zenitel

ANNUAL REPORT 2014

when communication is critical

THE ZENITEL GROUP

OUR GROUP

Zenitel has firmly established itself at the intersection of two domains - communication on the one hand, security and safety on the other. As a leading player in instant audio and data communication, Zenitel is the preferred choice in situations that involve the protection of human lives, or the management of critical activities. Zenitel is organized into two key segments: Secure Communications (Zenitel's own Intercom and Public Address Solutions, Radio systems and Third-Party Products), and Network Services.

Zenitel has a strong presence in both the on-shore and off-shore secure communications market through its global brand, Vingtor-Stentofon. The brand is recognized globally for offering advanced off-shore and on-shore communication systems. Vingtor-Stentofon provides integrated security communications for environments where life, property and assets are at stake. Systems interface with other security devices including CCTV, access control and alarm for a comprehensive security solution. Vingtor-Stentofon's primary system offering is within Public Address, Intercom and Radio. The key segments include: Building Security & Public Safety, Transportation, Industrial, Oil & Gas and Maritime.

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.

VISION

«The world leading provider of critical communication solutions»

MISSION

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

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.

BRANDS

zenitel

VINGTOR STENTOFON

ChuChubi TRUNKING

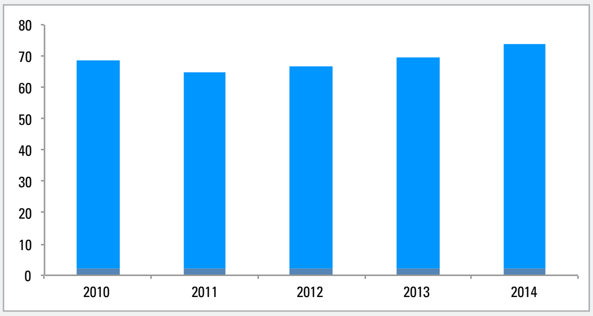
For more information visit: www.zenitel.com

CONTENTS

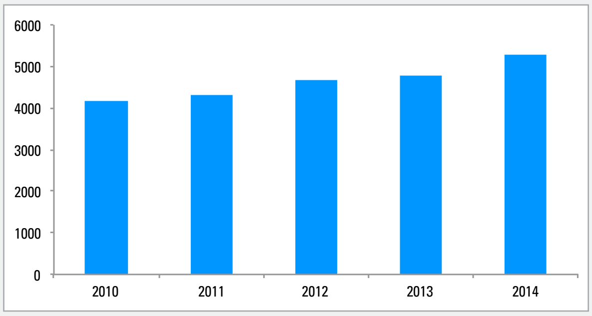
(1) These chapters form an integral part of the Report of the Board of Directors and contain the information required by the Belgian Company Code.

CONSOLIDATED KEY FIGURES

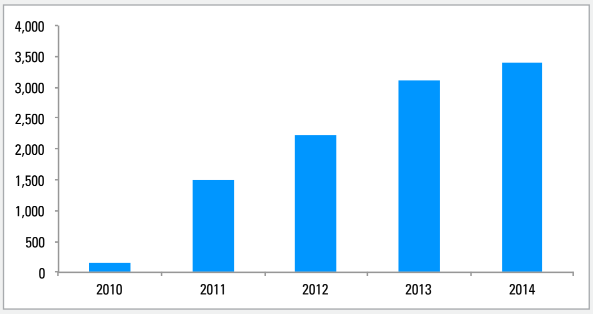
Revenue increase of 6.4 % to € 71.7 million in 2014



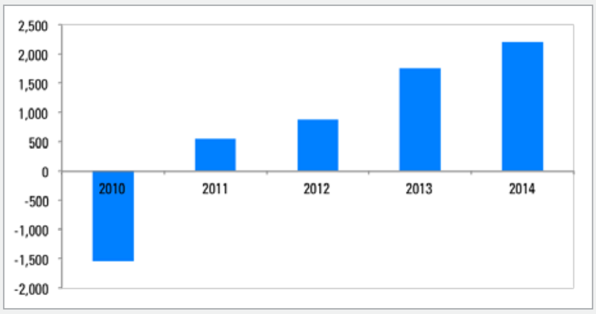
EBITDA of € 5.3 million in 2014 against € 4.8 million in 2013



