whencommunicationiscritical

ANNUAL REPORT
2012

THE ZENITEL GROUP

About the Group

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

Mission & Vision

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

OUR CORE VALUES

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

ACCOUNTABILITY - We follow through on our commitments.

RESULTS - We 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

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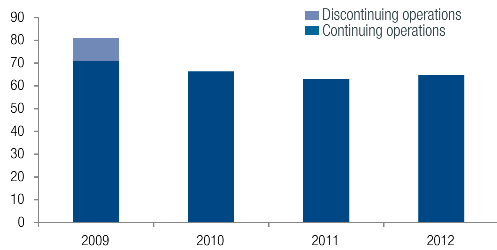
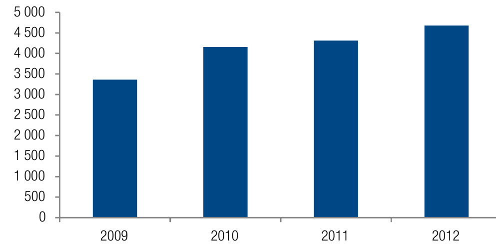
(1) These chapters form an integral part of the Report of the Board of Directors and contain the information required by the Belgian Company Code.

CONSOLIDATED KEY FIGURES

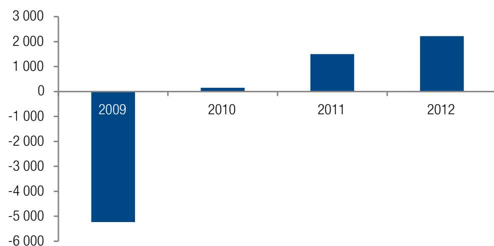
REVENUE INCREASE OF 2.7 % TO 64.7 MILLION IN 2012



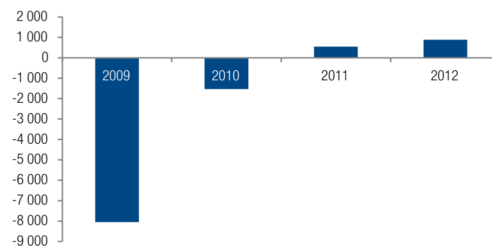
REBITDA OF 4.7 MILLION IN 2012 AGAINST 4.3 MILLION IN 2011



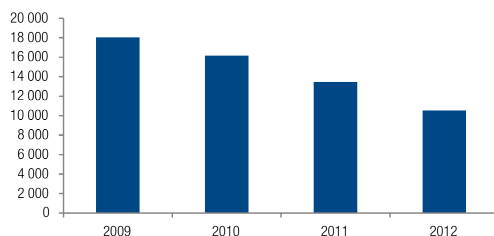
EBIT OF 2.2 MILLION IN 2012 AGAINST 1.5 MILLION IN 2011



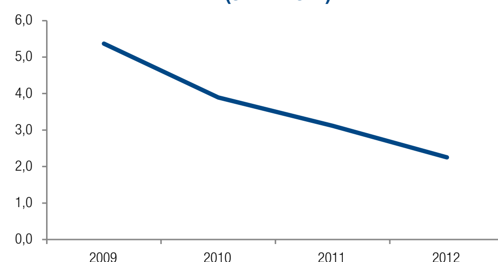
NET PROFIT OF 0.9 MILLION IN 2012 AGAINST 0.5 MILLION IN 2011



NET DEBT AND PROVISIONS DECREASED BY 2.9 MILLION TO 10.5 MILLION



NET DEBT AND PROVISIONS EQUALS 2.3 TIMES REBITDA (3.1 IN 2011)



NB: All values in euros

CONSOLIDATED KEY FIGURES

(thousands of EUR)	2012	2011	2010	2009	2008
FROM INCOME STATEMENT					
Revenue	64 706	62 977	66 390	80 246	92 166
Recurrent EBITDA [1]	4 679	4 313	4 157	3 361	-2 627
Operating profit (EBIT)	2 221	1 501	147	-5 229	-12 978
Net result	883	549	-1 538	-8 053	-13 490
FROM BALANCE SHEET					
Total balance sheet	41 030	41 221	42 712	46 255	69 535
Shareholders' equity	8 007	5 862	5 262	5 179	8 034
Working capital	1 238	2 171	2 210	2 790	4 540
Total Debt [2]	9 907	11 475	12 809	14 263	19 560
Total Provisions [3]	5 600	6 270	7 484	9 307	12 043
Cash and cash equivalents	4 975	4 294	4 113	5 529	3 850
RATIOS					
Equity ratio	19.5%	14.2%	12.3%	11.2%	11.6%
Net debt [4] / recurrent EBITDA	1.1	1.7	2.1	2.6	NA(6)
Net debt [4] and provisions [3] / recurrent EBITDA	2.3	3.1	3.9	5.4	NA(6)
Weighted average number of shares (in thousands)	16 441	16 441	16 441	16 441	16 441
Equity/share (EUR)	0.49	0.36	0.32	0.31	0.49
Earnings/share (EUR)	0.05	0.03	-0.09	-0.49	-0.82
ROCE(5)	20.9%	13.2%	1.2%	-41.2%	-50.1%
OTHER KEY FIGURES					
Personnel	249	246	282	299	451

[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)

DEAR SHAREHOLDERS,

It is 3 years since we did the strategic reorganizations of the group in 2009. We were confident that by focusing on the profitable businesses of the company, it would allow Zenitel to continue its investments in the Secure Communication Systems and ChuChubi businesses as well as to reduce its financial debts. The results of the group over the past three years have proven that these assumptions were correct.

2012 was a good year for Zenitel. Some financial highlights:

- Total revenue amounted to 64.7 million euro, up 3% over 2011.
- Recurrent EBITDA amounted to 4.7 million euro, up from 4.3 million euro in 2011, an increase by 9%.
- Net profit increased to 0.9 million euro, against 0.5 million euro in 2011.
- Net debt and provisions decreased further by 2.9 million euro from 13.5 million euro to 10.5 million euro.

Despite the depressed and uncertain European and worldwide economic environment, we delivered a profitable top line growth, based on hard work from our employees and partners all around the world. Our focus to bring new products with state of the art technology to the market as well as to bring new customers and partners into the Zenitel family, gave us the revenue growth that we always believed would be possible. As we continued to aim for higher sales volumes, we also remained committed to create value for shareholders by growing our EBITDA even higher.

It is not a mere coincidence that we have been able to preserve our gross margin, but rather the result of our strategic choices. First of all, since the introduction of our IP based product portfolio, we have gradually continued to shift our products and services from hardware to software based solutions. Secondly product rationalization and operational efficiency are key elements that we constantly monitor and improve to continuously reduce our costs.

In 2012, Zenitel launched a new series of IP stations called 'Turbine'. The feedback from the market has been better than expected, and due to our newly developed products we have already been able to win major projects in all our market segments. The sales impact of these new products has yet to be fully realized.

Whilst carefully managing our cash resources, our strategy has always been to continue investing in new products and markets. Also in 2013 we will focus on our core business and bring our new products and solutions to the market. During the coming year we will launch more IP stations of the Turbine technology as well as our new digital Public Addressing platform particularly aimed to generate new business in the Oil & Gas segment.

During 2012 Zenitel's reduced its debt by 1.6 million euro, additionally the provisions further decreased by another 0.7 million euro. Since December 2009, the net debt and provisions decreased by 7.5 million euro, from 18.0 million euro to 10.5 million euro, as a result of our debt reduction efforts. 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.

In 2013 Zenitel will continue focusing to grow the business and further reduce debt. We intend to reinvest the profits generated primarily into sales and marketing, product management and further product development

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

Finally we like to take the opportunity to extend our thanks and gratitude to our employees for their the efforts, 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

NETWORKING TO REMOTE SITE

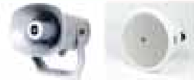
IP technology provides easy integration of remote sites in one solution.

ELEVATOR COMMUNICATION

Instant communication with control room.

IP ADDRESSABLE SPEAKERS

For public address and general alarm.



CONTROL ROOM

Seemless integration with radio, management system, CCTV, access control and more.

MAIN RECEPTION

A single receptionist can handle all assistance and communication from one location.

ENTRANCE AND GATES

Efficient audio and video assistance for visiting people or deliveries.

ROAMING GUARD WITH RADIO

Direct communication line to security guard on patrol.

OUR **BUSINESS**

- WORLDWIDE

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.

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.

Turbine stations with revolutionary intercom design

NEWLY LAUNCHED PRODUCTS

1. **Exigo in rack – new digital Public Address system**
2. **ACM-IP rack – new communication platform for the marine market**
3. **IP Speakers – upgraded IP speakers with Turbine technology**
4. **VoIP module – Turbine**
5. **VSS – new Sound Signal reception System**

1

2

3

4

5

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 by 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.

TIMELINE 2012

JANUARY

StentofonBaudisch - a joint venture aimed at providing high-tech VoIP systems and solutions for many applications.

MARCH

Presenting our new Turbine station range - a revolutionary New Intercom Design at ISC West.

JUNE

Celebration of 80-year anniversary of Zenitel Caribbean in Curaçao

ZENITEL REVIEW 2012

MAIN ORDERS 2012

Prison project in Mexico

Zenitel won a large prison project in Mexico. The project includes 39 AlphaCom XE Servers, 1260 Tamper Resistant Substations, 71 Desk Masters, 38 Emergency Substations and 32 IP Flush Masters.

Prison project in Saudi Arabia

The largest STENTOFON order in 2012, with more than 6000 intercom stations in a pure IP system were two prisons in Saudi Arabia. Each system will consist of vandal resistant IP substations, IP Desk Masters and XE1 exchanges set up in an AlphaNet Configuration. In addition, the whole system will be integrated with the building management solution and an iPBX telephone system.

TETRA systems to offshore platforms on the Norwegian Continental Shelf

Zenitel has in 2012 engineered, installed and commissioned a Motorola tetra radio system on an oil rig in the North Sea. The system comprises a Motorola DIMETRA TETRA infrastructure as well as Handheld TETRA ATEX terminals from Motorola integrated with crane radio solutions based on STENTOFON AlphaCom equipment. The new digital TETRA system replaces the traditional analog UHF / VHF system.

Communication system for Seajacks Zaratan

Seajacks Zaratan is a wind farm installation vessel. It has been designed specifically to service the wind farm installation market in the harsh operating environment of the North Sea, as well as to provide services to the oil and gas industry. Zenitel was chosen to deliver a fully integrated communications system certified for use in the harsh environments this vessel will operate in.

The system consists of:

- Batteryless Telephone System
- Integrated Data & Communication System
- Public Address & General Alarm System
- IP DECT System
- Master Clock System
- IPTV & Infotainment System
- UHF Communication System
- CCTV System

JULY

First product delivery Turbine

SEPTEMBER

Establishing local branch in India

OCTOBER

First STENTOFON exhibition in Columbia driven by STENTOFON Sales and Global Marketing, emphasizing our presence in the Latin American region

Celebration of Zenitel Finland's 50-year anniversary in Espoo, Finland.

DECEMBER

OSEA 2012 exhibition in Singapore. Demonstration of Exigo.

REPORT OF THE BOARD OF DIRECTORS

In 2012 Zenitel ('the Company') demonstrated that it is on the right track. In 2011 Zenitel booked the first positive result since many years. Zenitel showed again in 2012 that the right strategic decisions have been made and implemented, realizing a revenue growth, increased profitability and a higher net profit than for 2011.

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 own products and brands. The STENTOFON, VINGTOR and ZENITEL brands are very well established and recognized in the industry and they serve specific market segments for instant audio and data communication. In 2012 Zenitel continued investing in development of new products and solutions which resulted, among others, in the launch of its new series of IP stations called "Turbine". 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 and reliable contribution to the results of the Zenitel group. Zenitel owns and operates a TETRA network on which both public and private radio- and data-users are connected and which is available on several islands in the Caribbean Sea. 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. During 2011 and 2012 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 2012 results show that these strategies are paying off.

The further reduction of debt remains a high priority. In 2012 Zenitel continued to reduce its total debt by 1.6 million euro. In addition the provisions decreased by 0.7 million euro. Together with the profitable growth objective, efficient capital management is important in making sure that operational cash flows are sufficient in order to keep investing in products and sales channels, as well as paying back 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 2012, all of which were endorsed by the European Union.

An overview of the new standards that became applicable for 2012, and the standards and interpretations that will become applicable after 2012, 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 2012.

