on available-for-sale debt instruments, 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.

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

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

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

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

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

Rendering of Services

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

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

Royalties

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

Interest

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts 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.

Rental Income

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

INCOME TAXES

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each 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 that exceed 10 percent of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

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

The Group adopted the new standards, interpretations and revisions that became mandatory for the Zenitel Group on 1 January 2013. This had impact only for the adoption of the revision of IAS 19 (IAS 19R) on Employee Benefits and more specifically on post-employment benefits. Also IAS 19R required a retrospective application, meaning that the year 2012 has been restated for 2013 reporting and comparison purposes. Where applicable, 2012 figures have been restated in the tables included in this report. The major changes introduced in the IAS 19R relate to the recognition of actuarial gains and losses through Other Comprehensive Income (equity) and the alignment of expected return of assets to the discount rate. Applying the revision, Zenitel classified the net periodic pension cost in operating and financing activities for their respective components and reclassified the accumulated 2012 actuarial gains and losses to the retained earnings. Total impact of this revision was EUR 0.2 million.

Other Long-Term Employee Benefits

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

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after 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 from their local businesses. Given the Group's significant borrowing and its current financial position, the Group's interest charges are important.

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's Corporate Treasury function provides services to the business, 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 USD, ANG, NOK, SGD, DKK, and SEK.

Since most of the Norwegian business is export in the euro currency, Zenitel Norway AS has a NOK deficit and a EUR surplus. The company has put in place hedging systems that secure the needed exchange between EUR/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 Danish krone, the Swedish krone, the Norwegian krone, the US dollar and the Singaporean dollar. On the basis of the average volatility during the last 5 years of these currencies against the euro for respectively 2013 and 2012, we estimated the reasonably possible changes of exchange rate of these currencies as follows:

1 euro equals	Closing Rate 31st Dec 2013	Possible volatility of rates in %	Rates used for the sensitivity analysis	Closing rate 31st Dec 2012	Possible volatility of rates in %	Rates used for sensitivity analysis
NOK	8.43	4.6%	8.05 - 8.81	7.38	3.8%	7.10 - 7.67
USD	1.38	3.9%	1.32 - 1.43	1.32	4.8%	1.26 - 1.39
SEK	8.67	6.8%	8.08 - 9.26	8.62	5.2%	8.16 - 9.07
SGD	1.75	7.0%	1.62 - 1.87	1.62	6.9%	1.51 - 1.73
DKK	7.46	0.1%	7.45 - 7.47	7.46	0.1%	7.46 - 7.47

If the above-indicated currencies had weakened/strengthened during 2013 and 2012 by the above estimated changes against the euro, with all of the other variables held constant, the 2013 and 2012 net result would not have been significantly affected (less than euro 50 K) both in 2013 and 2012. Neither would there have been a material impact on other components of equity both in 2013 and 2012.

TRANSLATIONAL FOREIGN CURRENCY RISK

100 percent of Zenitel's revenue is generated by its subsidiaries. 86 percent (2012: 84 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 Norwegian krone, the Danish krone, the American dollar, the Singaporean dollar and the Antillean guilder. On the basis of the average volatility during the last 5 years of these currencies against the euro for respectively 2013 and 2012, we estimated the reasonably possible change of the exchange rate of these currencies against the euro as follows

				Rates as used in the sensitivity analysis for 2013					*Rates as used for the sensitivity analysis for 2012*	
1 euro equals	**Closing Rate 31 Dec 2013**	**Ave. Rate 2013**	**Possible volatility of rates in 2013**	**Possible closing rate**	**Possible average rate**	**Closing rate 31 Dec 2012**	**Ave. rate 2012**	**Possible volatility of rates in 2012**	**Possible closing rate**	**Possible average rate**
NOK	8.43	7.87	4.56%	8.05 - 8.81	7.51 - 8.23	7.38	7.48	4.70%	7.04 - 7.73	7.13 - 7.83
SEK	8.67	8.93	6.78%	8.08 - 9.26	8.32 - 9.53	8.62	8.70	6.11%	8.09 - 9.14	8.17 - 9.23
DKK	7.46	7.46	0.10%	7.45 - 7.47	7.45 - 7.47	7.46	7.44	0.09%	7.45 - 7.47	7.44 - 7.45
USD	1.38	1.33	3.86%	1.32 - 1.43	1.28 - 1.38	1.32	1.29	5.48%	1.25 - 1.39	1.22 - 1.36
SGD	1.75	1.67	7.04%	1.62 - 1.87	1.55 - 1.79	1.62	1.61	8.99%	1.47 - 1.76	1.46 - 1.75
ANG	2.51	2.42	40.00%	1.50 - 3.51	1.45 - 3.39	2.41	2.35	40.00%	1.44 - 3.37	1.41 - 3.29

If the euro had weakened/strengthened during 2013 and 2012 by the above estimated possible changes against the above listed currencies with all other variables held constant, the 2013 profit would have been 0.2 million euro or 12% of net income higher/lower (2012: 0.05 million euro or 32% of net income) while the translation reserves in equity would have been 1.6 million euro or 23% of total equity higher/lower (2012: 1.7 million euro or 29% 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 EUR		*Year ended December 31st*
	2013	**2012**
Other financial assets	0.5	1.0
Trade & other receivables	14.6	13.5
Bank deposits	0.6	0.6
Total	**15.6**	**15.1**

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. In order to increase the flexibility in funding, the Group is continuously aiming to increase the available committed credit lines. Further information on the existing credit lines is given in Note 25.

The following table sets forth details of the remaining contractual maturities of financial liabilities as of December 31, 2013 and 2012.

Millions of euro	*31st December 2013*				*31st December 2012*			
	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	0.0	0.0	1.7	1.7	0.0	0.0
Trade payables	16.5	16.5	0.0	0.0	16.9	16.9	0.0	0.0
Bank borrowings*	2.6	1.9	0.7	0.0	9.0	3.0	6.0	0.0
Shareholder loans	4.4	2.3	2.1	0.0	0.0	0.0	0.0	0.0
Finance lease liabilities*	0.2	0.0	0.1	0.1	0.3	0.0	0.1	0.1
Total	**25.9**	**22.9**	**2.9**	**0.1**	**27.9**	**21.7**	**6.1**	**0.1**

*** including future undiscounted interest payment**

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 2013 and 2012, 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 2013	**Interest charge 2013**	**Ave. interest rate 2013**	**Possible volatility of rate in 2013**	**Outstanding debt 31 Dec 2012**	**Interest charge 2012**	**Ave. interest rate 2012**	**Possible volatility of rate in 2012**
Used factoring facility	2.2	0.1	4.45%	3.7%	1.7	0.1	4.64%	3.9%
Bank borrowings	2.6	0.3	3.48%	4.1%	8.0	0.6	5.39%	6.1%
Shareholder loans	4.4	0.2	6.00%	3.7%	0.0	0.0	3.30%	3.9%
Finance lease liabilities	0.2	0.0	2.88%	Fixed Rate	0.2	0.0	4.80%	Fixed Rate
Other financial liabilities	0.0	0.0	0.00%	NA	0.0	0.0	0.00%	NA
Total	**9.4**	**0.6**			**9.9**	**0.7**		

INTEREST RATE SENSITIVITY

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

When we apply the reasonably possible increase/decrease in the market interest rate (volatilities as indicated in the table above), with all other variables held constant, the 2013 net result would have been 0.01 million euro lower/higher (2012: 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 2013 and 2012 as indicated in the table above are based on average deviations of the interest rate during the respective years.