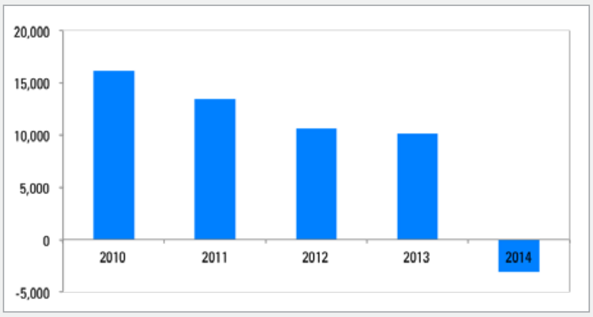
EBIT of € 3.4 million in 2014 against € 3.1 million in 2013



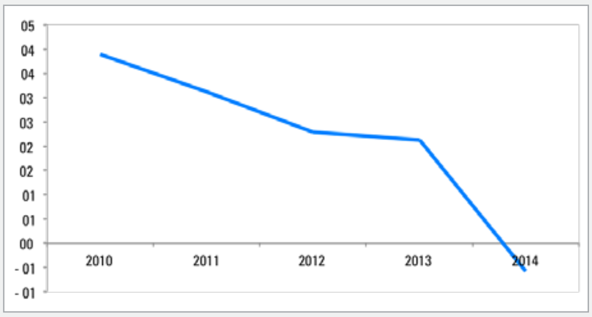
Net result of € 2.2 million in 2014 against € 1.8 million in 2013



Net debt and provisions decreased with € 13.2 million to € -3.1 million



Net debt and provisions equals -0.6 times ebitda (2.1 In 2013)



NB! All values in euro.

CONSOLIDATED KEY FIGURES

THOUSANDS OF EUR	**2014**	**2013**	**2012**	**2011**	**2010**
FROM CONSOLIDATED STATEMENT OF PROFIT OR LOSS					
Revenue	71 738	67 403	64 706	62 977	66 390
Profit before tax	2 436	1 877	977	612	181
Profit of the year	2 214	1 761	883	549	-1 538
FROM STATEMENT OF FINANCIAL POSITION					
Total assets	47 904	37 771	41 030	41 221	42 712
Shareholders' equity	21 229	6 884	7 845	5 862	5 262
Working capital	3 362	2 473	1 238	2 171	2 210
Total financial debt [2]	2 195	9 365	9 907	11 475	12 809
Total provisions [3]	4 316	4 664	5 762	6 270	7 484
Cash and cash equivalents	9 578	3 901	4 975	4 294	4 113
ALTERNATIVE PERFORMANCE MEASURES					
EBITDA [1]	5 295	4 770	4 679	4 313	4 157
Operating profit (EBIT)	3 395	3 115	2 221	1 501	147
RATIOS					
Shareholder's equity ratio	44.3%	18.2%	19.1%	14.2%	12.3%
Net debt (4) / EBITDA	-1.4	1.1	1.1	1.7	2.1
Net debt (4) and provisions (3) / EBITDA	-0.6	2.1	2.3	3.1	3.9
Weighted average number of shares (in thousands)	33 108	16 441	16 441	16 441	16 441
Shareholder's equity/share (EUR)	0.64	0.42	0.48	0.36	0.32
Earnings/share (EUR)	0.07	0.11	0.05	0.03	-0.09
ROCE[5]	28.5%	30.2%	20.9%	13.2%	1.2%
OTHER KEY FIGURES					
Personnel	309	270	249	246	282

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

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

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

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

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

DEAR SHAREHOLDERS

2014 has been another good year for Zenitel. Our team remains dedicated and loyal to the strategic plan that was made back in 2012. In addition to another year of profitable growth, Zenitel successfully completed a capital increase in June 2014 and the company became debt free.