FINANCIAL YEAR 2012

The Board of Directors is pleased to present you with its report for the 2012 financial year. The present report covers both the consolidated (Group) and the unconsolidated (parent company) accounts in accordance with Article 119, second clause of the Belgian Company Code.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Revenue amounted to 64.7 million euro in 2012. This represents a growth of 1.7 million euro or 2.7% compared to 2011. The SCS revenue increased by 1.4% to 58.8 million euro and the revenue of the Caribbean network operation increased by 18.6% to 5.9 million euro. This revenue growth is analyzed further in the Segment Reporting chapter of this report.

With our continued focus on operational efficiency, Recurrent EBITDA (Earnings before Interests, Taxes, Depreciation and Amortization) increased from 4.3 million euro to 4.7 million euro, an increase of 8.5%.

(thousands of EUR)		*Year ended December 31st*
	2012	**2011**
Recurrent EBITDA *	**4 679**	**4 313**
Non-recurrent items with EBITDA impact	0	-373
EBITDA **	**4 679**	**3940**
Depreciation/amortization/impairments	-2 457	-2 439
Operating profit (EBIT)	**2 221**	**1 501**

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

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

Operating profit or EBIT (Earnings before Interest and Taxes) amounted to 2.2 million euro compared to 1.5 million euro in 2011. The strong increase of 0.7 million euro or 48% is explained by increased EBITDA and a non-recurrent item which were included in the 2011 operating profit. There were no non-recurrent items in 2012.

The net financial expense amounted to 1.2 million euro compared to 0.9 million euro in 2011. The increase of the net financial expenses by 0.3 million euro is mainly explained by a realized gain of 0.2 million euro on the sale of financial assets in 2011 and an increase of the net foreign exchange losses by 0.2 million in 2012.

The total consolidated net result for the Zenitel Group shows a profit of 0.9 million euro, against 0.5 million euro in 2011.

Earnings per share, after corrections for treasury shares, amounted to 0.05 in 2012 against 0.03 in 2011.

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, 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 Sea: Curaçao, Aruba, Sint-Maarten, Saint-Martin, Anguilla, Bonaire, Sint-Eustatius and Saba.

(thousands of EUR)		*Year ended December 31st*
Secure Communication Systems (SCS)	**2012**	**2011**
Revenue	58 842	58 031
Recurrent EBITDA	4 120	3 869
EBIT	2 893	2 423
FTE	213	208

SCS reported a revenue increase of 0.8 million euro or 1.4 %. This increase is mainly explained by the double digit growth of the STENTOFON products in the onshore markets. Despite the global slowdown in the marine market, we could still realize revenues in line with 2011, mainly thanks to the expansion of our VINGTOR product portfolio. The Scandinavian wireless solutions business decreased, mainly explained by less service revenues in Denmark, which were in line with our expectations. Restructuring measures were already taken in 2010 and 2011.

The SCS business generated a Recurrent EBITDA of 4.1 million euro against 3.9 million euro in the previous year, an increase of 6.5%, due to the continuing effort to improve operational efficiency and top line growth.

(thousands of EUR)		*Year ended December 31st*
Caribbean	**2012**	**2011**
Revenue	5 864	4 946
Recurrent EBITDA	1 776	1 480
EBIT	997	520
FTE	32	34

The Caribbean operations realized a turnover of 5.9 million euro, 0.9 million euro or 18.6% higher than 2011. The majority of our growth is coming from selling additional services to our existing clients as well as from projects.

Recurrent EBITDA is 1.8 million euro in 2012. The increase is driven by the growth in revenue.

The unallocated operations negatively impacted the recurrent EBITDA with 1.2 million euro against 1.0 million euro in 2011. The impact on the operating profit amounted to -1.7 million euro in 2012 compared to -1.4 million euro in 2011.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total assets amounted to 41.0 million euro, a decrease of 0.2 million euro compared to 2011.

Property, plant and equipment amount to 3.1 million euro, down 0.5 million euro compared to last year, due to normal depreciations.

Goodwill increased slightly to 4.4 million euro, due to the foreign currency translation impact.

Other intangible assets increased from 1.5 million euro to 1.9 million euro and consist mainly of increased capitalized development costs. Deferred taxes amount to 2.6 million euro. The increase is mainly due to the foreign currency translation impact. Long term financial assets decreased by 0.2 million euro to 0.9 million euro. The decrease is mainly explained by received payments for proceeds receivable relating to sold activities in 2009.

Inventories amount to 7.8 million euro, an increase of 0.9 million euro from the previous year. Contracts in progress decreased by 0.2 million euro to 0.8 million euro.

Trade and other receivables amount to 13.5 million euro, a decrease of 1.3 million euro compared to the previous year. The reduction is mainly explained by payments for projects in Denmark and a slower Q4 sales in 2012 compared to 2011.

Equity totals 8.0 million euro, an increase of 2.1 million euro or 36.6%. The equity ratio increased from 14.2% to 19.5%

Total non-current liabilities decreased from 9.8 million euro to 7.0 million euro. The decrease is the result of loan and pension payments in 2012, 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 0.5 million euro to 26.0 million euro in 2012. Trade and other payables amount to 16.9 million euro, a decrease of 0.4 million euro. Short term borrowings increased by 0.3 million to 4.3 million euro. Total long term and short term borrowing decreased from 11.5 million euro to 9.9 million euro, which is explained by the loan repayments made in 2012. Short term provisions increased from 3.7 million euro to 3.9 million euro. The increase is mainly explained by a transfer between short and long term provisions.

The Board of Directors has evaluated the net book value of capitalized development costs, the net book value of the network investments, positive consolidation differences, deferred tax assets, contracts in progress and restructuring and other provisions, and is of the opinion that the amortizations and provisions are sufficient. With regards to the going concern of Zenitel NV (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

The cash flow of the Zenitel Group amounted to 0.5 million euro in 2012, against -0.6 million euro in 2011. In total, 1.6 million euro borrowings were repaid in 2012. The cash outflow from investment activities amounted to 3.9 million euro in 2012. In total, 3.0 million euro was spent on product development and related activities. The cash inflow generated from operations amounted to 7.1 million euro in 2012 against 5.7 million euro in 2011. After deduction of interest and tax charges, this resulted in a cash flow from operating activities of 6.1 million euro. At the end of 2012, Zenitel's net cash position amounted to 2.9 million euro.

HUMAN RESOURCES

The number of full-time equivalents (FTE) on December 31, 2012 is 248.6.

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

FTE	31/12/2012	31/12/2011
Secure Communication Systems	213.1	208.0
Networks	32.0	34.0
Support Centers	3.5	3.6
Total	**248.6**	**245.6**

The increase of FTEs in 2012 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 2012.

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, like the 'Turbine' series.

CONFLICTS OF INTEREST

No transactions or operations occurred in 2012 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. In 2012 these transactions related only to minor values. No other hedging mechanisms are used.

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

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

Fees paid to the statutory auditor or associates offices:

Audit fees:	
Zenitel NV:	31,950 euro
Zenitel Group:	89,863 euro

Non audit fees:	
Tax & legal assistance:	78,400 euro

OUTLOOK 2013

We think that our current organization and our new product offerings will allow us to continue our financial performance and further improve our balance sheet.

DECLARATION WITH REGARDS TO CORPORATE GOVERNANCE

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

The Company has adopted the Belgian Corporate Governance Code 2009 as 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 2013 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 2012, 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 43.5 million euro and consist of the participations in Zenitel group companies. There were no changes in financial fixed assets in 2012.

Receivables more than one year amount to 0.4 million euro and relate mainly to proceeds receivable with respect to discontinued operations. Receivables within one year amount to 1.3 million euro and consist mainly of receivables from other Zenitel Group entities.

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

The minor change in equity from 23.262 million euro to 23.259 million euro is fully related to the result of the year (see below).

Provisions for pensions decreased from 1.7 million euro as per year end 2011 to 0.9 million euro as per year end 2012 as a result of payments made in 2012. Provisions for risk and other liabilities increased by 0.5 million euro to 3.6 million euro.

Total financial debts decreased by 1.4 million euro to 7.2 million euro at the end of 2012 due to debt repayments. The long term liabilities decreased from 7.1 million euro to 5.3 million euro and the short term financial debts increased from 1.5 million euro to 1.8 million euro.

INCOME STATEMENT

Other operating income decreased from 4.6 million euro to 4.5 million euro. The reported Other operating income consists mainly of management and license fees charged to other Zenitel Group companies. The total amount of management and license fees charged amounted to 4.5 million euro in 2012, in line with previous years.

Operating expenses decreased from 5.4 million euro in 2011 to 4.7 million euro in 2012, which was mainly related to the increase in provisions in 2011.

The above mentioned changes resulted in an operating loss of 0.1 million euro in 2012 against an operating loss of 0.9 million euro in 2011.

Financial income decreased from 0.6 million euro in 2011 to 0.2 million euro in 2012. This can be explained by lower foreign exchange conversion impact on receivables to other Zenitel Group entities.

Financial costs amounted to 1.0 million euro and consisted in 2012 mainly of interests paid on the outstanding borrowings.

The net extraordinary result amounted to 1.1 million euro in 2011, 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 loss of the year of 3,150.70 euro the Board of Directors proposes to appropriate the result as follows:

Result carried forward prior year:	(63,342,237.51)	euro
Result of the year:	(3,150.70)	euro
Result carried forward:	**(63,345,388.21)**	**euro**

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

Share capital:	25,274,722.95	euro
Share premium:	28,725,676.81	euro
Reserves:	32,604,535.83	euro
Result carried forward:	(63,345,388.21)	euro
Total:	**23,259,547.38**	**euro**

ADDITIONAL HONORARIA PAID TO STATUTORY AUDITOR

During the year under review, 41,760 euro additional fees for tax and legal advice have been paid to the statutory auditor of Zenitel NV.

AUTHORIZED CAPITAL

On April 28, 2010, an extraordinary shareholders meeting decided to renew the powers of the Board of Directors to increase the capital up to an amount of 25,274,722.95 euro for a period of five years. The Board of Directors has not used its capacity regarding the authorized capital since then.

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

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

RISK FACTORS AND UNCERTAINTIES

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

EXISTENCE OF BRANCH OFFICES

The company has no branch offices.

JUSTIFICATION OF APPLICATION OF VALUATION RULES UNDER GOING CONCERN

The statutory balance sheet of Zenitel NV shows as per December 31, 2012 a loss carried forward of 63.3 million euro. Nevertheless, the Board of Directors is of the opinion that the application of the existing valuation rules, under going concern is still justified.

Since the strategic reorganizations in 2009, the Company has been able to continue to focus on its Secure Communication 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 2012 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 2012, the subscribed capital amounted to 25,274,722.95 euro. It is represented by 16,554,422 shares without nominal value and is fully paid up. The par value is 1.5268 euro. The shares are quoted on Euronext Brussels (double fixing) with symbol ZENT.

TRANSPARENCY

In 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 2008. There has not been a threshold crossing since their transparency notification of 2008.

SHAREHOLDERS AND CAPITAL STRUCTURE

The shareholder structure per 31 December 2012 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*	5 382 698	32.52 %
The Company (Zenitel Norway AS)	113 113	0.68 %
QuaeroQ CVBA	1 961 564	11.85 %
Freefloat	7 097 047	42.87 %
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 2012 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 for the appointment and replacement of directors and modifications to the articles of association other than those provided for by law, which could have an impact in the event of a public 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 avoid a threatening serious disadvantage for the Company. This power is valid for a period of three years as from the publication of the decision in the Annexes to the Belgian State Gazette, i.e. until 13 May 2014, and is renewable.

The general meeting of 28 April 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 which acts in its own name but on behalf of the Company, or through a direct subsidiary in the meaning of Article 627 of the Belgian Company Code, against a consideration which cannot be lower than 20 % and not higher than 20% of the average stock exchange rate of the relevant security on Euronext during the five dealing days preceding the acquisition or exchange or divestment. This power is valid for a period of five years as from the resolution of the general meeting, i.e. until 28 April 2016.