EQUITY RISK

The company holds investments in TetraNet Denmark (0.6%), Beijing Nera Stentofon Communication Equipment in China (14%) and Zenitel UK (15%). All equity instruments are at costs minus impairments. Refer to Note 19 of these financial statements.

The available-for-sale investments are accounted at fair value. Fair values are assessed on a regular basis and at the end of 2013, the investment in TetraNet Denmark (0.6%) was impaired during 2013. In 2013, the company started a joint venture called StentofonBaudisch with 1/3rd participation in Germany together with Baudisch GmbH and Scanvest GmbH. The investment is accounted for using the equity method.

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 current financial position. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical 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 net identifiable assets 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).

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 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 10.6% (post-tax discount rate 2012: 10.3%). 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 2018. The cash flow is based on actual performance and estimated development of key drivers. The following assumptions are made:

- Growth rate of 2.0% (2012: 2.0%) applied on revenues.
- Growth rate of 2.0% (2012:2.0%) applied on terminal value.
- Inflation rate of 1.9% (2012: 1.7%) applied on operating expenses (weighted average inflation rate of each country included in the CGU).
- Cost of Goods sold to increase by 1.6% for the first year and 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 13.6 million euro, and the sensitivity analysis shows that 1.0% (2012: 0.9%) is to be subtracted from the growth rate before goodwill is impaired. CGU Intercom requires a WACC exceeding 15.1% before goodwill is impaired.

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 assets and liabilities as further disclosed in Note 29.

GOING CONCERN

The statutory balance sheet of Zenitel NV showed as per December 31, 2012 a loss carried forward of 63.3 million euro.

On October 1, 2013, an extraordinary shareholders meeting decided to eliminate the losses carried forward per December 31, 2012 through compensation with the available reserves, issue premiums and capital. The elimination of the 63.345 million euro loss carried forward was compensated as follows: 21.725 million euro from the available reserves, 26.345 million euro from the issue premiums and 15.275 million euro coming from the share capital.

The statutory balance sheet of Zenitel NV shows as per December 31, 2013 a profit carried forward of 3.4 million euro.

Since the strategic reorganizations in 2009, the Company has been able to continue to focus on its Secure Communication Systems and Caribbean business and, at the same time, the Company was able to reduce loans and restructuring obligations. The further reduction of loans and restructuring obligations will continue to be an important factor in the company's cash flow going forward. The financial results for 2013 show that the company is able to generate the cash needed to serve its obligations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REVENUE

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

(thousands of EUR)	*Year ended December 31st*	
	2013	**2012**
Revenue from the sale of goods	62 198	54 200
Revenue from the rendering of services	5 205	10 506
Total revenue	**67 403**	**64 706**

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

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

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

Segment	Products and services	Location of servicing subsidiaries
Secure Communication Systems	Mainly own products (Intercom) and wireless solutions	Norway, Denmark, Finland, Singapore, USA, Italy, France
Caribbean	Mainly networks	Curaçao, St. Maarten, Aruba, St Eustatius

(thousands of EUR)		
Revenues from external customers attributed to subsidiaries in:	**2013**	**2012**
Belgium (Country of domicile)	0	0
Norway	29 777	26 146
Singapore	10 703	8 499
Denmark	7 356	8 468
France	5 446	6 289
Caribbean	5 071	5 864
USA	5 359	5 609
Other foreign countries	3 691	3 830
Total	**67 403**	**64 706**

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

(thousands of EUR)		*Year ended December 31st*
Non-current assets located in:	**2013**	**2012**
Belgium (Country of domicile)	0	426
Caribbean	1 288	2 492
Norway	8 727	9 402
Other foreign countries	584	649
Total	**10 599**	**12 969**

For further information about geographical areas, we refer to Note 2.D below. The largest and second largest customers account for 3.6% and 3.5% respectively of Group net sales in 2013 (5.1% and 3.1% of Group net sales in 2012). The highest and second highest amounts of trade accounts receivable outstanding are 5.3% and 4.0% respectively of the Group's accounts receivable at 31 December 2013 (11.0% and 5.6% at 31 December 2012).

2.A SEGMENT REVENUES AND SEGMENT RESULTS

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

(thousands of EUR)	Segment revenue		Recurrent EBITDA(1)		One-time items		Segment result(2)	
For the 12 months ended Dec 31	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Secure Communication Systems (SCS)	62 331	58 842	4 701	4 120	0	(129)	4 028	2 893
Caribbean	5 071	5 864	1 269	1 776	(573)	550	(274)	997
All Segments	**67 403**	**64 706**	**5 970**	**5 896**	**(573)**	**421**	**3 755**	**3 890**
Unallocated operations	0	0	(1 200)	(1 217)	573	(421)	(640)	(1 669)
Total	**67 403**	**64 706**	**4 770**	**4 679**	**0**	**0**	**3 115**	**2 221**
Financial results					0	0	(1 238)	(1 244)
Income tax expense					0	0	(116)	(94)
Total profit/(loss) for the period					**0**	**0**	**1 761**	**883**

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

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

Segment revenue reported above represents revenue from external customers. Inter segment sales amounted to 0.1 million euro (2012: 0.04 million euro).

The unallocated recurrent operating expenses in 2013 consist of the costs included in the support center Zenitel NV (holding costs). These costs relate to the operating expenses for holding costs such as publications, stock exchange, controlling, insurance, facilities, general management and depreciation and amortization costs. The one time items in Caribbean and unallocated operations are the result of release of provisions and extraordinary depreciation costs.

See the report of the Board of Directors for recurrent EBIT and recurrent EBITDA figures per segment for further comments.

2.B SEGMENT ASSETS AND SEGMENT LIABILITIES

(thousands of EUR)				*Year ended December 31st*
	Assets		**Liabilities**	
	2013	**2012**	**2013**	**2012 Restated**
Secure Communication Systems	34 159	34 924	17 895	18 000
Caribbean	3 206	4 696	1 713	2 446
Unallocated	406	1 410	11 279	12 739
Consolidated	**37 771**	**41 030**	**30 887**	**33 185**

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

2.C OTHER SEGMENT INFORMATION

(thousands of EUR)				Year ended December 31st
	Depreciation, amortization & goodwill impairment		Additions to non-current assets	
	2013	2012	2013	2012
Secure Communication Systems	669	1 098	1 319	1 390
Caribbean	972	1 329	581	615
Unallocated	13	30	0	0
Consolidated	**1 654**	**2 457**	**1 900**	**2 005**

2.D INFORMATION ON GEOGRAPHICAL SEGMENTS

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

(thousands of EUR)						Year ended December 31st
	Revenue from external customers		Segment assets		Additions to non-current assets	
	2013	2012	2013	2012	2013	2012
Europe	46 270	44 734	27 404	29 109	1 237	1 148
Asia	10 703	8 499	5 561	5 283	17	213
Americas	10 431	11 473	4 806	6 638	646	644
Consolidated	**67 403**	**64 706**	**37 771**	**41 030**	**1 900**	**2 005**

3. DISCONTINUED OPERATIONS

In 2009 Zenitel sold MCCN network assets and contracts. The proceeds of this sale consisted of a fixed and a contingent part, which is billable in the period from October 2009 till September 2014. In October 2013, the remaining amount was been paid off.

4. RAW MATERIALS AND CONSUMABLES USED

(thousands of EUR)		Year ended December 31st
Continuing operations	**2013**	**2012**
Supplies	32 057	31 019
Subcontractors	272	295
Changes in inventories of finished goods and work in progress	440	-1 315
Other	665	921
Total raw materials and consumables used	**33 434**	**30 920**

5. EMPLOYEE BENEFITS EXPENSES

(thousands of EUR)	*Year ended December 31st*	
	2013	**2012**
Wages and salaries	16 576	16 056
Social security costs	2 378	2 494
Other employee benefits	829	842
Short term employee benefits	**19 783**	**19 392**
Pension costs - defined contribution plans	647	845
Pension costs - defined benefit plans	0	-449
Pension costs	**647**	**396**
TOTAL EMPLOYEE BENEFITS EXPENSES	**20 430**	**19 788**
Average number of employees	**270**	**248**
Employees	252	234
Management	18	14

In 2013 and 2012 there were no reorganization expenses.

6. FACILITY EXPENSES

(thousands of EUR)	*Year ended December 31st*	
	2013	**2012**
Housing costs (rent & common charges)	2 027	2 102
Telecom expenses	503	502
Insurances	250	264
Utilities	636	540
Other facility costs	979	811
Total facility expenses	**4 395**	**4 219**

7. OTHER EXPENSES

(thousands of EUR)	*Year ended December 31st*	
Continuing operations	**2013**	**2012**
Advertising, publicity and trade fairs	475	589
Travel & related costs	1 548	1 576
Car expenses	830	902
Other	-200	1 129
Total other expenses	**2 653**	**4 196**

8. RESEARCH & DEVELOPMENT COSTS

(thousands of EUR)	*Year ended December 31st*	
	2013	**2012**
Research and development costs	**2 264**	**2 044**

Whereof 1.6 million euro (1.6 million euro in 2012) were included in the Employee benefits expense (Wages and salaries).

Besides these expensed Research & Development costs, 1.1 million euro were capitalized in 2013 (0.9 million euro in 2012).

9. FINANCE INCOME

(thousands of EUR)		*Year ended December 31st*
	2013	**2012**
Other (aggregate of immaterial items)	54	56
Total finance income	**54**	**56**

10. FINANCE COSTS

(thousands of EUR)		*Year ended December 31st*
	2013	**2012**
Interest on bank overdrafts, used factoring facility and loans	577	740
Interest on obligations under finance lease	5	5
Other financial charges	466	164
Total finance costs	**1 048**	**909**

The weighted average interest rate on funds borrowed generally is 2.9% per annum (2012: 4.3% per annum).

11. NET FOREIGN EXCHANGE GAINS / (LOSSES)

(thousands of EUR)		*Year ended December 31st*
	2013	**2012**
Foreign exchange rate losses	-349	-519
Both realized and unrealized	*-349*	*-519*
Foreign exchange rate gains	86	112
Both realized and unrealized	*86*	*112*
Net foreign exchange gains/(losses)	**-263**	**-407**

12. INCOME TAXES

(thousands of EUR)			*Year ended December 31st*
	Notes	**2013**	**2012**
Current tax expense/(income)		87	172
Adjustments recognized in the current year in relation to current tax of prior years		20	-68
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	13	9	-10
Total income tax expense/(income)		**116**	**94**

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

(thousands of EUR)	*Year ended December 31st*	
	2013	**2012**
Profit before tax	1 877	977
Tax calculated at tax rate of 33.99%	638	332
Effects of:		
- Different tax rates in other countries	-198	-141
- Adjustments recognized in the current year in relation to current tax of prior years	20	-69
- Income not subject to tax	-177	-272
- Expenses not deductible for tax purposes	394	372
- Utilization of previously unrecognized tax losses	-783	-157
- Reversal of previous write-downs of tax assets as tax losses	0	-9
- Unrecognized tax losses of the current year	222	38
Total income tax expense/(income)	**116**	**94**

The tax rate used for the 2013 and 2012 reconciliation is the corporate tax rate of 33.99% payable by corporate entities in Belgium on taxable profits under tax law in that jurisdiction.

No income tax has been recognized directly in equity or in other comprehensive income in 2013 nor in 2012.

13. DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 28.0% (2012: 28.0 %). 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 asset relates to a part of the tax losses carried forward of Zenitel Norway AS. The movement on the deferred income tax account is as follows:

(thousands of EUR)	*Year ended December 31st*	
	2013	**2012**
At the beginning of the year		
- deferred tax liability	16	12
- deferred tax asset	-2 632	-2 484
Income statement (credit)/charge	9	-10
Other changes	315	-134
At the end of the year	**-2 292**	**-2 616**
Recognized in the balance sheet as		
- deferred tax liability	9	16
- deferred tax asset	-2 301	-2 632

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

Deferred tax liabilities	on net PBO assets	Accelerated tax depreciation	Provisions	Leasing	Goodwill	Other	Total
At December 31, 2011	**0**	**14**	**0**	**0**	**502**	**0**	**516**
Charged/(credited) to P/L	0	3	0	0	0	0	**3**
Other changes	0	-2	0	0	28	0	**26**
At December 31, 2012	**0**	**15**	**0**	**0**	**530**	**0**	**545**
Charged/(credited) to P/L	0	-24	0	0	0	24	0
Other changes	0	10	0	0	-530	-16	**-536**
At December 31, 2013	**0**	**1**	**0**	**0**	**0**	**8**	**9**

Deferred tax assets	Net PBO Liabilities	Impairments	Tax losses	Provisions	Depreciation	Other	Total
At December 31, 2011	**-161**	**-336**	**-1 950**	**-16**	**-392**	**-133**	**-2 988**
Charged/(credited) to P/L	0	0	0	0	0	-13	**-13**
Other changes	-8	-18	-106	-1	-21	-5	**-159**
At December 31, 2012	**-169**	**-354**	**-2 056**	**-17**	**-413**	**-151**	**-3 160**
Charged/(credited) to P/L	0	121	0	0	-61	-51	9
Other changes	169	83	45	-8	391	171	**851**
At December 31, 2013	**0**	**-150**	**-2 011**	**-25**	**-83**	**-31**	**-2 301**

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

(thousands of EUR)		*Year ended December 31st*
	2013	**2012**
Deferred tax assets	-2 301	-2 632
Deferred tax liabilities	9	16
Total	**-2 292**	**-2 616**

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

(thousands of EUR)		*Year ended December 31st*
Company	**2013**	**2012**
Zenitel NV	56 204	52 862
Zenitel Finance Netherlands BV	8 807	8 802
Zenitel Caribbean	1 805	1 282
Zenitel CSS France	1 465	1 461
Zenitel Finland	1 742	1 368
Zenitel Denmark	6 553	7 504
Zenitel Italy	1 241	1 021
Zenitel USA	0	124

Tax losses carried forward as per year-end 2013 indicated in the table above do not have an expiry date. Tax losses carried forward as per year-end 2012 had no expiry date either.

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

(thousands of EUR)		*Year ended December 31st*
Company	**2013**	**2012**
Zenitel NV	3 342	1 845
Zenitel Finance Netherlands	5	8
Zenitel Caribbean	523	-726
Zenitel CSS France	4	50
Zenitel Finland	374	146
Zenitel Denmark	-951	-421
Zenitel Italy	220	840
Zenitel USA	-135	-503
TOTAL	**3 382**	**1 239**

14. EARNINGS PER SHARE

14.1 Basic earnings per share

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

		Year ended December 31st
	2013	**2012**
Basic earnings per share	**0.11**	**0.05**

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

Net profit/(loss) attributable to shareholders (thousands of EUR)	**1 761**	**883**
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures) - See Note 31	**16 441 309**	**16 441 309**

14.2 Diluted earnings per share

For the calculation of the diluted earnings per share, the weighted average number of ordinary shares issued is adjusted to assume conversion of all dilutive potential ordinary shares. The Company had one category of dilutive potential ordinary shares: warrants. For these warrants, a calculation 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.