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

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

AUTHORIZED CAPITAL

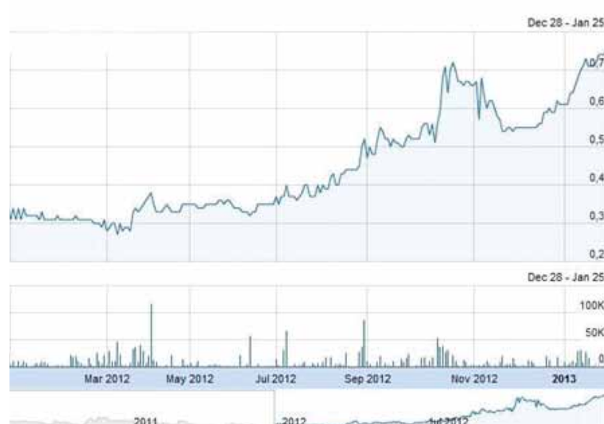
The Board of Directors is authorized for a period of five years starting from the publication of the decision of the extraordinary shareholders meeting of 28 April 2010 in the Annexes to the Belgian State Gazette, i.e. until 6 August 2015, to increase the share capital in one or more times with a maximum of 25,274,722.95 euro. The Board of Directors may issues shares, convertible bonds and warrants, or non-voting shares, shares with a preferential dividend and liquidation preference and convertible shares. This authorization of the Board of Directors is also valid for incorporation of reserves. The Board of Directors can remove or limit the preferential subscription rights of the shareholders, also to the benefit of one or more determined persons. Particularly, the general meeting of shareholders of 28 April 2010 has authorized the Board of Directors to increase the share capital of the Company in one or more times, as from the date the Company has received the notice of the FSMA that a public 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 28th December 2011 until 25th January 2013. (see also Euronext website, www.euronext.com)



FINANCIAL CALENDAR

28/02/2013	Press Release Results 2012 (8:00 AM)
21/03/2013	Publication Annual Report (8:00 AM)
29/04/2013	Annual General Shareholders' Meeting (11:00 AM)
30/04/2013	Press Release Trading Update Q1 (8:00 AM)
29/08/2013	Press Release Half-Year Results 2013 (8:00 AM)
24/10/2013	Press Release Trading Update Q3 (8:00 AM)

The financial statements were authorized for issue by the Board of Directors for publication on March 21st, 2013.

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 WITH REGARDS TO CORPORATE GOVERNANCE

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

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

Zenitel has adopted the Belgian Corporate Governance Code 2009 as 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 2012.

BOARD OF DIRECTORS

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

The Board of Directors of the Company is composed of a minimum of three and maximum twelve members. Currently, there are seven Board members, of which six members are non-executive Directors. Three 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 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 2012. The following significant matters were discussed at the meetings of the Board of Directors during 2012:

- 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
- Approval of 2013 budget
- HR issues
- Reporting of Audit Committee and Nomination and Remuneration Committee

CHAIRMAN OF THE BOARD OF DIRECTORS

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

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

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

The Chairman promotes 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 being an independent Director if he or she meets the criteria set out in article 526ter of the Belgian Company Code.

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

COMPOSITION OF THE BOARD OF DIRECTORS

Per the 31st of December 2012, the Board of Directors consists of seven members:

Name and position	Independent / dependent	Executive / non-executive	Term*
Beckers Consulting BVBA, permanently represented by Eugeen Beckers, Chairman	Dependent	Non-executive	2014
Blanco Blad BVBA, permanently represented by Jo Van Gorp	Independent	Non-executive	2013
Kenneth Dåstøl, CEO	Dependent	Executive	2013

Name and position	Independent / dependent	Executive / non-executive	Term*
Frank Donck	Dependent	Non-executive	2013
Wenche Holen	Independent	Non-executive	2015
Grethe Viksaas	Independent	Non-executive	2015
VZH NV, permanently represented by Eric Van Zele	Dependent	Non-executive	2015

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

The Board of Directors convened six times during 2012. 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 those persons.

In 2012 the mandates of Mr. Duco Sickinghe and VZH NV, permanently represented by Eric Van Zele, came to an end. Mr. Duco Sickinghe was not reappointed in 2012. VZH NV was reappointed for a new three year mandate by the General Assembly in 2012. At the 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 shareholder and Director of Crescent NV. At the moment of the General Assembly of 2013, VZH NV will comply with all prescriptions of Art. 526ter of the Belgian Company Code, which is why the Board of Directors will propose to the General Assembly to enact VZH NV as an independent Director as from that day.

The General Assembly appointed two new independent Directors in 2012: Mrs. Wenche Holen and Mrs. Grethe Viksaas. Both new Directors bring a lot of knowledge and expertise about the ICT sector - both from an international as well as from a local Norwegian perspective – to the Board of Directors. Their mandate lasts until the General Assembly in 2015.

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 is Chairman of the Board of Directors. From the end of 2003 until the beginning of 2007, Mr. Beckers was CEO of Telecom Malagasy, the privatized telecom provider of Madagascar. Before that Mr. Beckers held senior positions in the BT Group for more than ten years. Amongst others, he was VP Operations BT Ignite, Managing Director 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: 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). Mister Van Gorp obtained Master's degrees in both Law at the KU Leuven and European Law at the Europa Institute from 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, 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, Pinguin Lutosa NV and several privately owned companies. He started his career as an investment manager for Investco NV (now KBC Private Equity NV). Mr. Donck received a Master 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 Skiforeningen and was on the Board of Directors of several other Norwegian companies in the past. Mrs. Holen obtained an Engineering degree at Gjovik 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 founder and 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 markets and offerings 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 is President and CEO of Barco NV since January of 2009. He also serves as Chairman of the Board of Reynaers Aluminium NV in Duffel, Belgium. Prior to 2009, Mr. Van Zele was Director on the management board of the Indian Avantha Group and served as President and CEO of Pauwels International from 2004 through 2008. Prior to that, he was President and CEO of Telindus NV (2000-2003) and Vice President of Raychem Corporation (Menlo Park, CA, 1972-1999). Eric Van Zele holds a Master's degree in Mechanical Engineering (KU Leuven 1972) and post-graduate degrees in management from Stanford University (1992).

GENDER DIVERSITY OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

In 2012 the general meeting appointed two female Directors. One female Director is a member of the Audit Committee and the other female Director is 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 with regards to this matter.

AUDIT COMMITTEE

The Board of Directors has appointed an Audit Committee (AC), which must consist of at least three members, all of which are non-executive Directors and at least one of them should be independent. Currently the Audit Committee is composed of four non-executive Directors of whom two are independent. The Audit Committee assists the Board of Directors in fulfilling its monitoring responsibilities in respect of control in the broadest sense.

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

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

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

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

As of December 31st 2012, the Audit Committee consists of:

Name and position	Term*
Beckers Consulting BVBA, permanently represented by Eugeen Beckers	2014
Blanco Blad BVBA, permanently represented by Jo Van Gorp, Chairman and independent Director	2013
Frank Donck	2013
Grethe Viksaas	2015

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

The Audit Committee met four times during 2012. The following significant matters were discussed at the meetings of the Audit Committee in 2012

- Presentation of the external auditor and financial statements of 2011
- Financial statements per 30 June 2012, opinion limited 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 performed at 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; 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 31st 2012, the Nomination and Remuneration Committee consists of:

Name and position	Term*
Blanco Blad BVBA, permanently represented by Jo Van Gorp	2013
Frank Donck, Chairman	2013
Wenche Holen	2015

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

The Nomination and Remuneration Committee met three times in 2012.

The following significant matters were discussed at the meetings of the Nomination and Remuneration Committee in 2012:

- Evaluation and proposal of appointment of two new Directors
- Proposal of reappointment of one Director
- Evaluation of functioning of the Board of Directors
- Discussion and approval of the remuneration report 2011
- Decision on 2011 bonus payments and timing of these payments
- Decision on the 2012 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 2011

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 2012:

Name	BOD (Total 6)	AC (Total 4)	NRC (Total 3)
Beckers Consulting BVBA, permanently represented by Eugeen Beckers	6/6	4/4	-
Blanco Blad BVBA, permanently represented by Jo Van Gorp	6/6	4/4	3/3
Kenneth Dåstøl	6/6	-	-
Frank Donck	4/6	4/4	3/3
Duco Sickinghe	2/2	-	1/1
Grethe Viksaas	1/4	0/2	-
Wenche Holen	4/4	-	2/2
VZH NV, permanently represented by Eric Van Zele	4/6	-	-

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

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

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

EXECUTIVE TEAM

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 2012 the Senior Management Team consisted of the following members: Kenneth Dåstøl, Glenn Wiig, Thomas Haegh, Svein Damre, Svein Lindhjem, Hanne Eriksen and Eric Goeyvaerts.

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

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

DIRECTOR AND EXECUTIVE MANAGEMENT CONFLICTS OF INTERESTS

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 2012, 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 develop the remuneration policy for non-executive board members and executive management.

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

The Remuneration and Nomination Committee of 8 March 2012 evaluated the 2011 variable remuneration, the 2012 salary increases and the 2012 bonus schemes for executive management and proposed its conclusions to the Board of Directors for their approval. The Board of Directors of 8 March 2012 approved the Remuneration and Nomination committee's proposals of 8 March 2012.

The remuneration of non-executive Directors are fixed amounts and they did not change in 2012 compared to 2011.

THE APPLIED 2012 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 2012 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, has been granted. Members of the Remuneration and Nomination Committee are not specifically remunerated for their task. The members of the Audit Committee receive an extra fixed remuneration in cash.

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

DIRECTORS REMUNERATION

The annual remuneration for a non-executive Director is a fixed fee of 20,000 euro. The Chairman receives 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 task in the Audit Committee. No benefits in kind, neither variable remuneration are granted to the non-executive members of the Board of Directors. No amounts have been set aside or accrued by Zenitel or its subsidiaries to provide pension, retirement or similar benefits to the non-executive Directors. The CEO, as the only executive director, is not remunerated for his work in the Board of Directors. No benefits in kind, neither variable remuneration are granted to the members of the Board of Directors. A summary of the remuneration of the Board members in 2012 is shown in the table below.

Name		Remuneration in EUR
Beckers Consulting BVBA, permanently represented by Eugeen Beckers, Chairman	Non-executive	47,500
Blanco Blad BVBA, permanently represented by Jo Van Gorp	Non-executive	35,000
Kenneth Dåstøl	Executive	NA
Frank Donck	Non-executive	27,500
Wenche Holen	Non-executive	13,333
Duco Sickinghe	Non-executive	6,667
Grethe Viksaas	Non-executive	18,333
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 his advisory services covers limited and well defined areas. This agreement has been discussed by the Remuneration & Nomination Committee in 2010, and approved by the Board in 2010 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 in 2012 48,731 euro to the Company for consulting services performed next to 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 for a period of one year. The targets can be the budgeted group financial results and/or specifically defined quantitative and qualitative operational targets in their field of responsibility.

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

In order to earn a bonus, the average score needs to be higher than 75% of the maximum score. All members of the Executive Team earned a bonus in 2012. The level of bonus is based on a percentage of the annual salary.

REMUNERATION OF THE CEO AND EXECUTIVE TEAM

Remuneration in EUR	CEO		Executive Team excluding the CEO	
	2012	**2011**	**2012**	**2011**
Basic Remuneration	285,310	285,310	141,355	141,355
Variable Remuneration*	98,989	94,040	53,904	54,658
Group insurance premiums	7,820	7,802	7,813	7,789
Other Benefits	31,771	31,535	23,683	23,683
Total	**423,890**	**418,686**	**226,755**	**227,485**

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

Remuneration of the CEO and the Executive Team is made in NOK. Amounts for both years are converted to euro with a NOK/EUR rate of 7.48.

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 2012.

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

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

INSIDER TRADING POLICY

The Company has drawn up a policy with respect to insider trading which has been signed by all key employees. This policy is 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 28th 2010. The statutory auditor is a member of the Institute for Company Auditors ('Instituut der bedrijfsrevisoren'). The remuneration amounted to 31,950 euro per year. The total fee for BDO for the Group audit amounted to 121,813 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 in order to keep it up to date with the requirements of the stakeholders of the Company. A clear governance structure is in place in which the roles and responsibilities of each level of management are 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 and hands-on involvement of executive management in the day-to-day operations of the group companies.

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

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

RISK MANAGEMENT

At least once per year the Audit Committee evaluates the effectiveness of the risk management systems of the Company. These risk management systems are put in place by the Company's management and it is the Audit Committee 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 being informed on the status of additional measures taken by management when responding to risk changes.