		Year ended December 31st
	2013	**2012**
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures) - See Note 31	16 441 309	16 441 309
Adjustments for warrants	-	-
Weighted average number of ordinary shares for diluted earnings per share	16 441 309	16 441 309
Diluted earnings per share	0.11	0.05

15. PROPERTY, PLANT & EQUIPMENT

(thousands of EUR)	Land & buildings	Installations & machinery	Furniture, fixtures & vehicles	Other tangible assets	Total
Cost or valuation					
Balance as at 1 January 2012	**81**	**3 533**	**4 774**	**9 730**	**18 118**
Additions		156	296	616	1 068
Disposals		-58	-424	-567	-1 050
Transferred from one heading to another					
Net foreign currency exchange differences		113	108	-154	67
Balance as at 1 January 2013	**81**	**3 744**	**4 753**	**9 625**	**18 204**
Additions		132	125	579	836
Disposals		-117	-259	-2 692	-3 068
Transferred from one heading to another		23	135	-125	33
Net foreign currency exchange differences		-356	-350	-406	-1 112
Balance as at 31 December 2013	**81**	**3 426**	**4 404**	**6 981**	**14 893**
Accumulated depreciation and impairment					
Balance as at 1 January 2012	**-81**	**-3 242**	**-4 410**	**-6 817**	**-14 550**
Depreciation expense		-119	-208	-929	-1 256
Eliminated on disposals of assets		52	324	435	811
Transferred from one heading to another					
Net foreign currency exchange differences		-111	-102	102	-111
Balance as at 1 January 2013	**-81**	**-3 421**	**-4 396**	**-7 209**	**-15 107**
Depreciation expense		-127	-211	-764	-1 102
Eliminated on disposals of assets		73	44	2 041	2 158
Transferred from one heading to another					
Net foreign currency exchange differences		336	328	348	1 012
Balance as at 31 December 2013	**-81**	**-3 139**	**-4 235**	**-5 584**	**-13 039**
Carrying amount					
As at 31 December 2012	**0**	**324**	**357**	**2 417**	**3 097**
As at 31 December 2013	**0**	**288**	**169**	**1 398**	**1 854**

16. GOODWILL

(thousands of EUR)		*Year ended December 31st*
Cost	**2013**	**2012**
Balance at beginning of year	**68 088**	**65 468**
Effect of foreign currency exchange differences	-6 984	2 620
Balance at end of year	**61 104**	**68 088**
Accumulated impairment losses		
Balance at beginning of year	**-63 719**	**-61 307**
Effect of foreign currency exchange differences	6 442	-2 412
Balance at end of year	**-57 277**	**-63 719**
Carrying amount		
At the beginning of the year	**4 369**	**4 161**
At the end of the year	**3 827**	**4 369**
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 net identifiable assets 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).

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 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 10.6% (post-tax 2012: 10.3%). 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% (2012: 2.0%) has been used and the assumed inflation rate is 1.96% (2012: 1.7%).

Sensitivity analysis shows that 1.0% (2012: 0.9%) is to be subtracted from the growth rate before goodwill is impaired. CGU Intercom requires a WACC exceeding 15.1% (2012: 14.1%) before goodwill is impaired.

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

The Company can not predict whether an event that triggers impairment will occur, when it will occur or how it will affect the asset values reported. Zenitel believes that all of its estimates are reasonable: they are consistent with 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 EUR)			*Year ended December 31st*
Cost	**Capitalized development**	**Software, licenses**	**Total**
Balance at 1 January 2012	**4 128**	**1 839**	**5 967**
- internally generated	3 365		3 365
- externally acquired	763	1 839	2 602
Additions (including internally generated)	905	32	937
Cancellations		-86	-86
Transfer from one heading to another	-365	365	
Net foreign currency exchange differences	204	34	238
Balance at 1 January 2013	**4 872**	**2 184**	**7 056**
- internally generated	4 436		4 436
- externally acquired	436	2 184	2 620
Additions (including internally generated)	1 022	42	1 064
Cancellations			
Transfer from one heading to another			
Net foreign currency exchange differences	-651	-98	-749
Balance at 31 December 2013	**5 243**	**2 128**	**7 370**
- internally generated	4 865		4 865
- externally acquired	377	2 128	2 505
Accumulated amortization and impairment			
Balance at 1 January 2012	**-2 655**	**-1 816**	**-4 470**
Amortization expense	-348	-226	-574
Impairment charge			
Amortization cancelled (disposals)	2	84	86
Transfer from one heading to another			
Net foreign currency exchange differences	-138	-21	-159
Balance at 1 January 2013	**-3 139**	**-1 979**	**-5 117**
Amortization expense	-390	-169	-559
Impairment charge			
Amortization cancelled (disposals)	2	-26	-24
Transfer from one heading to another			
Net foreign currency exchange differences	394	86	480
Balance at 31 December 2013	**-3 133**	**-2 088**	**-5 220**
Carrying amount			
As at 31 December 2012	**1 733**	**205**	**1 938**
As at 31 December 2013	**2 110**	**40**	**2 150**

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

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

18. NET IMPAIRMENT ON CURRENT ASSETS

(thousands of EUR)	*Year ended December 31*	
	2013	**2012**
Impairment charge on inventories	18	609
Impairment charge on receivables	0	18
Total impairment on current assets	**18**	**627**

19. FINANCIAL ASSETS

(thousands of EUR)	*Year ended December 31*	
	2013	**2012**
Proceeds receivable arising from the sale of MCCN assets and contracts	0	399
Available for sale investments	283	439
Long term guarantee paid in cash	117	119
Participations accounted for using the equity method	68	61
Total	**468**	**1 019**
of which current	0	86
of which non-current	468	933

(thousands of EUR)	*Year ended December 31st*	
Available for sale investments	**2013**	**2012**
At the beginning of the year	**439**	**423**
Acquisition	0	0
Disposals	0	0
Impairments	-116	0
Net foreign currency exchange differences	-40	16
At the end of the year	**283**	**439**

(thousands of EUR)	*Year ended December 31*	
The breakdown of the outstanding balance is as follows:	**2013**	**2012**
- TETRANET (Denmark):	0	116
- BNSC - Beijing Nera Stentofon Comm. Equipment (China):	283	324
Total	**283**	**439**

The available-for-sale investments are accounted at fair value. Fair values are assessed on a regular basis. In 2013, the TETRANET DK investment was written off.

(thousands of EUR)	*Year ended December 31st*	
Participations accounted for using the equity method	**2013**	**2012**
At the beginning of the year	61	0
Acquisition	0	42
Share of profit/(loss) from equity accounted investments	18	16
Disposals	0	0
Net foreign currency exchange differences	-12	3
At the end of the year	**68**	**61**

The acquisition in 2012 consists of a 33.3% share of the Group in StentofnBaudisch GmbH, a joint venture of Zenitel Norway AS, Baudisch GmbH and Scanvest GmbH. There are no contingent liabilities nor capital commitments relating to this joint venture .

20. INVENTORIES

(thousands of EUR)	*Year ended December 31st*	
	2013	**2012**
Raw material	454	902
Goods purchased for resale	6 345	6 857
Total inventories	**6 799**	**7 759**

Total inventory write-offs amounted to 0.02 million euro in 2013 (0.6 million euro in 2012). Inventory expenses are included in the Raw materials and consumables used line of the income statement.