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

With respect to the financial reporting process, the goals, responsibilities, external communications on risks and deadlines are clearly known by all involved personnel of the Company. Changing regulations or conditions that might cause the external reporting to be impacted are 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. On a monthly basis the Group results are consolidated and further analyzed by the Group controllers and by Group management. Based on these analyses, further discussions are held with the local managers and controllers of the reporting entities. The financial results are on a monthly basis closely tracked against

well-defined and agreed targets. Each quarter a new forecast is established. Correct and consistent data gathering is ensured by the use of customized reporting software, which is managed centrally.

Beside 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 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 execution of the Company guidelines, which are issued by executive management.

INFORMATION AND COMMUNICATION

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

On a quarterly basis the Company has to issue periodic financial information to the market. All press releases are approved by the Board of Directors before they are issued. In case information is to be issued on an ad hoc basis, also the approval of at least two board members is required. The Company's relations and communications with regulators, analysts and shareholders are the responsibility of the executive management team. Internal communications are mainly done 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 systems. Based on its annual review of the internal controls and risk management systems, the Audit Committee makes recommendations to the Board of Directors. Given the constantly changing environment, the internal control and risk management systems are subject to a continuous process of change. For instance, when based on findings of an internal or external audit, deficiencies in the internal controls system are identified, an action plan will be proposed to the Audit Committee, and thereafter, feedback on the status of the actions is to be reported to the Audit Committee. This process of identification, remediation and follow-up on the remediation is considered key in the continuous improvement process of the internal controls and risk management system. The practice is in place that the internal controls procedures are periodically challenged and that the necessary actions are put in place in order to adapt it to the changing internal and external conditions. Based on this practice and the above-mentioned descriptions of the components of the internal controls and risk management system and taking into account the limited size of the Company and the means available, the Company is of the opinion that the internal controls and risk management system of the Company is sufficient to meet the expectations of the stakeholders of the Company.

COMPLY OR EXPLAIN

Zenitel complies with most of the nine principles of the Belgian Code for Corporate Governance 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 aims.

- 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 5.2/4 in appendix C Audit Committee of the Belgian Code for Corporate Governance 2009 states that at least the majority of the members of the Audit Committee should be independent. Due to the small size of the Company, only two of in total four Audit Committee members are independent. However, the chairman of the Audit Committee is independent.
- 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. On a regular basis, a self-evaluation is also undertaken by the Board of Directors.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2012

(thousands of EUR)		*Year ended December 31st*	
	Notes	**2012**	**2011**
Revenue	1	64 706	62 977
Raw materials and consumables used	4	-30 920	-29 887
Employee benefits expense	5	-19 788	-20 686
of which reorganization expenses			-145
Depreciation and amortization expenses	15,16,17	-1 830	- 1 789
Net impairment on current assets	18	-627	-650
Consulting expense		-906	-722
Facility expense	6	-4 219	-4 059
Other expenses	7	-4 196	-3 684
Operating Profit / (Loss)		**2 221**	**1 501**
Finance income	9	56	277
Finance costs	10	-909	-953
Net foreign exchange gains / (losses)	11	-407	-213
Share of profit / (loss) from equity accounted investments	19	16	0
PROFIT BEFORE TAX		**977**	**612**
Income tax expense	12	-94	-63
Profit for the year		**883**	**549**
Attributable to:			
Owners of the Company		883	549
EARNINGS PER SHARE			
Weighted average number of ordinary shares in issue ('000)		16 441	16 441
FROM OPERATIONS			
BASIC EARNINGS PER SHARE	14.1	0.05	0.03
Diluted earnings per share	14.2	0.05	0.03

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2012

(thousands of EUR)		*Year ended December 31st*	
	Notes	**2012**	**2011**
PROFIT FOR THE YEAR		**883**	**549**
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		1 262	51
Other comprehensive income for the period (net of income tax)		1 262	51
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2 145**	**600**
Attributable to:			
Owners of the Company		2 145	600
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 2012

(thousands of EUR)		*Year ended December 31st*	
ASSETS	**Notes**	**2012**	**2011**
Non-current assets			
Property, plant and equipment	15	3 097	3 568
Goodwill	16	4 369	4 161
Other intangible assets	17	1 939	1 496
Deferred tax assets	13	2 632	2 484
Financial assets	19	933	1 134
Total non-current assets		**12 969**	**12 844**
Current assets			
Inventories	20	7 759	6 870
Contracts in progress	21	787	969
Trade and other receivables	22	13 488	14 755
Financial assets	19	86	327
Deferred charges and accrued income		966	1 163
Cash and cash equivalents	23	4 975	4 294
Total current assets		**28 061**	**28 377**
TOTAL ASSETS		**41 030**	**41 221**

(thousands of EUR)		*Year ended December 31st*	
EQUITY AND LIABILITIES	**Notes**	**2012**	**2011**
Capital and reserves			
Capital		25 274	25 274
Share premium account		15 115	15 115
Reserves		4 771	3 509
Retained earnings		-34 195	-35 078
Treasury shares		-2 958	-2 958
Equity attributable to equity holders of the parent		*8 007*	*5 862*
Total equity		**8 007**	**5 862**
Non-current liabilities			
Interest bearing loans and borrowings	25	5 648	7 487
Retirement benefit obligations	26	993	1 725
Deferred tax liabilities	13	16	12
Provisions	27	367	585
Total non-current liabilities		**7 024**	**9 810**
Current liabilities			
Trade and other payables	24	16 933	17 324
Borrowings	25	4 259	3 988
Current tax liabilities	12	568	278
Retirement benefit obligations	26	279	307
Provisions	27	3 961	3 653
Total current liabilities		**25 999**	**25 550**
TOTAL EQUITY AND LIABILITIES		**41 030**	**41 221**

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 2012

(thousands of EUR)								*Year ended December 31st, 2011*
	Share capital	**Share premium**	**Treasury shares**	**Equity-settled employee benefits reserve**	**Foreign currency translation reserve**	**Retained Earnings**	**Attributable to equity holders of the parent**	**Total**
BALANCE ON JANUARY 1, 2011								
As previously reported	25 274	15 115	-2 958	200	3 458	-35 827	5 262	**5 262**
Transfer upon expiration of remaining warrants per January 1, 2011				-200		200	0	**0**
Profit for the year						549	549	**549**
Other comprehensive income for the year, net of income tax					*51*	*0*	*51*	*51*
Total comprehensive income for the year	*0*	*0*	*0*	*-200*	*51*	*749*	*600*	*600*
BALANCE ON DECEMBER 31, 2011	**25 274**	**15 115**	**-2 958**	**0**	**3 509**	**-35 078**	**5 862**	**5 862**

(thousands of EUR)								*Year ended December 31st, 2012*
	Share capital	**Share premium**	**Treasury shares**	**Equity-settled employee benefits reserve**	**Foreign currency translation reserve**	**Retained Earnings**	**Attributable to equity holders of the parent**	**Total**
BALANCE ON JANUARY 1, 2012	**25 274**	**15 115**	**-2 958**	**0**	**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	0	1 262	**1 262**
Total comprehensive income for the year	*0*	*0*	*0*	*0*	*1 262*	*883*	*2 145*	*2 145*
BALANCE ON DECEMBER 31, 2012	**25 274**	**15 115**	**-2 958**	**0**	**4 771**	**-34 195**	**8 007**	**8 007**

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

CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ZENITEL GROUP AT 31 DECEMBER 2012

(thousands of EUR)		*Year ended December 31st*	
	Notes	**2012**	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	7 078	5 686
Interest paid		-909	-953
Income taxes paid		-94	-63
Net cash generated from operating activities		**6 075**	**4 670**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		56	75
Proceeds from repayment of loans and other non-current receivables		0	2
Payments for property, plant and equipment	15	-1 068	-617
Proceeds from disposal of property, plant and equipment	15	51	87
Payments for intangible assets	17	-937	-724
Development costs paid	8	-2 044	-1 856
Net cash (used in) / generated from investing activities		**- 3 942**	**-3 033**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) of borrowings	25	-1 619	-2 221
Net cash received / (used) in financing activities		**- 1619**	**-2 221**
Net increase / (decrease) in cash and cash equivalents		**514**	**-584**
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At start of the year		2 371	2 954
Increase / (decrease)		514	-584
Effect of exchange rate changes on the balance of cash held in foreign currencies		0	1
At the end of the year		**2 885**	**2 371**
Total Cash and cash equivalents	23	4 975	4 294
(Used factoring facility)	25	-1 720	-1 923
(Bank overdrafts)	25	-370	0
Net cash and cash equivalents at the end of the year		**2 885**	**2 371**

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

VALUATION RULES AND FINANCIAL RISK FACTORS

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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 2012 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 21st, 2013.

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

The following amendments to IFRS have been applied in the current year and have affected the amounts included in these financial statements.

IFRS 1- First-time Adoption of International Financial Reporting Standards (Amendment December 2010) - Additional exemption for entities ceasing to suffer from severe hyperinflation.

IFRS 1- First-time Adoption of International Financial Reporting Standards (Amendment December 2010) - Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'

IAS 12 - Income Taxes (Amendment December 2010) - Limited scope amendment (recovery of underlying assets)

AMENDMENTS TO IFRS AFFECTING PRESENTATION AND DISCLOSURE ONLY

Amendment to IAS 1 Presentation of Items of Other Comprehensive Income.

The Group has applied the amendment IAS 1 Presentation of Items of Other Comprehensive Income in advance of the effective date (annual periods beginning on or after 1 July 2012). The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendment to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed 'statement of profit or loss'. The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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, 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 1 - First-time Adoption of International Financial Reporting Standards (Amendment May 2012) — Amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)
- IFRS 7 - Financial Instruments: Disclosures (Amendment December 2011) — Amendments related to the offsetting of assets and liabilities
- IFRS 7 - Financial Instruments: Disclosures (Amendment December 2011) — Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures
- IFRS 9 - Financial Instruments — Classification and Measurement (Original issue November 2009)
- IFRS 9 - Financial Instruments — Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements (October 2010)
- IFRS 9 - Financial Instruments (Amendment December 2011) — Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures
- 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
- 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 1 Presentation of Financial Statements (Amendment May 2012) — Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)
- IAS 16 - Property, Plant and Equipment (Amendment May 2012) — Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)
- 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 27 - Consolidated and Separate Financial Statements (Amendment October 2012) — Amendments for investment entities
- IAS 28 - Investments in Associates — Reissued as IAS 28 Investments in Associates and Joint Ventures (May 2011)
- IAS 32 - Financial Instruments: Presentation (Amendment December 2011) — Amendments relating to the offsetting of assets and liabilities
- IAS 32 - Financial Instruments: Presentation (Amendment May 2012) — Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)
- IAS 34 - Interim Financial Reporting (Amendment May 2012) — Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)
- IFRIC 20 - Stripping Cost in the Production Phase of Surface Mine

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.

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, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. A joint venture is 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

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

COMPUTER SOFTWARE DEVELOPMENT COSTS

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

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

INTERNALLY GENERATED INTANGIBLE ASSETS - RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognized in the 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
Machines-tools and heavy equipment:	10 years
Network infrastructure	7-10 years
Electronic measuring appliances:	5 years
Quality control appliance:	10 years
Workshop and laboratory equipment:	4 years
Furniture in industrial buildings:	10 years
Vehicles - cars:	4-5 years
Vehicles - trucks:	4 years
Office furniture:	10 years
EDP (hardware):	3 years
Facilities for the staff:	10 years

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the 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 re-valued 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 sales 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 timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

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

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

Other Receivables & Financial Assets related to Divestments

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

Cash & Cash Equivalents

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

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 giving immediate financial support to the Group with no future related costs are recognized as income of the period in which they become receivable.

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

PROVISIONS

Provisions are recognized in the 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 in respect of the transaction can be measured reliably.

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

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

Rendering of Services

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

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

Royalties

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

Interest

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts 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 defined 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 per cent of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the 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.

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, 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.

TRANSACTIONAL FOREIGN CURRENCY RISK

As much as foreign currency risk on borrowing is concerned, it is the Company's policy to have debt in the subsidiaries as much as possible in the functional currency of the subsidiary. The transactional currency risk mainly arises from the open foreign currency positions outstanding of group companies against respectively the Danish krone, the Swedish krone, the Norwegian krone, the US dollar and the Singaporean dollar. On the basis of the average volatility during the last 5 years of these currencies against the euro for respectively 2012 and 2011, we estimated the reasonably possible changes of exchange rate of these currencies as follows:

1 euro equals	Closing Rate 31st Dec 2012	Possible volatility of rates in %	Rates used for the sensitivity analysis	Closing rate 31st Dec 2011	Possible volatility of rates in %	Rates used for sensitivity analysis
NOK	7.38	3.8%	7.10 - 7.67	7.78	3.8%	7.48 - 8.08
USD	1.32	4.8%	1.26 - 1.39	1.29	4.8%	1.23 - 1.35
SEK	8.62	5.2%	8.16 - 9.07	8.94	5.2%	8.47 - 9.41
SGD	1.62	6.9%	1.51 - 1.73	1.68	6.9%	1.57 - 1.80
DKK	7.46	0.1%	7.46 - 7.47	7.43	0.1%	7.43 - 7.44

If the above-indicated currencies had weakened/ strengthened during 2012 and 2011 by the above estimated changes against the euro, with all of the other variables held constant, the 2012 and 2011 net result would not have been significantly affected (less than euro 50 K) both in 2012 and 2011. Neither would there have been a material impact on other components of equity both in 2012 and 2011.

TRANSLATIONAL FOREIGN CURRENCY RISK

100 percent of Zenitel's revenue is generated by its subsidiaries. 84 percent (2011: 86 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 2012 and 2011, we estimated the reasonably possible change of the exchange rate of these currencies against the euro as follows:

1 euro equals	Closing Rate 31 Dec 2012	Ave. Rate 2012	Possible volatility of rates in 2012	*Rates as used in the sensitivity analysis for 2012* Possible closing rate	Possible average rate	Closing rate 31 Dec 2011	Ave. rate 2011	Possible volatility of rates in 2011	*Rates as used for the sensitivity analysis 2011* Possible closing rate	Possible average rate
NOK	7.38	7.48	4.70%	7.04 - 7.73	7.13 - 7.83	7.78	7.80	3.85%	7.48 - 8.08	7.50 - 8.10
SEK	8.62	8.70	6.11%	8.09 - 9.14	8.17 - 9.23	8.94	9.03	5.24%	8.47 - 9.41	8.56 - 9.51
DKK	7.46	7.44	0.09%	7.45 - 7.47	7.44 - 7.45	7.43	7.45	0.07%	7.43 - 7.44	7.44 - 7.46
USD	1.32	1.29	5.48%	1.25 - 1.39	1.22 - 1.36	1.29	1.40	4.85%	1.23 - 1.35	1.33 - 1.46
SGD	1.62	1.61	8.99%	1.47 - 1.76	1.46 - 1.75	1.68	1.75	6.94%	1.57 - 1.80	1.63 - 1.88
ANG	2.41	2.35	40.00%	1.44 - 3.37	1.41 - 3.29	2.35	2.54	40.00%	1.41 - 3.29	1.53 - 3.56

If the euro had weakened/strengthened during 2012 and 2011 by the above estimated possible changes against the above listed currencies with all other variables held constant, the 2012 profit would have been 0.5 million euro or 32% of net income higher/lower (2011: 0.04 million euro or 8.1% of net income) while the translation reserves in equity would have been 1.7 million euro or 29% of total equity higher/lower (2011: 1.2 million euro or 20% of total equity).

CREDIT RISKS

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

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

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

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

Millions of EUR		*Year ended December 31st*
	2012	**2011**
Other financial assets	1.0	1.1
Trade & other receivables	13.5	14.8
Bank deposits	0.6	0.5
Total	**15.1**	**16.4**

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

LIQUIDITY RISKS

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

The following table sets forth details of the remaining contractual maturities of financial liabilities as of December 31, 2012 and 2011.

Millions of euro	*31st December 2012*				*31st December 2011*			
	Total	**Payment due within 1 year or less**	**Payment due later than 1 year but not later than 5 years**	**Payment due later than 5 years**	**Total**	**Payment due within 1 year or less**	**Payment due later than 1 year but not later than 5 years**	**Payment due later than 5 years**
Used factoring credit facility	1.7	1.7	0.0	0.0	1.9	1.9	0.0	0.0
Trade payables	16.9	16.9	0.0	0.0	17.3	17.3	0.0	0.0
Bank borrowings*	9.0	3.0	6.0	0.0	10.1	1.6	8.5	0.0
Shareholder loans	0.0	0.0	0.0	0.0	1.0	1.0	0.0	0.0
Finance lease liabilities*	0.3	0.0	0.1	0.1	0.2	0.0	0.1	0.1
Total	**27.9**	**21.7**	**6.1**	**0.1**	**30.6**	**21.9**	**8.6**	**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 risk is managed by the Group by maintaining an appropriate mix between mixed and floating rate borrowings. As per year end 2012 and 2011, 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 2012	**Interest charge 2012**	**Ave. interest rate 2012**	**Possible volatility of rate in 2012**	**Outstanding debt Dec 31 2011**	**Interest charge 2011**	**Ave. interest rate 2011**	**Possible volatility of rate in 2011**
Used factoring facility	1.7	0.1	4.64%	3.9%	1.9	0.1	4.72%	5.4%
Bank borrowings	8.0	0.6	5.39%	6.1%	8.4	0.6	5.53%	6.4%
Shareholder's loans	0.0	0.0	3.30%	3.9%	1.0	0.1	4.19%	5.4%
Finance lease liabilities	0.2	0.0	4.80%	Fixed Rate	0.2	0.0	5.00%	Fixed Rate
Other financial liabilities	0.0	0.0	0.00%	NA	0.0	0.0	0.00%	NA
Total	**9.9**	**0.7**			**11.5**	**0.8**		

INTEREST RATE SENSITIVITY

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

When we apply the reasonably possible increase/decrease in the market interest rate (volatilities as indicated in the table above), with all other variables held constant, the 2012 net result would have been EUR 0.01 million lower/higher (2011: EUR 0.01 million lower/higher). The impact on interest income on interest bearing financial assets (such as finance lease receivables and cash deposits) was not included in this calculation as this impact is only limited.

The estimated volatilities in 2012 and 2011 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 (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 2012, no objective evidence indicates that available-for-sale investments are impaired. The company started in 2012 a joint venture, with 1/3rd participation, StentofonBaudisch 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 judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

IMPAIRMENT OF GOODWILL

Goodwill arising from acquisitions represents the excess of the cost of the acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. In accordance with 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 (CGU's) or groups of cash generating units that are expected to benefit from the synergies of the business combination. The CGU's to which goodwill has been allocated were tested for impairment at the balance sheet date by comparing the carrying amount of the unit with the recoverable amount (higher of its fair value less cost to sell and its value in use).

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

The (pre-tax) discount rate applied to cash flow projections is the weighted average cost of capital (WACC) of 10.3% (2011: 9.7%). The components for the determination of the WACC are based on sector-specific parameters received from various banks and analysts and taking into account the financial position of Zenitel and historical performance of the individual CGU. The cash flow forecast is calculated over a 5 year time frame including a terminal value at the end of 2017. The cash flow is based on actual performance and estimated development of key drivers. The following assumptions are made:
Growth rate of 2.0% (2011: 2.0%) applied on revenues. Growth rate of 2.0% (2011:2.0%) applied on terminal value.
Inflation rate of 1.7% (2011: 1.7%) applied on operating expenses (weighted average inflation rate of each country included in the CGU).
Cost of Goods sold to increase with 1.2% 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 7.4 million euro, and the sensitivity analysis shows that 0.6% is to be subtracted from the growth rate before goodwill is impaired. CGU Intercom requires a WACC exceeding 12.7% before goodwill is impaired.

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

CONTINGENCIES

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

GOING CONCERN

The statutory balance sheet of Zenitel NV shows as per December 31st 2012 a loss carried forward of 63.3 million euro. Nevertheless, the Board of Directors is of the opinion that the application of the existing valuation rules, under going concern is still justified.

Since the strategic reorganizations in 2009, the Company has been able to continue to focus on its Secure Communication 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 2012 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 OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2012

1. REVENUE

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

(thousands of EUR)		*Year ended December 31st*
	2012	**2011**
Revenue from the sale of goods	54 200	51 903
Revenue from the rendering of services	10 506	11 074
Total Revenue	**64 706**	**62 977**

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 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:	**2012**	**2011**
Belgium (Country of domicile)	0	0
Norway	26 146	26 026
Singapore	8 499	8 979
Denmark	8 468	10 398
France	6 289	5 396
Caribbean	5 864	4 946
USA	5 609	4 290
Other foreign countries	3 830	2 941
Total	**64 706**	**62 977**

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:	**2012**	**2011**
Belgium (Country of domicile)	426	725
Caribbean	2 492	3 020
Norway	9 402	7 345
Other foreign countries	649	1 754
Total	**12 969**	**12 844**

For further information about geographical areas, we refer to note 2.d below. The two largest customers account for 5.1 % and 3.1 % respectively of Group net sales in 2012. (5.1 %, 2.7 % of Group net sales in 2011) The highest amounts of trade accounts receivable outstanding are 11.0 % and 5.6 % respectively of the Group's accounts receivable at December 31, 2012. (5.5 %, 3.3 % at 31 December 2011).

2.a SEGMENT REVENUES AND SEGMENT RESULTS

(thousands of EUR)	**Segment revenue**		**Recurrent EBITDA(1)**		**One time items**		**Segment result(2)**	
For the 12 months ended Dec 31	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Secure Communication Systems (SCS)	58 842	58 031	4 120	3 869	(129)	(126)	2 893	2 423
Caribbean	5 864	4 946	1 776	1 480	550	55	997	520
All Segments	**64 706**	**62 977**	**5 896**	**5 349**	**421**	**(70)**	**3 890**	**2 943**
Unallocated operations	0	0	(1 217)	(1 036)	(421)	(373)	(1 669)	(1 442)
Total	**64 706**	**62 977**	**4 679**	**4 313**	0	**(443)**	**2 221**	**1 501**
Financial results					0	202	(1 244)	(889)
Income tax expense					0	0	(94)	(63)
Total profit/ (loss)for the period					**0**	**(241)**	**883**	**549**

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 35K euro (2011: 23K euro). The unallocated recurrent operating expenses in 2012 consist of the costs included in the support center Zenitel NV (holding costs). These costs relate to the operating expenses for holding costs, such as publications, stock exchange, controlling, insurance, facilities, general management and depreciation and amortization costs.

Please also refer to the report of the Board of Directors for recurrent EBIT and recurrent EBITDA figures per segment.

2.b SEGMENT ASSETS AND SEGMENT LIABILITIES

(thousands of EUR)				*Year ended December 31st*
	Assets		**Liabilities**	
	2012	**2011**	**2012**	**2011**
Secure Communication Systems	34 924	34 574	18 000	16 204
Caribbean	4 696	5 262	2 446	3 536
Unallocated	1 410	1 385	12 577	15 620
Consolidated	**41 031**	**41 221**	**33 024**	**35 360**

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**	
	2012	**2011**	**2012**	**2011**
Secure Communication Systems	1 098	1 320	1 390	1 069
Caribbean	1 329	1 016	615	266
Unallocated	30	103	0	6
Consolidated	**2 457**	**2 439**	**2 005**	**1 341**

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**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Europe	44 734	44 762	29 109	30 402	1 148	875
Asia	8 499	8 979	5 283	4 710	213	163
Americas	11 473	9 236	6 638	6 109	644	303
Consolidated	**64 706**	**62 977**	**41 030**	**41 221**	**2 005**	**1 341**

3. DISCONTINUED OPERATIONS

There were no discontinued operations in 2012 and in 2011.

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. The net loss upon disposal of this legal entity amounted to 129K euro and has been included in the Other expense line of the consolidated statement of profit and loss.

4. RAW MATERIALS AND CONSUMABLES USED

(thousands of EUR)	*Year ended December 31st*	
	2012	**2011**
Supplies	31 020	28 316
Subcontractors	295	265
Changes in inventories of finished goods and work in progress	-1 315	305
Other	921	1 001
Total raw materials and consumables used	**30 920**	**29 887**

5. EMPLOYEE BENEFITS EXPENSES

(thousands of EUR)	*Year ended December 31st*	
	2012	**2011**
Wages and salaries	16 056	16 708
Social security costs	2 494	2 290
Reorganization expenses	0	126
Other employee benefits	842	544
Short term employee benefits	**19 392**	**19 668**
Termination benefits	**0**	**19**
Pension costs - defined contribution plans	845	757
Pension costs - defined benefit plans	-449	242
Pension costs	**396**	**999**
Share based compensation	**0**	**0**
TOTAL EMPLOYEE BENEFITS EXPENSES	**19 788**	**20 686**
Average number of employees	**248**	**270**
Workers	0	0
Employees	234	256
Management	14	14

In 2012 there were no reorganization expenses. In 2011 total reorganization costs amounted to 0.1 million euro, all included in the Employee benefit expenses.