21. CONTRACTS IN PROGRESS

(thousands of EUR)	*Year ended December 31st*	
	2013	**2012**
At the beginning of the year	**787**	**968**
Contract costs incurred plus recognized profits less recognized losses to date	1 148	8 068
Less: progress billings during the year	-1 832	-9 526
Net foreign currency exchange differences	-29	49
Advances received from customers and included in 'other payables'	1 215	1 228
At the year end	**1 289**	**787**

With respect to contracts in progress, the revenue recognition occurs according to the Percentage of Completion Method. In 2013 the total contract revenue recognized amounted to 1.1 million euro (2012: 8.1 million euro).

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

22. TRADE & OTHER RECEIVABLES

(thousands of EUR)	*Year ended December 31st*	
	2013	**2012**
Trade receivables	14 573	13 821
Allowance for doubtful debts	-742	-1 090
Total	**13 831**	**12 731**
OTHER RECEIVABLES		
Tax receivables other than income tax	481	581
Income tax receivable	9	90
Other receivables	257	85
Total Other receivables	**747**	**757**
Total trade and other receivables	**14 578**	**13 488**

The total amount of trade receivables is presented after deduction of a bad debt allowance of 0.7 million euro (2012: 1.1 million euro). The aging of our current trade and other receivables can be detailed as follows:

			Of Which:							
	Gross amount as at 31 Dec 2013	Of which: not past due on the reporting date	Past due less than 30 days	Past due between 30 and 59 days	Past due between 60 and 89 days	Past due between 90 and 179 days	Past due between 180 and 359 days	Past due more than 359 days	Valuation allowance for doubtful debtors	Net carrying amount as at 31 December 2013
Trade receivables	14 573	9 047	2 354	1 048	659	733	383	348	-742	13 831
Tax receivables, other than income tax	481	470	0	0	0	11	0	0	0	481
Income tax receivable	9	9	0	0	0	0	0	0	0	9
Other receivables	257	179	77	0	0	0	3	0	0	258
Total	**15 320**	**9 705**	**2 431**	**1 048**	**659**	**744**	**385**	**348**	**-742**	**14 579**

			Of Which:							
	Gross amount as at 31 Dec 2012	Of which: not past due on the reporting date	Past due less than 30 days	Past due between 30 and 59 days	Past due between 60 and 89 days	Past due between 90 and 179 days	Past due between 180 and 359 days	Past due more than 359 days	Valuation allowance for doubtful debtors	Net carrying amount as at 31 December 2012
Trade receivables	13 821	8 345	2 603	1 142	491	432	372	436	-1 090	12 731
Tax receivables, other than income tax	581	581	0	0	0	0	0	0	0	581
Income tax receivable	90	90	0	0	0	0	0	0	0	90
Other receivables	85	32	38	9	0	0	3	5	0	86
Total	**14 578**	**9 049**	**2 641**	**1 151**	**491**	**432**	**374**	**440**	**-1 090**	**13 488**

The average credit period on sales of goods and services is 71.8 days (2012: 76.5 days). No interest is charged on trade receivables for the first 60 days from the date of the invoice. Thereafter the interest charged is 2% per annum on the outstanding balance. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the balance sheet date. An allowance is recognized when there is objective evidence that the individual asset is impaired.

(thousands of EUR)	*Year ended December 31st*	
Movement of the allowance for doubtful debtors	**2013**	**2012**
Balance at beginning of the year	-1 090	-980
Amounts written off during the year	35	-21
Amounts recovered during the year	215	-80
Decrease / (Increase) in allowance recognized in profit or loss	41	-18
Translation difference	57	9
Balance at end of year	**-742**	**-1 090**

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 3.6% and 3.5% each of Group net sales. There is no other significant concentration of credit risk. Therefore, management is of the opinion that inherent credit risk in the Group's receivables is limited. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debtors.

23. CASH AND CASH EQUIVALENTS

(thousands of EUR)	*Year ended December 31st*	
	2013	**2012**
Cash at bank and in hand	3 338	4 374
Short term bank deposit	563	601
Total cash and cash equivalents	**3 901**	**4 975**

The weighted average effective interest rate on short-term bank deposits amounts to 0.54% (2012: 0.74%).

24. TRADE AND OTHER PAYABLES

(thousands of EUR)	*Year ended December 31st*	
	2013	**2012**
Trade payables	**7 773**	**8 792**
Remuneration & staff related liabilities	3 881	3 923
Accrued expenses	1 953	1 903
Advances received on contracts	1 215	1 228
Other	1 798	1 086
Other payables	**8 847**	**8 140**
Total trade and other payables	**16 620**	**16 932**

The fair value of the derivative financial instrument amounted to 0.2 million euro are included in the line *other*. Further information on these financial instruments is given in note 28.

25. BORROWINGS

(thousands of EUR)	*Year ended December 31st*	
	2013	**2012**
Non-current		
Bank borrowings	661	5 463
Shareholder loans	2 083	0
Finance lease liabilities	152	185
	2 896	**5 648**
Current		
Used factoring facility	2 199	1 720
Bank overdraft	1 062	370
Shareholder loans	2 330	0
Current installment of long term loan	859	2 148
Finance lease liabilities	19	21
	6 469	**4 259**
Total borrowings	**9 365**	**9 907**

(thousands of EUR)	*Year ended December 31st*	
The weighted average interest rate per year amounts to (%):	**2013**	**2012**
Leasing	2.88	4.80
Shareholder loans	6.00	3.30
Bank borrowings LT	3.48	5.39
Used factoring facility	4.45	4.64

The bank borrowings and the shareholder loans are secured by a pledge on the Group's current assets, shares of certain subsidiaries and the eventual proceeds of future divestments.

Lease agreements in which Group companies are the lessee give rise to financial liabilities on the balance sheet, equal at the inception of the lease to the fair value of the leased property, or if lower, at the present value of the minimum lease payments.

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

	31st December 2013			*31st December 2012*		
	Total future payments	**Unexpired interest expenses**	**Present value**	**Total future payments**	**Unexpired interest expenses**	**Present value**
Not later than one year	3 563	373	3 190	2 613	465	2 148
Between one and five years	2 882	139	2 743	5 988	525	5 463
Later than five years	0	0	0	0	0	0
Total	**6 445**	**512**	**5 933**	**8 601**	**990**	**7 611**

The financial lease liabilities are payable as follows :

	31st December 2013			*31st December 2012*		
	Total future payments	**Unexpired interest expenses**	**Present value**	**Total future payments**	**Unexpired interest expenses**	**Present value**
Not later than one year	23	4	19	26	5	21
Between one and five years	96	18	78	103	19	84
Later than five years	91	17	74	124	23	101
Total	**210**	**39**	**171**	**253**	**47**	**206**

NON CURRENT BORROWINGS

The next quarterly installments relating to a loan of 2.0 million euro with one of Zenitel's main lending financial institutions will become due from March 2013 until September 2015. The applied interest rate amounts to EURIBOR + 2.75%. These bank borrowings are secured by a pledge on Zenitel NV's receivables, shares of certain subsidiaries and the eventual proceeds of future divestments.

In 2007 a long term loan of 5.0 million euro was established. This borrowing is subordinated towards the other bank debts and the interest rate amounts to 6.0%. Per end of June 2013, total outstanding debt on this loan amounted to 4.2 million euro.

At the end of June, Ethias notified Zenitel that they had transferred the Zenitel bond to 3D NV at the same interest rate. 3D NV informed Zenitel that a postponement of the down payment due in July 2013 was given.

The long term borrowings in the Caribbean are on a non-recourse basis. These borrowings are secured by customer contracts.