6. FACILITY EXPENSES

(thousands of EUR)	*Year ended December 31st*	
	2012	**2011**
Housing costs (rent & common charges)	2 102	1 981
Telecom expenses	502	484
Insurances	264	301
Utilities	540	411
Other facility costs	811	882
Total facility expenses	**4 219**	**4 059**

7. OTHER EXPENSES

(thousands of EUR)	*Year ended December 31st*	
	2012	**2011**
Advertising, publicity and fairs	589	424
Travel & related costs	1 576	1 559
Car expenses	902	1 145
Other	1 129	556
Total other expenses	**4 196**	**3 684**

8. RESEARCH & DEVELOPMENT COSTS

(thousands of EUR)	*Year ended December 31st*	
	2012	**2011**
Research and development costs	**2 044**	**1 856**

Whereof 1.6 million euro (EUR 1.8 million euro in 2011) were included in the Employee benefits expense (Wages and salaries).

Besides these expensed research & development costs, 0.9 million euro were capitalized in 2012 (0.7 million euro in 2011).

9. FINANCE INCOME

(thousands of EUR)	*Year ended December 31st*	
	2012	**2011**
Realized gain on the sale of shares	0	202
Other (aggregate of immaterial items)	56	75
Total finance income	**56**	**277**

10. FINANCE COSTS

(thousands of EUR)	*Year ended December 31st*	
	2012	**2011**
Interest on bank overdrafts, used factoring facility and loans	740	759
Interest on obligations under finance lease	5	1
Other financial charges	164	193
Total finance costs	**909**	**953**

The weighted average interest rate on funds borrowed generally is 4.3% per annum (2011: 4.5% per annum)

11. NET FOREIGN EXCHANGE GAINS / (LOSSES)

(thousands of EUR)	*Year ended December 31st*	
	2012	**2011**
Foreign exchange rates losses	-519	-224
Both realized and unrealized	*-519*	*-224*
Foreign exchange rate gains	112	11
Both realized and unrealized	*112*	*11*
Net foreign exchange gains / (losses)	**-407**	**-213**

12. INCOME TAXES

(thousands of EUR)		*Year ended December 31st*	
	Notes	**2012**	**2011**
Current tax expense / (income)		172	85
Adjustments recognized in the current year in relation to current tax of prior years		-68	-10
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	13	-10	-12
Effect of changes in tax rates and laws		0	0
Write-downs (reversals of previous write-downs) of deferred tax assets		0	0
Total income tax expense/(income)		**94**	**63**

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*	
	2012	**2011**
Profit before tax	977	612
Tax calculated at tax rate of 33.99%	332	208
Effects of:		
- Different tax rates in other countries	-141	-47
- Adjustments recognized in the current year in relation to current tax of prior years	-69	-10
- Income not subject to tax	-272	-89
- Expenses not deductible for tax purposes	372	230
- Utilization of previously unrecognized tax losses	-157	-378
- Reversal of previous write-downs of tax assets as tax losses	-9	0
- Unrecognized tax losses of the current year	38	149
Total income tax expense/(income)	**94**	**63**

The tax rate used for the 2012 and 2011 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 2012, and neither in 2011.

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% in 2012 (2011: 28.0 %). This percentage being the weighted average rate of the countries in which deferred taxes were recognized.

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

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

(thousands of EUR)	*Year ended December 31st*	
	2012	**2011**
At the beginning of the year		
- deferred tax liability	12	14
- deferred tax asset	-2 484	-2 460
Exchange differences	-134	-14
Income statement (credit)/charge	-10	-12
Other changes	0	0
At the end of the year	**-2 616**	**-2 472**
Recognized in the balance sheet as		
- deferred tax liability	16	12
- deferred tax asset	-2 632	-2 484

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, 2010	**0**	**13**	**0**	**0**	**500**	**0**	**513**
Charged/(credited) to P/L	0	-3	0	0	0	0	**-3**
Other changes	0	0	0	0	0	0	**0**
Exchange differences	0	4	0	0	2	0	**6**
At December 31, 2011	**0**	**14**	**0**	**0**	**502**	**0**	**516**
Charged/(credited) to P/L	0	3	0	0	0	0	**3**
Other changes	0	0	0	0	0	0	**0**
Exchange differences	0	-2	0	0	28	0	**25**
At December 31, 2012	**0**	**15**	**0**	**0**	**530**	**0**	**544**

Deferred tax assets	Net PBO Liabilities	Impairments	Tax losses	Provisions	Depreciation	Other	Total
At December 31, 2010	**-160**	**-334**	**-1 940**	**-16**	**-390**	**-119**	**-2 959**
Charged/(credited) to P/L	0	0	0	0	0	-9	**-9**
Other changes	0	0	0	0	0	0	**0**
Exchange differences	-1	-2	-10	0	-2	-5	**-20**
At December 31, 2011	**-161**	**-336**	**-1 950**	**-16**	**-392**	**-133**	**-2 988**
Charged/(credited) to P/L	0	0	0	0	0	-13	**-13**
Other changes	0	0	0	0	0	0	**0**
Exchange differences	-8	-18	-106	-1	-21	-5	**-159**
At December 31, 2012	**-169**	**-354**	**-2 056**	**-17**	**-413**	**-151**	**-3 160**

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*	
	2012	**2011**
Deferred tax assets	-2 632	-2 484
Deferred tax liabilities	16	12
Total	**-2 616**	**-2 472**

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	**2012**	**2011**
Zenitel NV	52 862	51 017
Zenitel Finance Netherlands BV	8 802	8 794
Zenitel Caribbean	1 282	2 008
Zenitel CSS France	1 461	1 411
Zenitel Finland	1 368	1 222
Zenitel Denmark	7 504	7 925
Zenitel Italy	1 021	181
Zenitel USA	124	627

Tax losses carried forward as per year end 2012 indicated in the table above do not have an expiry date. Tax losses carried forward as per year end 2011 had no expiry date neither.

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

(thousands of EUR)	*Year ended December 31st*	
Company	**2012**	**2011**
Zenitel NV	1 845	4 459
Zenitel Finance Netherlands	8	0
Zenitel Caribbean	-726	138
Zenitel CSS France	50	22
Zenitel Finland	146	175
Zenitel Denmark	-421	0
Zenitel Italy	840	181
Zenitel USA	-503	154
TOTAL	**1 239**	**5 129**

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	
	2012	**2011**
Basic earnings per share	**0.05**	**0.03**

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)	**883**	**549**
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	
	2012	**2011**
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	0.05	0.03

15. PROPERTY, PLANT & W

(thousands of EUR)	Land & buildings	Installations & machinery	Furniture, fixtures & vehicles	Other tangible assets	Total
Cost or valuation					
Balance as at 1 January 2011	**81**	**3 406**	**4 510**	**9 343**	**17 341**
Additions	0	98	231	289	617
Disposals	0	-4	-17	-74	-95
Transfer from one heading to another	0	-1	2	-71	-70
Net foreign currency exchange differences	0	34	48	244	326
Balance as at 1 January 2012	**81**	**3 533**	**4 774**	**9 730**	**18 118**
Additions	0	156	296	616	1 068
Disposals	0	-58	-424	-567	-1 050
Transfer from one heading to another	0	0	0	0	0
Net foreign currency exchange differences	0	113	108	-154	67
Balance as at 31 December 2012	**81**	**3 744**	**4 753**	**9 625**	**18 204**
Accumulated depreciation and impairment					
Balance as at 1 January 2011	**-81**	**-3 113**	**-4 217**	**-5 775**	**-13 186**
Depreciation expense	0	-100	-163	-901	-1 165
Eliminated on disposals of assets	0	0	16	0	16
Transferred from one heading to another	0	1	-2	71	70
Net foreign currency exchange differences	0	-30	-44	-211	-285
Balance as at 1 January 2012	**-81**	**-3 242**	**-4 410**	**-6 817**	**-14 550**
Depreciation expense	0	-119	-208	-929	-1 256
Eliminated on disposals of assets	0	52	324	435	811
Transferred from one heading to another	0	0	0	0	0
Net foreign currency exchange differences	0	-111	-102	102	-111
Balance as at 31 December 2012	**-81**	**-3 421**	**-4 396**	**-7 209**	**-15 107**
Carrying amount					
As at 31 December 2011	**0**	**291**	**363**	**2 914**	**3 568**
As at 31 December 2012	**0**	**324**	**357**	**2 417**	**3 097**

16. GOODWILL

(thousands of EUR)		*Year ended December 31st*
Cost	**2012**	**2011**
Balance at beginning of year	**65 468**	**65 221**
Effect of foreign currency exchange differences	2 620	247
Balance at end of year	**68 088**	**65 468**
Accumulated impairment losses		
Balance at beginning of year	**-61 307**	**-61 082**
Effect of foreign currency exchange differences	-2 412	-225
Balance at end of year	**-63 719**	**-61 307**
Carrying amount		
At the beginning of the year	**4 161**	**4 139**
At the end of the year	**4 369**	**4 161**
Which is allocated as follows:		
Intercom: Zenitel Norway AS, Zenitel CSS France SA, Zenitel Italia Srl, Zenitel USA Inc, Zenitel Singapore Ltd	4 369	4 161
	4 369	**4 161**

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 (CGU's) or groups of cash generating units that are expected to benefit from the synergies of the business combination. The CGU's to which goodwill has been allocated were tested for impairment at the balance sheet date by comparing the carrying amount of the unit with the recoverable amount (higher of its fair value less cost to sell and its value in use).

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

The (pre-tax) discount rate applied to cash flow projections is the weighted average cost of capital (WACC) of 10.3% (2011: 9.7%). The components for the determination of the WACC are based on sector-specific parameters received from various banks and analysts and taking into account the financial position of Zenitel and historical performance of the individual CGU. The cash flow forecast is calculated over a 5 year time frame including a terminal value at the end of 2017. The cash flow is based on actual performance and estimated development of key drivers. The following assumptions are made:

Growth rate of 2.0% (2011: 2.0%) applied on revenues. Growth rate of 2.0% (2011:2.0%) applied on terminal value.
Inflation rate of 1.7% (2011: 1.7%) applied on operating expenses (weighted average inflation rate of each country included in the CGU).

Cost of Goods sold to increase with 1,2% 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 7.4 million euro, and the sensitivity analysis shows that 0.6% is to be subtracted from the growth rate before goodwill is impaired. CGU Intercom requires a WACC exceeding 12.7% before goodwill is impaired.

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

17. OTHER INTANGIBLE ASSETS

(thousands of EUR)			*Year ended December 31st*
Cost	**Capitalized development**	**Software, licenses**	**Total**
Balance at 1 January 2011	**3 431**	**1 796**	**5 227**
- internally generated	2 672	0	2 672
- externally acquired	759	1 796	2 555
Additions (including internally generated)	680	44	724
Cancellations	0	0	0
Transfer from one heading to another	0	-8	-8
Net foreign currency exchange differences	17	7	-8
Balance at 1 January 2012	**4 128**	**1 839**	**5 967**
- internally generated	3 365	0	3 365
- externally acquired	763	1 839	2 602
Additions (including internally generated)	905	32	937
Cancellations	0	-86	-86
Transfer from one heading to another	0	0	0
Net foreign currency exchange differences	204	34	238
Balance at 31 December 2012	**5 237**	**1 819**	**7 056**
- internally generated	4 436	0	4 436
- externally acquired	800	1 819	2 619
Accumulated amortization and impairment			
Balance at 1 January 2011	**-2 232**	**-1 604**	**-3 836**
Amortization expense	-411	-214	-625
Impairment charge	0	0	0
Amortization cancelled (disposals)	0	0	0
Transfer from one heading to another	0	8	8
Net foreign currency exchange differences	-11	-6	-17
Balance at 1 January 2012	**-2 655**	**-1 816**	**-4 470**
Amortization expense	-348	-226	-574
Impairment charge	0	0	0
Amortization cancelled (disposals)	2	84	86
Transfer from one heading to another	0	0	0
Net foreign currency exchange differences	-138	-21	-159
Balance at 31 December 2012	**-3 139**	**-1 979**	**-5 117**
Carrying amount			
As at 31 December 2011	**1 473**	**23**	**1 496**
As at 31 December 2012	**2 098**	**-160**	**1 938**

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*	
	2012	**2011**
Impairment charge on inventories	609	534
Impairment charge on receivables	18	147
Reversal of impairment charge on inventories	0	0
Reversal of impairment charge on receivables	0	-31
Total impairment on current assets	**627**	**650**

19. FINANCIAL ASSETS

(thousands of EUR)	*Year ended December 31*	
	2012	**2011**
Proceeds receivable arising from the sale of MCCN assets and contracts	399	977
Available for sale investments	439	423
Long term guarantee paid in cash	119	61
Participations accounted for using the equity method	61	0
Total	**1 019**	**1 461**
of which current	86	327
of which non-current	933	1 134

(thousands of EUR)					*Year ended December 31*	
Proceeds receivable arising from the sale of MCCN assets and contracts	**2012**			**2011**		
	Current	**Non current**	**Total**	**Current**	**Non current**	**Total**
Fix proceeds receivable arising from sale of MCCN assets and contracts	0	0	0	118	0	118
Contingent proceeds receivable arising from sale of MCCN assets and contracts	86	313	399	209	650	859
Total	**86**	**313**	**399**	**327**	**650**	**977**

In 2009 Zenitel sold MCCN network assets and contracts. The proceeds of this sale consisted of a fixed and a contingent part, which is billable in the period from October 2009 till September 2014. The contingent part of the proceeds are valued at fair value through profit and loss. The key assumption in the fair value assessment is that there will neither be growth nor churn in the number of network users contained in the sold MCCN customer contracts during the period from October 2009 till September 2014. In 2012 this assumption is still valid and therefore no fair value adjustments through profit and loss have been performed in 2012 (neither in 2011).