The term of the loans, closed in Antillean guilders, is 3 to 6 years. In 2012 both the repayments terms and the interest rate of these loans were renegotiated which resulted in a decrease of the interest rate to 6.95% and a final loan installment in February 2015. The Caribbean group company uses the long term borrowings to finance its investments locally.

In 2004, Zenitel NV took over a loan from its Danish subsidiary. The original amount of this loan was DKK 12 million. The loan was fully repaid per end of June 2013.

CURRENT BORROWINGS

Zenitel Norway AS has a factoring agreement of NOK 15 million. This factoring agreement allows for borrowing up to 80% of the value of customer invoices. As per 31 December 2013, 2.2 million euro of this credit facility was used against 1.7 million euro as per 31 December 2012. The interest rate on this facility on average amounted to 4.5% in 2013 (4.7% in 2012). At the same time, a credit line up to a maximum of NOK 15 million is available. As per year-end 2013, 1.0 million euro of this credit facility was used (0.4 million euro at year-end 2012).

The total credit lines held by the Company amount to 11.3 million euro (2012: 12.1 million euro).

In addition, the company also holds lines for bank guarantees at different credit institutions for, in total, almost 1.2 million euro (2012: 2.6 million euro) of which 1.1 million euro (2012: 2.2 million euro) are used to secure the completion of customer contracts. 0.1 million euro (2012: 0.4 million euro) of these used bank guarantees relate to discontinued activities and are counter guaranteed by the purchasers of these discontinued activities.

26. RETIREMENT BENEFIT OBLIGATIONS

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

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

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

(thousands of EUR)	2013	2012 Restated
Opening retirement benefit obligation	**1 434**	**2 032**
Additions to provisions	72	289
Payments	-277	-337
Reversal of provisions	-57	-550
Retirement benefit obligation at end of year	**1 172**	**1 434**
Non-current	735	1 155
Current	275	279
	1 010	**1 434**

At the end of 2012, the majority of the employees from Zenitel Caribbean BV and its affiliates changed from a defined benefit plan to a defined contribution plan. This resulted in a reversal of the corresponding provision for retirement obligations of 0.6 million euro. This reversal of the provision was posted as a non-recurrent item in the consolidated statement of profit and loss in the Employee benefits expense line.

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

(thousands of EUR)		*Year ended December 31st*
	2013	**Restated 2012**
Present value of funded obligations	2 782	3 181
Fair value of plan assets	-2 685	-2 760
Funded status	**97**	**421**
Present value of unfunded obligations	913	1 176
Unrecognized actuarial gains (losses)	0	-651
Unrecognized past service (cost) benefit	0	488
Net Liability	**1 010**	**1 434**
Amounts recognized in the balance sheet		
Recognized as non-current liability / retirement benefit obligations	735	1 155
Recognized as current liability / retirement benefit obligations	275	279
Net Liability	**1 010**	**1 434**

The amounts recognized in the income statements are as follows:

	2013	**2012**
Current service cost	27	101
Interest costs	105	314
Expected return on plan assets	-85	-180
Gain on curtailment	0	-514
Total pension costs	**47**	**-279**
Actual return on plan assets	**-69**	**221**

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.

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

	2013	**2012**
Opening defined benefit obligation	**4 195**	**6 613**
Service cost	27	101
Interest cost	105	314
Plan participants' contributions	13	41
Actuarial losses (gains)	-283	237
Expenses paid	0	-16
Losses (gains) on curtailments	0	-2 654
Exchange differences on foreign plans	-31	58
Benefits paid	-331	-499
Closing defined benefit obligation	**3 695**	**4 195**

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

(thousands of EUR)	2013	2012
Opening fair value of plan assets	**2 760**	**3 935**
Expected return	85	180
Actuarial gains and (losses)	-153	78
Contributions by employer	341	454
Plan participants' contributions	13	41
Divestiture	0	-1 462
Exchange differences on foreign plans	-30	33
Benefits paid	-331	-499
Closing fair value of plans assets	**2 685**	**2 760**

The group expects to contribute 0.3 million euro to its defined benefit pension plans in 2014.

(thousands of EUR)			*Year ended December 31st*
	2013	**2012**	**2011**
Defined benefit obligation	-2 782	-3 181	-5 219
Plan assets	2 685	2 760	3 935
Surplus/(deficit)	**-97**	**-421**	**-1 285**
Experience adjustments on plan assets	-153	78	61
Experience adjustments on plan liabilities	0	0	69

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

	Expected return		Fair value of plan assets	
	2013	**2012**	**2013**	**2012**
	%	**%**	**EUR'000**	**EUR'000**
Debt instruments	2.19	3.10	1 956	1 903
Other	0.93	0.98	729	857
Weighted average expected return	**1.85**	**2.44**	**2 685**	**2 760**

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:

	2013	2012
Weighted average assumptions to determine benefit obligations	%	%
Discount rate	2.87	2.67
Rate of compensation increase	3.14	2.90
Rate of price inflation	2.27	2.26
Weighted average assumptions to determine the net costs	%	%
Discount rate	2.86	3.71
Expected long term rate of return on plan assets during the financial year	3.05	3.54
Rate of compensation increase	2.96	3.44
Rate of price inflation	2.11	2.00

27. PROVISIONS

(thousands of EUR)	Restructuring	Technical Guarantees	Other	Total
On January 1, 2012	**223**	**678**	**3 337**	**4 238**
Additions to provisions	0	84	226	310
Utilization	-183	-9	-8	-200
Reversal of provisions	-40	0	0	-40
Exchange differences	3	16	0	19
On December 31, 2012	**3**	**769**	**3 555**	**4 328**
Non-current	0	0	367	367
Current	3	769	3 188	3 961
	3	**769**	**3 555**	**4 328**
On January 1, 2013	**3**	**769**	**3 555**	**4 328**
Additions to provisions	0	0	0	0
Utilization	-3	-1	-44	-48
Reversal of provisions	0	-138	-450	-588
Exchange differences	0	-39	0	-39
On December 31, 2013	**0**	**591**	**3 061**	**3 653**
Non-current	0	0	0	0
Current	0	591	3 061	3 652
	0	**591**	**3 061**	**3 652**

Restructuring
Restructuring provisions comprise employee termination payments and are recognized in the period in which the Group becomes legally or constructively committed to the obligation.

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 the representations and warranties given, tax disputes, claims on deliveries, potential losses on projects, penalties or legal claims. Provisions were set up based on the current situation of the different files in order to cover risks linked to some of these litigations.

28. FINANCIAL INSTRUMENTS

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

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

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

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

The following table provides an overview of the carrying values and classes of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(in thousands of EUR)	*31 December 2013*		*31 December 2012*			
	Carrying value	**Fair value**	**Carrying value**	**Fair value**	**Level**	**Balance sheet caption**
Financial assets at fair value through profit or loss	**0**	**0**	**399**	**399**		
Proceeds from sale of MCCN - contingent part	0	0	399	399	3	Financial assets
Financial assets available for sale	**283**	**283**	**439**	**439**		Financial assets
Available for sale investments	283	283	439	439	3	Financial assets
Loans and receivables	**14 273**	**14 273**	**12 996**	**12 996**		
Long term guarantees paid in cash	117	117	119	119	3	Financial assets
Other financial assets	68	68	61	61	3	Financial assets
Trade receivables	13 831	13 831	12 731	12 731	3	Trade and other receivables
Other receivables	257	257	85	85	3	Trade and other receivables
Financial liabilities at amortized cost	**25 985**	**25 985**	**26 839**	**26 839**		
Interest bearing loans and borrowings	9 365	9 365	9 907	9 907	3	Interest bearing loans and borrowings LT and ST
Trade payables	7 773	7 773	8 792	8 792	3	Trade and other payables
Other payables	8 847	8 847	8 140	8 140	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 EUR surplus. The company has put in place hedging systems that secure the needed exchange between EUR/NOK on a rolling 12-month basis.

Per 31.12.13 the company had in total 5.6 million euro in forward sales contract at a sales rate ranging between 7.965 and 8.202 NOK/EUR and outstanding until October 2014. Revaluation rate ranges between 8.366 and 8.456 NOK/EUR giving a total fair value of 0.2 million euro. The fair value amount can be found in other payables in the Consolidated Statement of Financial Position.

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 practical to do so.

30. COMMITMENTS

OPERATING LEASE COMMITMENTS - WHERE A GROUP COMPANY IS THE LESSEE.

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

(thousands of EUR)	*Year ended December 31st*	
	2013	**2012**
Not later than 1 year	2 512	2 882
Later than 1 year and not later than 5 years	7 082	8 740
Later than 5 years	91	64
Total	**9 685**	**11 686**

Lease payments recognized in the income statement for the current period amount to 2.7 million euro (2012: 2.9 million euro). Operating lease agreements relate to office premises, site rents, car lease and IT equipment.

OPERATING LEASE COMMITMENTS - WHERE A GROUP COMPANY IS THE LESSOR:

(thousands of EUR)	*Year ended December 31st*	
	2013	**2012**
Not later than 1 year	1 745	1 890
Later than 1 year and not later than 5 years	6 979	7 559
Later than 5 years	0	0
Total	**8 724**	**9 448**

Lease payments recognized in the income statement for the current period amount to 1.7 million euro (2012: 1.8 million euro).

COMMITMENTS FOR EXPENDITURE BY GROUP COMPANIES

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

31. ORDINARY SHARES, TREASURY SHARES & WARRANTS

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

Ordinary shares & treasury shares:

	Number of ordinary shares	Treasury shares	Total
On December 31, 2011	16 441 309	113 113	16 554 422
On December 31, 2012	16 441 309	113 113	16 554 422
On December 31, 2013	16 441 309	113 113	16 554 422
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	16 441 309		

All issued shares are fully paid. Shares have no par value. The total authorized capital is per December 31, 2013 EUR 10,000,000.

Warrants were granted in the past to directors and to employees. However there are no warrants outstanding anymore as at year-end 2013.

32. CASH FLOWS FROM OPERATING ACTIVITIES

(thousands of EUR)		*Year ended December 31st*	
	Notes	**2013**	**2012**
Net profit / (Loss) for the year		**1 761**	**883**
Adjustments for :			
Income tax expense recognized in profit or loss	12	115	94
Finance cost recognized in profit or loss	10	1 048	909
Loss / (gain) on effective settlement		-513	0
Loss / (gain) from equity accounted investments		-18	0
Investment revenue recognized in profit or loss	9	-54	-56
Impairment loss recognized on trade receivables		0	18
Impairment loss recognized on inventory	20	18	608
Depreciation and amortization of non-current assets	15,16,17	1 636	1 829
Impairment of non-current assets	15	513	0
Development costs expensed	8	**2 264**	**2 044**
		6 769	**6 329**
Movements in working capital:			
(Increase) / decrease in trade and other receivables		-1 047	1 285
(Increase) / decrease in inventories		978	-281
(Increase) / decrease contract work in progress		-501	182
(Increase) / decrease in other assets		-330	334
Increase / (decrease) in trade and other payables		-436	-391
Increase / (decrease) in provisions and retirement benefit obligations		-487	-670
Increase / (decrease) in tax liabilities		-338	290
		-2 163	**749**
Cash generated from operations		**4 606**	**7 078**

33. RELATED PARTY TRANSACTIONS

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

LANDLORD OF OFFICE BUILDING IN ZELLIK

3D NV is one of the reference shareholders of the Zenitel Group and is the landlord of the building in which Zenitel NV has its offices in Zellik (Belgium). The rent charged by 3D NV to Zenitel NV is determined on an at arms' length basis and amounts to 64K euro per year.

		Year ended December 31st	
	Note	**2013**	**2012**
Receivables from related parties (thousands of EUR)		392	511
Director's remuneration (thousands of EUR)*		185	178
WARRANTS GRANTED TO DIRECTORS (number)			
- Non executives		-	-
- Executives		-	-
SHAREHOLDER LOAN (thousands of EUR)	25	4 413	0
KEY MANAGEMENT - AVERAGE FTE		2.0	2.0

	Year ended December 31st	
KEY MANAGEMENT REMUNERATION (thousands of Euro)*	**2013**	**2012**
Short term employee benefits	621	604
Post-employment benefits	18	15
Other long-term benefits	0	0
Share-based payments (see warrants above)	0	0
Termination benefits	0	0
Total key management remuneration (cost to the Company)**	**639**	**618**

The CEO's total remuneration package for 2013 amounted to 0.3 million euro fixed remuneration and 0.1 million euro variable remuneration. Remuneration of directors and key executives is determined by the remuneration committee based on the performance of individuals and market trends.

* 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
Zenitel Denmark A/S	100%	Denmark
Zenitel Finland Oy	100%	Finland
Zenitel CSS France S.A.	100%	France
Zenitel Italy	100%	Italy
Zenitel Finance Netherlands B.V.	100%	Netherlands
StentofonBaudisch GmbH	33%	Germany
Zenitel UK Ltd.	15%	United Kingdom

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

Rest of World		Country of incorporation
Zenitel Marine Asia Pte. Ltd.	100%	Singapore
Zenitel Caribbean B.V.	100%	Curaçao
Zenitel Aruba N.V.	100%	Aruba
Zenitel Sint-Eustatius B.V.	100%	Special municipality of the Netherlands
Zenitel Saba B.V.	100%	Special municipality of the Netherlands
BNSC (China)	14%	China

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

In October 2012 Zenitel Norway AS disposed of 100% of Zenitel Marine Sweden AB after it had taken over all rights and obligations of this company. Since all operations and rights and obligations of Zenitel Marine Sweden AB were taken over by Zenitel Norway AS before the remaining empty company was sold, the sale of this legal entity has not been presented as a discontinued operation in these consolidated financial statements.

35. POST BALANCE SHEET EVENTS

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

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF THE COMPANY ZENITEL NV FOR THE YEAR ENDED 31 DECEMBER 2013

In accordance with the legal requirements, we report to you on the performance of the engagement of statutory auditor, which has been entrusted to us. This report contains our opinion on the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss for the year ended 31 December 2013 and the explanatory notes, as well as the required additional information.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS – UNQUALIFIED OPINION, WITH AN EMPHASIS OF MATTER PARAGRAPH

We have audited the consolidated financial statements of the company Zenitel NV for the year ended 31 December 2013, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which show total assets of 37.771 kEUR and a consolidated profit for the year of 1.761 kEUR.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from management and the company's officials the explanations and information necessary for our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for the audit opinion.

Unqualified opinion, with an emphasis of matter paragraph

In our opinion, the consolidated financial statements of the company Zenitel NV as of

31 December 2013 give a true and fair view of the net assets and financial position of the group as at 31 December 2013, as well as its consolidated results and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

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

Report on other legal and regulatory requirements

Management is responsible for the preparation and the content of the consolidated Directors' report.