(thousands of EUR)	*Year ended December 31st*	
Available for sale investments	**2012**	**2011**
At the beginning of the year	**423**	**421**
Acquisition	0	0
Disposals	0	0
Net foreign currency exchange differences	16	2
At the end of the year	**439**	**423**

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

(thousands of EUR)	*Year ended December 31st*	
The breakdown of the outstanding balance is as follows:		
- TETRANET(Denmark):	116	116
- BNSC - Beijing Nera Stentofon Comm. Equipment (China):	324	307
Total	**439**	**423**

The available-for-sale investments are accounted at fair value. Fair values are assessed on a regular basis and at the end of 2012, no objective evidence indicates that available-for-sale investments are impaired.

(thousands of EUR)	*Year ended December 31st*	
Participations accounted for using the equity method	**2012**	**2011**
At the beginning of the year	0	0
Acquisition	42	0
Share of profit / (loss) from equity accounted investments	16	0
Disposals	0	0
Net foreign currency exchange differences	3	0
At the end of the year	**61**	**0**

The acquisition in 2012 consists of a 33.3% share of the Group in StentofonBaudisch GmbH, a joint venture of Zenitel Norway AS, Baudisch GmbH and Scanvest GmbH. There are neither contingent liabilities, contingent assets nor capital commitments relating to this joint venture.

20. INVENTORIES

(thousands of EUR)	*Year ended December 31st*	
	2012	**2011**
Raw material	902	587
Goods purchased for resale	6 857	6 283
Total inventories	**7 759**	**6 870**

Total inventory write-offs amounted to 0.6 million euro in 2012 (0.5 million euro in 2011).
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*	
	2012	**2011**
At the beginning of the year	**968**	**700**
Contract costs incurred plus recognized profits less recognized losses to date	8 068	8 127
Less: progress billings during the year	-9 526	-8 898
Net foreign currency exchange differences	49	2
Advances received from customers and included in ‘other payables’	1 228	1 037
At the year end	**787**	**968**

With respect to contracts in progress, the revenue recognition occurs according to the Percentage of Completion Method. In 2012 the total contract revenue recognized amounted to 8.1 million euro. (2011: 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*	
	2012	**2011**
Trade receivables	13 821	15 113
Allowance for doubtful debts	-1 090	-980
Total	**12 731**	**14 133**
OTHER RECEIVABLES		
Tax receivables, other than income tax	581	393
Income tax receivable	90	9
Other receivables	85	220
Total Other receivables	**757**	**622**
Total trade and other receivables	**13 488**	**14 755**

The total amount of trade receivables is presented after deduction of a bad debt allowance of 1.1 million euro (2011: 1.0 million euro).

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

			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 360 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**

			Of Which:							
	Gross amount as at 31 Dec 2011	**Of which: not past due on the reporting date**	**Past due less than 30 days**	**Past due between 30 and 59 days**	**Past due between 60 and 89 days**	**Past due between 90 and 179 days**	**Past due between 180 and 359 days**	**Past due more than 360 days**	**Valuation allowance for doubtful debtors**	**Net carrying amount as at 31 December 2011**
Trade receivables	15 113	8 989	3 536	1 119	552	318	201	398	-980	14 133
Tax receivables, other than income tax	393	393	0	0	0	0	0	0	0	393
Income tax receivable	9	9	0	0	0	0	0	0	0	9
Other receivables	220	167	48	0	0	0	0	5	0	220
Total	**15 735**	**9 558**	**3 584**	**1 119**	**552**	**318**	**201**	**403**	**-980**	**14 755**

The average credit period on sales of goods and services is 76.5 days (2011: 70.9 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	**2012**	**2011**
Balance at beginning of the year	-980	-982
Amounts written off during the year	-21	72
Amounts recovered during the year	-80	-40
Decrease / (Increase) in allowance recognized in profit or loss	-18	-117
Translation difference	9	87
Balance at end of year	**-1 090**	**-980**

In determining the recoverability of a trade receivable, the Group considers periodically any change in the credit quality of the trade receivable from the date credit was originally granted up to the reporting date. Concentration of credit risk with respect to trade receivables is limited due to the Group's large number of customers who are internationally dispersed. The two largest customers account for approximately 5.1% and 3.1% respectively of Group net sales. There is no other significant concentration of credit risk. Therefore, management is of the opinion that inherent credit risk in the group's receivables is limited. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debtors.

23. CASH AND CASH EQUIVALENTS

(thousands of EUR)	Year ended December 31st	
	2012	**2011**
Cash at bank and in hand	4 374	3 746
Short term bank deposit	601	548
Total cash and cash equivalents	**4 975**	**4 294**

The weighted average effective interest rate on short-term bank deposits amounted to 0.74 % (2011: 0.92%).

24. TRADE AND OTHER PAYABLES

(thousands of EUR)	Year ended December 31st	
	2012	**2011**
Trade payables	**8 792**	**8 513**
Remuneration & staff related liabilities	3 923	3 936
Accrued expenses	1 903	2 503
Advances received on contracts	1 228	1 036
Other	1 086	1 336
Other payables	**8 140**	**8 811**
Total trade and other payables	**16 932**	**17 324**

25. BORROWINGS

(thousands of EUR)	Year ended December 31st	
	2012	**2011**
Non-current		
Bank borrowings	5 463	7 315
Finance lease liabilities	185	172
	5 648	**7 487**
Current		
Used factoring facility	1 720	1 923
Bank overdraft	370	0
Shareholders' loans	0	1 000
Current installment of long term loan	2 148	1 041
Finance lease liabilities	21	24
	4 259	**3 988**
Total borrowings	**9 907**	**11 475**

(thousands of EUR)	*Year ended December 31st*	
The weighted average interest rates per year amounts to (%):	**2012**	**2011**
Leasing	4.80	5.00
Shareholders' loan	3.30	4.19
Bank borrowings LT	5.39	5.53
Used factoring facility	4.64	4.72

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 2012			*31st December 2011*		
	Total future payments	**Unexpired interest expenses**	**Present value**	**Total future payments**	**Unexpired interest expenses**	**Present value**
Not later than one year	2 613	465	2 148	2 558	517	2 041
Between one and five years	5 988	525	5 463	8 339	1 024	7 315
Later than five years	0	0	0	0	0	0
Total	**8 601**	**990**	**7 611**	**10 897**	**1 541**	**9 356**

The financial lease liabilities are payable as follows :

	31st December 2012			*31st December 2011*		
	Total future payments	**Unexpired interest expenses**	**Present value**	**Total future payments**	**Unexpired interest expenses**	**Present value**
Not later than one year	26	5	21	29	5	24
Between one and five years	103	19	84	95	17	78
Later than five years	124	23	101	115	21	94
Total	**253**	**47**	**206**	**239**	**43**	**196**

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 as from March 2013 till September 2015. The applied interest rate amounts to EURIBOR + 3%. These bank borrowings are secured by a pledge on Zenitel NV's receivables, shares of certain subsidiaries and the eventual proceeds of future divestments.

In 2007, a long term loan of 5 million euro was established. This borrowing is subordinated towards the other bank debts and the interest rate amounts to 6.0%. In 2012 a second installment of one twelfth of the loan was paid so that 4.2 million euro is outstanding at year end 2012. The next installments amount to 1.0 million euro each and they are due in the month of June of 2013 till 2016.

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

The term of the loans, closed in Antillean guilders, are 3 to 6 years. 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 locally finance its investments.

In 2004, Zenitel NV/SA took over a loan from its Danish subsidiary. This loan was for an amount of DKK 12 million. Repayment occurs every 3 months for 1.25% of the initial loan amount. The final settlement will occur as per 30 September 2014. The outstanding amount as per 31 December 2012 is 1.0 million euro. The interest rate equals the interest on the international inter banks' currency markets plus 3.75%.

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 2012, 1.7 million euro of this credit facility was used against 1.9 million euro as per 31 December 2011. The interest rate on this facility on average amounted to 4.7% in 2012 (6.1% in 2011). At the same time, a credit line up to a maximum of NOK 15 million is available. As per year end 2012, 0.4 million euro of this credit facility was used (nihil at year end 2011).

The total credit lines held by the Company amount to 12.1 million euro (2011: 13.4 million euro).

In addition, the company also holds lines for bank guarantees at different credit institutions for in total almost 2.6 million euro (2011: 8.3 million euro) of which 2.2 million euro (2011: 2.4 million euro) are used to secure the completion of customer contracts. 0.4 million euro (2011: 1.6 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 legal, fiscal and economic conditions of each country. Benefits are dependent on years of service and respective employee's compensation and contribution.

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

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

(thousands of EUR)	2012	2011
Opening retirement benefit obligation	**2 032**	**712**
Transfer from restructuring provision	0	2 005
Additions to provisions	127	383
Payments	-337	-1 089
Reversal of provisions	-550	-12
Retirement benefit obligations disposed of as a result of divestments	0	0
Exchange differences	0	33
Retirement benefit obligation at end of year	**1 272**	**2 032**
Non-current	993	1 725
Current	279	307
	1 272	**2 032**

Before 2011, early retirement obligations that arose during the restructuring operations of 2009 and before, were included in the restructuring provisions of these consolidated financial statements. As from 2011, the early retirement obligations are presented as pension obligations instead of restructuring obligations. The total amount of 2.0 million euro that was included in the restructuring provision per year end 2010, is presented in the transfer line of the schedule above.

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 by 0.6 million euro. This reversal was posted as a non-recurrent item in the consolidated provision 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*	
	2012	**2011**
Present value of funded obligations	3 019	5 219
Fair value of plan assets	-2 760	-3 935
Funded status	**259**	**1 285**
Present value of unfunded obligations	1 176	1 394
Unrecognized actuarial gains (losses)	-651	-647
Unrecognized past service (cost) benefit	488	0
Net Liability	**1 272**	**2 032**
Amounts recognized in the balance sheet		
Recognized as non current liability / retirement benefit obligations	993	1 725
Recognized as current liability / retirement benefit obligations	279	307
Net Liability	**1 272**	**2 032**

The amounts recognized in the income statements are as follows:

	2012	**2011**
Current service cost	101	120
Interest costs	314	341
Expected return on plan assets	-180	-160
Amortization of past service cost	0	3
Net actuarial losses recognized in year	0	41
Gain on curtailment	-514	0
Settlement gain	0	0
Total pension costs	**-279**	**345**
Actual return on plan assets	**258**	**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:

	2012	**2011**
Opening defined benefit obligation	**6 613**	**7 506**
Service cost	101	120
Interest cost	314	341
Plan participants' contributions	41	44
Actuarial losses (gains)	237	-69
Expenses paid	-16	-485
Losses (gains) on curtailments	-2 654	0
Liabilities extinguished on settlements	0	0
Exchange differences on foreign plans	58	84
Benefits paid	-499	-927
Closing defined benefit obligation	**4 195**	**6 613**

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

(thousands of EUR)	2012	2011
Opening fair value of plan assets	**3 935**	**3 958**
Expected return	180	160
Actuarial gains and (losses)	78	61
Contributions by employer	454	579
Plan participants' contributions	41	44
Expenses paid	0	0
Divestiture	-1 462	0
Exchange differences on foreign plans	33	60
Benefits paid	-499	-927
Closing fair value of plans assets	**2 760**	**3 935**

The group expects to contribute 0.3 million euro to its defined benefit pension plans in 2013.

(thousands of EUR)			*Year ended December 31st*
	2012	**2011**	**2010**
Defined benefit obligation	-3 019	-5 219	-5 393
Plan assets	2 760	3 935	3 958
Surplus/(deficit)	**-259**	**-1 285**	**-1 435**
Experience adjustments on plan assets	78	61	116
Experience adjustments on plan liabilities	0	69	-666

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

	Expected return		Fair value of plan assets	
	2012	**2011**	**2012**	**2011**
	%	**%**	**EUR'000**	**EUR'000**
Equity instruments	0.00	0.00	0	0
Debt instruments	3.10	2.05	1 903	1 791
Real estate	0.00	0.00	0	0
Other	0.98	4.22	857	2 144
Weighted average expected return	**2.44**	**3.23**	**2 760**	**3 935**

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:

	2012	2011
Weighted average assumptions to determine benefit obligations	%	%
Discount rate	2.67	5.00
Rate of compensation increase	2.90	4.00
Rate of price inflation	2.26	2.00
Weighted average assumptions to determine the net costs	%	%
Discount rate	4.97	5.00
Expected long term rate of return on plan assets during the financial year	4.19	4.25
Rate of compensation increase	3.42	4.50
Rate of price inflation	1.99	2.00

27. PROVISIONS

(thousands of EUR)	Restructuring	Technical Guarantees	Other	Total
Balance at January 1, 2011	**2 600**	**651**	**3 521**	**6 772**
Additions to provisions	187	134	568	889
Utilization	-355	-3	-311	-669
Reversal of provisions	-206	-106	-441	-753
Transfer to pension provisions	-2 005	0	0	-2 005
Exchange differences	2	2	0	4
Balance at December 31, 2011	**223**	**678**	**3 337**	**4 238**
Non-current	0	0	585	585
Current	223	678	2 752	3 653
	223	**678**	**3 337**	**4 238**
Balance at 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
Balance at 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**

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. In 2011 2.0 million euro restructuring provisions were transferred to the pension provisions, since they all relate to early retirement obligations.

Technical Guarantees

The Group recognizes the estimated liability to repair or replace its products still under warranty at the balance sheet date. This provision is calculated based on the past history of 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 an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

(in thousands of EUR)	*31 December 2012*		*31 December 2011*			
	Carrying value	**Fair value**	**Carrying value**	**Fair value**	**Level**	**Balance sheet caption**
Financial assets at fair value through profit or loss	**399**	**399**	**859**	**859**		
Proceeds from sale of MCCN - contingent part	399	399	859	859	3	Financial assets
Non hedging derivatives	0	0	0	0	2	Financial assets
Financial assets available for sale	**439**	**439**	**423**	**423**		Financial assets
Available for sale investments	439	439	423	423	3	Financial assets
Loans and receivables	**12 996**	**12 996**	**14 532**	**14 532**		
Proceeds from sale of MCICN - fix part	0	0	118	118	3	Financial assets
Long term guarantees paid in cash	119	119	61	61	3	Financial assets
Other financial assets	61	61	0	0	3	Financial assets
Trade receivables	12 731	12 731	14 133	14 133	3	Trade and other receivables
Credits to receive from suppliers	0	0	0	0	3	Trade and other receivables
Other receivables	85	85	220	220	3	Trade and other receivables
Financial liabilities at amortized cost	**26 839**	**26 839**	**28 799**	**28 799**		
Interest bearing loans and borrowings	9 907	9 907	11 475	11 475	3	Interest bearing loans and borrowings LT and ST
Trade payables	8 792	8 792	8 513	8 513	3	Trade and other payables
Other payables	8 140	8 140	8 811	8 811	3	Trade and other payables

Net fair values of derivative financial instruments

The derivatives are not part of a hedging relationship that qualifies for hedge accounting. Consequently, changes in fair value are recognized in the income statement. As per year end 2012 and 2011 there were no forward exchange contracts outstanding.

29. CONTINGENCIES

During the normal course of business, the Company and its subsidiaries are party to various legal claims and complaints resulting in contingent liabilities with uncertainty on timing and/or amount. The contingent liabilities relate to possible obligations in respect of old projects, environmental issues, warranties given and employment matters. No further overview or quantifications of the contingencies are being disclosed, since it is not practicable 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*	
	2012	**2011**
Not later than 1 year	2 882	2 845
Later than 1 year and not later than 5 years	8 740	6 925
Later than 5 years	64	278
Total	**11 686**	**10 048**

Lease payments recognized in the income statement for the current period amount to 2.9 million euro (2011: 2.8 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*	
	2012	**2011**
Not later than 1 year	1 890	1 788
Later than 1 year and not later than 5 years	7 559	7 224
Later than 5 years	0	0
Total	**9 448**	**9 012**

Lease payments recognized in the income statement for the current period amount to 1.8 million euro (2011: 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, 2010	16 441 309	113 113	16 554 422
On December 31, 2011	16 441 309	113 113	16 554 422
On December 31, 2012	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, 2012 EUR 25,274,723.

Warrants were granted in the past to Directors and to employees. However there are no warrants outstanding anymore as at year end 2012.

32. CASH FLOWS FROM OPERATING ACTIVITIES

(thousands of EUR)		*Year ended December 31st*	
	Notes	**2012**	**2011**
Net profit / (Loss) for the year		**883**	**549**
Adjustments for :			
Income tax expense recognized in profit or loss	12	94	63
Finance cost recognized in profit or loss	10	909	953
Investment revenue recognized in profit or loss	9	-56	-75
Loss / (gain) on disposal of business	3	0	0
Impairment loss recognized on trade receivables		18	117
Impairment loss recognized on inventory	20	608	534
Depreciation and amortization of non-current assets	15,16,17	1 829	1 789
Impairment of goodwill recognized in profit or loss		0	0
Development costs expensed	8	2 044	1 856
		6 329	**5 786**
Movements in working capital:			
(Increase) / decrease in trade and other receivables		1 285	498
(Increase) / decrease in inventories		-281	1 642
(Increase) / decrease contract work in progress		182	-269
(Increase) / decrease in other assets		334	103
Increase / (decrease) in trade and other payables		-391	704
Increase / (decrease) in provisions		-670	-2 534
Increase / (decrease) in tax liabilities		290	-244
		749	**-100**
Cash generated from operations		**7 078**	**5 686**

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 63K euro per year.

		Year ended December 31st	
	Note	**2012**	**2011**
Receivables from related parties (thousands of EUR)		511	764
Director's remuneration (thousands of EUR)*		178	150
WARRANTS GRANTED TO DIRECTORS (number)			
- Non executives		-	-
- Executives		-	-
SHAREHOLDER LOAN (thousands of EUR)	25	0	1 000
KEY MANAGEMENT - AVERAGE FTE		2.0	2.0

	Year ended December 31st	
KEY MANAGEMENT REMUNERATION (thousands of Euro)*		
Short term employee benefits	605	605
Post-employment benefits	15	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)**	**620**	**620**

The CEO's total remuneration package for 2012 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 taking into account 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

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

Voting interests equal ownership

On September 2nd, 2010, NRSFRANCE SA (previously called Zenitel Wireless France SA) was put into judicial liquidation by the commercial court of Thionville in France. Since control of NRSFRANCE SA was taken over by the judicial liquidator, the Company has been deconsolidated.

On December 23, 2011, Zenitel Norway AS founded together with Scanvest GmbH and Baudisch Electronic GmbH a joint venture.

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. EVENTS AFTER THE REPORTING PERIOD

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 2012

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 balance sheet as at 31 December 2012, the consolidated profit and loss statement for the year ended 31 December 2012 and the explanatory notes, as well as the required additional information.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS – UNQUALIFIED OPINION

We have audited the consolidated financial statements of the company Zenitel NV for the year ended 31 December 2012, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which show a balance sheet total of 41.030 kEUR and a consolidated profit for the year of 883 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

In our opinion, the consolidated financial statements of the company Zenitel NV as of 31 December 2012 give a true and fair view of the net assets and financial position of the group as at 31 December 2012, 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 balance sheet items 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, 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 2013

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*	
	2012	**2011**
Fixed Assets	**43 476**	**43 575**
Formation expenses	0	62
Intangible assets	0	1
Tangible assets	13	42
Financial Assets	43 464	43 471
Current assets	**2 040**	**2 746**
Amounts receivable more than one year	413	575
Amounts receivable within one year	1 270	1 838
Cash at bank and in hand	322	309
Deferred charges and accrued income	34	24
Total	**45 516**	**46 322**
Equity & Liabilities	*Year ended December 31st*	
Capital and reserves	**23 260**	**23 263**
Issued capital	25 275	25 275
Share premium account	28 726	28 726
Reserves	32 605	32 605
Loss carried forward	-63 345	-63 342
Provisions, deferred taxation	**4 499**	**4 740**
Pensions and similar obligations	944	1 668
Other liabilities and charges	3 555	3 072
Creditors	**17 758**	**18 319**
Amounts payable after one year	5 326	7 115
Amounts payable within one year	12 295	10 981
Current portion of amounts payable after one year	1 789	497
Financial debt	1	1 000
Suppliers	747	2 032
Taxes, remuneration and social security	68	195
Other amounts payable	9 563	7 256
Accrued charges and deferred income	136	224
Totals	**45 516**	**46 322**

INCOME STATEMENT AND RESULT APPROPRIATION

(thousands of EUR)	*Year ended December 31st*	
	2012	**2011**
Operating income	**4 562**	**4 583**
Turnover		-
Other operating income	4 562	4 583
Operating Charges	**-4 675**	**-5 442**
Services and other goods	-3 895	-5 664
Remuneration, social security costs and pension costs	-999	-840
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	-91	-212

(thousands of EUR)	*Year ended December 31st*	
Increase (-); decrease (+) in provisions for obsolete inventory and doubtful customer receivables	-32	-70
Increase (-); decrease (+) in provisions for liabilities and charges	343	1 345
Other operating charges	0	0
Operating profit / (loss)	**-113**	**-859**
Financial income	**152**	**634**
Income from financial fixed assets	42	492
Income from current assets	8	8
Other financial income	101	134
Financial charges	**-974**	**-4 581**
Interest and other debt charges	-503	-624
Write-offs of current assets excluding inventory and customer receivables: addition (-); reversal (+)	0	9 214
Other financial charges	-471	-13 171
Profit / (loss) on ordinary activities before taxes	**-935**	**-4 806**
Extraordinary income	**1 351**	**1 142**
Reversal of provisions for exceptional risks and charges	351	452
Other extraordinary income	1 000	690
Extraordinary charges	**-422**	**-815**
Provisions for extraordinary liabilities and charges (increase: -, decrease: +)	-422	-804
Other extraordinary charges		-11
Profit / (loss) for the period before taxes	**-5**	**-4 478**
Income taxes	2	0
Income taxes (-)	0	-2
Adjustment of income taxes & write-back of tax provisions	-2	2
Profit / (loss) for the period	-3	-4 478
Profit / (loss) for the period available for appropriation	**-3**	**-4 478**
Profit / (loss) to be appropriated	**-63 345**	**-63 342**
Profit / (loss) for the period available for appropriation	-3	-4 478
Profit / (loss) brought forward	-63 342	-58 864
Profit / (loss) to be carried forward	-63 345	-63 342

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

These financial statements were prepared in conformity with the accounting and reporting laws and regulations applicable in Belgium ("Belgian GAAP"). The statutory auditor of Zenitel NV has issued an unqualified opinion with an emphasis of matter paragraph.

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

DIVIDEND POLICY

In view of the losses realized in the fiscal years before 2012, 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 2012 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 2012 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.

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The Annual Report 2012 is also available on www.zenitel.com (investor relations > financial reports) as from 21 March 2013. Het jaarverslag 2012 is ook verkrijgbaar in het Nederlands op www.zenitel.com (investor relations > financial reports) vanaf 21 March 2013.

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 2012, 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
CEO

Glenn Wiig
CFO

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