As part of our engagement and in accordance with the additional Belgian standard on auditing added to the International Standards on Auditing, it is our responsibility, for all significant aspects, to ascertain the compliance of certain legal and regulatory requirements. Based on that requirement we report the following additional statements, which do not modify our audit opinion on the consolidated financial statements:

- The consolidated Directors' report includes the information required by law, is consistent, in all material aspects, with the consolidated financial statements and does not include any obvious inconsistencies with the information that we became aware of during the performance of our engagement.
- Furthermore we draw your attention to the annexes 27 and 29 to the financial statements in which pending important litigations are described. Provisions have been recorded based on the current situation of the files in order to cover the liabilities to certain cases.

Merelbeke, 18 March 2014

BDO Réviseurs d'Entreprises Soc. Civ. SCRL
Statutory auditor
Represented by Veerle Catry

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

BALANCE SHEET AFTER APPROPRIATION

Assets *(thousands of EUR)*	*Year ended December 31st*	
	2013	**2012**
Fixed Assets	**43 128**	**43 476**
Formation expenses	0	0
Intangible assets	0	0
Tangible assets	0	13
Financial Assets	43 128	43 464
Current assets	**1 381**	**2 040**
Amounts receivable more than one year	0	413
Amounts receivable within one year	1 084	1 270
Cash at bank and in hand	267	322
Deferred charges and accrued income	30	34
Total	**44 509**	**45 516**
Equity & Liabilities	*Year ended December 31st*	
Capital and reserves	**26 674**	**23 098**
Issued capital	10 000	25 275
Share premium account	2 380	28 726
Reserves	10 879	32 443
Loss carried forward	3 415	-63 345
Provisions, deferred taxation	**3 843**	**4 661**
Pensions and similar obligations	782	1 106
Other liabilities and charges	3 061	3 555
Creditors	**13 992**	**17 758**
Amounts payable after one year	2 750	5 326
Amounts payable within one year	11 145	12 295
Current portion of amounts payable after one year	2 997	1 789
Financial debt	0	1
Suppliers	923	747
Taxes, remuneration and social security	117	68
Other amounts payable	7 108	9 563
Accrued charges and deferred income	97	136
Totals	**44 509**	**45 516**

INCOME STATEMENT AND RESULT APPROPRIATION

(thousands of EUR)	*Year ended December 31st*	
	2013	**2012**
Operating income	**4 947**	**4 562**
Turnover		-
Other operating income	4 947	4 562
Operating Charges	**-4 931**	**-4 675**
Services and other goods	-4 863	-3 895
Remuneration, social security costs and pension costs	-813	-999
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	-13	-91

(thousands of EUR)	*Year ended December 31st*	
Increase (-); decrease (+) in provisions for obsolete inventory and doubtful customer receivables	102	-32
Increase (-); decrease (+) in provisions for liabilities and charges	656	343
Other operating charges	0	0
Operating profit / (loss)	**15**	**-113**
Financial income	**1 017**	**152**
Income from financial fixed assets	22	42
Income from current assets	11	8
Other financial income	984	101
Financial charges	**-537**	**-974**
Interest and other debt charges	-440	-503
Write-offs of current assets excluding inventory and customer receivables: addition (-); reversal (+)	0	0
Other financial charges	-98	-471
Profit / (loss) on ordinary activities before taxes	**495**	**-935**
Extraordinary income	**2 919**	**1 351**
Reversal of provisions for exceptional risks and charges	0	351
Other extraordinary income	2 919	1 000
Extraordinary charges	**0**	**-422**
Provisions for extraordinary liabilities and charges (increase: -, decrease: +)	0	-422
Other extraordinary charges		0
Profit / (loss) for the period before taxes	**3 414**	**-5**
Income taxes	0	2
Income taxes (-)	0	0
Adjustment of income taxes & write-back of tax provisions	0	-2
Profit / (loss) for the period	**3 414**	**-3**
Profit / (loss) for the period available for appropriation	**3 414**	**-3**
Profit / (loss) to be appropriated	**3 414**	**-63 345**
Profit / (loss) for the period available for appropriation	3 414	-3
Profit / (loss) brought forward	0	-63 542
Profit / (loss) to be carried forward	3 414	-63 345

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"). The statutory auditor of Zenitel NV has issued an unqualified opinion with an emphasis of matter paragraph.

The emphasis of matter paragraph is as follows: "Although the company has a long history of losses and pending litigations that might have an adverse effect on the financial position and cash flows of the company, the financial statements are prepared in going concern. This assumption is only justified to the extent that the company can further rely on the financial support of the shareholders or other financial sources. Without prejudice to the above unqualified opinion, we draw your attention to the Directors' report in which the Board of Directors, according to Belgian legal requirements, justifies the application of the valuation rules in going concern. No adjustments were made with respect to valuation or classification of balance sheet items that would be required in case the company discontinues its activities." A full set of the financial statements of Zenitel NV under public law is available in the "Investor Relations" section of the Zenitel Group website (www.zenitel.com) and at the Company's registered office as soon as they are filed at the National Bank of Belgium.

DIVIDEND POLICY

In view of the losses realized in the fiscal years before 2013, the decreasing but still high levels of debt and provisions and the growth strategy of the Zenitel Group, no dividends have been or will be paid out.

LEGAL AND ARBITRATION PROCEEDINGS

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

CONTACT INFORMATION

This Annual Report 2013 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 2013 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, which is available for public consultation, can be obtained at no cost at the registered office of the Company. The historical consolidated financial information of Zenitel and its subsidiary undertakings for each of the 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	Kenneth Dåstøl, CEO
Tel: + 32 2 370 53 11	Tel: + 47 40 00 27 15	Tel: + 47 40 00 25 11

info@zenitel.com - www.zenitel.com

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

The Annual Report 2013 is also available on www.zenitel.com (investor relations > financial reports) as from 21 March 2014.
Het jaarverslag 2013 is ook verkrijgbaar in het Nederlands op www.zenitel.com (investor relations > financial reports) vanaf 21 maart 2014.

PERSONS RESPONSIBLE

RESPONSIBILITY FOR AUDITING THE ACCOUNTS

The consolidated and statutory annual accounts of the Company as at and for the periods ending on 31 December 2013, drawn up respectively in accordance with the International Financial Reporting Standards (IFRS) and the Belgian Generally Accepted Accounting Principles, have been audited by BDO Bedrijfsrevisoren Burg.Venn.CVBA, The Corporate Village, Da Vincilaan 9 Bus E9, 1935 Zaventem, represented by Ms. Veerle Catry.

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.

Kenneth Dåstøl	Mark Küpers
CEO	CFO

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

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

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

CARIBBEAN (SINT-MAARTEN)
Zenitel Caribbean BV
Professional Office park
Osprey Drive Building 1
Unit 1a
Philipsburg, St. Maarten
Tel. +599 542 5414
Fax +599 542 2589
info.caribbean@zenitel.com

CARIBBEAN (ARUBA)
Zenitel Aruba NV
Ahmo Plaza
Av. Don Milio Croes 106
P.O. Box 2020
Oranjestad, Aruba
Fax +599 9 737 1651
info.caribbean@zenitel.com

Zenitel Sint Eustatius BV
Sint Eustatius (Statia),

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

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

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

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

GERMANY
Zenitel Marine Germany
Langeoogstraße 6,
DE-26603 Aurich
Tel. +49 4941 6976 720
Fax +49 4941 6976 715

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

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

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

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

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

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

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

UNITED ARAB EMIRATES
Zenitel Norway AS JLT Branch
Office Suite #13
33rd Floor, HDS Tower
PO Box 487282
Jumeirah Lake Towers
Dubai, UAE.

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

zenitel