Some financial highlights:

- Total revenue amounted to 71.7 million euro, up 6.4 % from 2013.
- EBITDA was 5.3 million euro, up from 4.8 million euro last year.
- EBIT amounted to 3.4 million, up 9.0 % from 2013.
- Net profit was 2.2 million euro, against 1.8 million euro last year, an increase of 25.7%.
- Zenitel is debt free and provisions are down to 4.3 million compared to 4.6 million in 2013.

In the first half of the year, we planned and executed a capital increase aiming to double the nominated share capital. Each shareholder was given the right to

A GOOD YEAR: **From the left:** Kenneth Dåstøl (CEO) and Eugeen Beckers (Chairman) are proud to report a profitable year with a revenue increase of 6.4%, growth.

acquire one new share for one existing share. The plan closed successfully at the end of the first half year.

As a direct impact of the capital increase, Zenitel paid off all of its existing Belgian bank debts and shareholder's loans and became debt free. In June Zenitel also acquired the assets of Etronic, a strategic supplier based in Denmark, to secure future deliveries in the Marine Market and to help Zenitel to further improve its margins. Furthermore, Zenitel has available funds to consider internal and/or external future growth opportunities.

industry. The launch of the EXIGO PA/GA system as well as the introduction of new heavy industry intercom stations and PA panels have allowed us to deliver new solutions to both existing and new customers in the marine, onshore and offshore markets.

We are focused on creating value for our shareholders. Our loyal customer base together with our existing and new modern product platforms continue to give us the revenue growth that we are aiming for. By being focused on profitable growth and carefully managing our expenses we further grow our EBITDA and net results.

«We have been focusing on building one Global integrated organization and therefore have merged our two well-known brands, Vingtor for the Marine Market and Stentofon for the onshore market, into one common brand Vingtor-Stentofon.»

The uncertain European and global economic environment has remained the same during the last two to three years. At the end of the year the economy also experienced a dramatic drop in oil prices, however it is too early to say what the impact would be on the future business of the company. The commitment of our employees, and of our partners and customers around the world, has allowed Zenitel to continue delivering profitable top line growth under challenging circumstances. We stayed focused on our strategy, continued to bring new state of the art products to the market and expanded our operations as well as the size of our company.

In January 2014 we won an important Frame Agreement with Statoil, the biggest Norwegian oil company, whereby they intend to install the Zenitel EXIGO PA/GA system in their new and existing installations in the coming years. The new EXIGO PA/GA system is also delivered and installed to many customers in the Maritime

As the worldwide market place is very price sensitive, we have launched a cost reduction program some years ago in order to preserve our gross margin. Our strategy has been to replace hardware with software solutions based on our future proofed IP product portfolio. The product rationalization and operational efficiency programs are key elements that we constantly monitor to improve operational efficiency and to further reduce our costs. Based on these initiatives we have been able to modestly increase our margins during last year.

We have been focusing on building one Global integrated organization and therefore have merged our two well-known brands, Vingtor for the Marine Market and Stentofon for the onshore market, into one common brand Vingtor-Stentofon. This change provides simplicity for new customers, strengthens our existing partners, reduces complexity in stock, maximizes operational efficiency and simplifies the understanding of the company's product offerings.

The Zenitel group is debt free since June 2014 and reports an excess cash of 7.4 million euro. The working capital level has increased with 0.9 million euro due to growth in our revenues, especially related to large projects in the Oil & Gas segment. Our provisions have further decreased by another 0.3 million euro. The ratio of Net debt and provisions over EBITDA decreased from 3.9 at the end of 2010 to 2.1 at the end of 2013. At the end of 2014 this figure was – 0.6.

In line with our strategy and with the goals that we have set ourselves, we remain focused on meeting our targets and growing our business. During 2014 we have opened a branch in Dubai to serve all clients in that region. In the coming years, we will continue expanding our geographical footprint, opening new branches closer to our customers. We remain focused on the execution of our strategy and believe we are well positioned to meet and overcome tomorrow's challenges to grow our company.

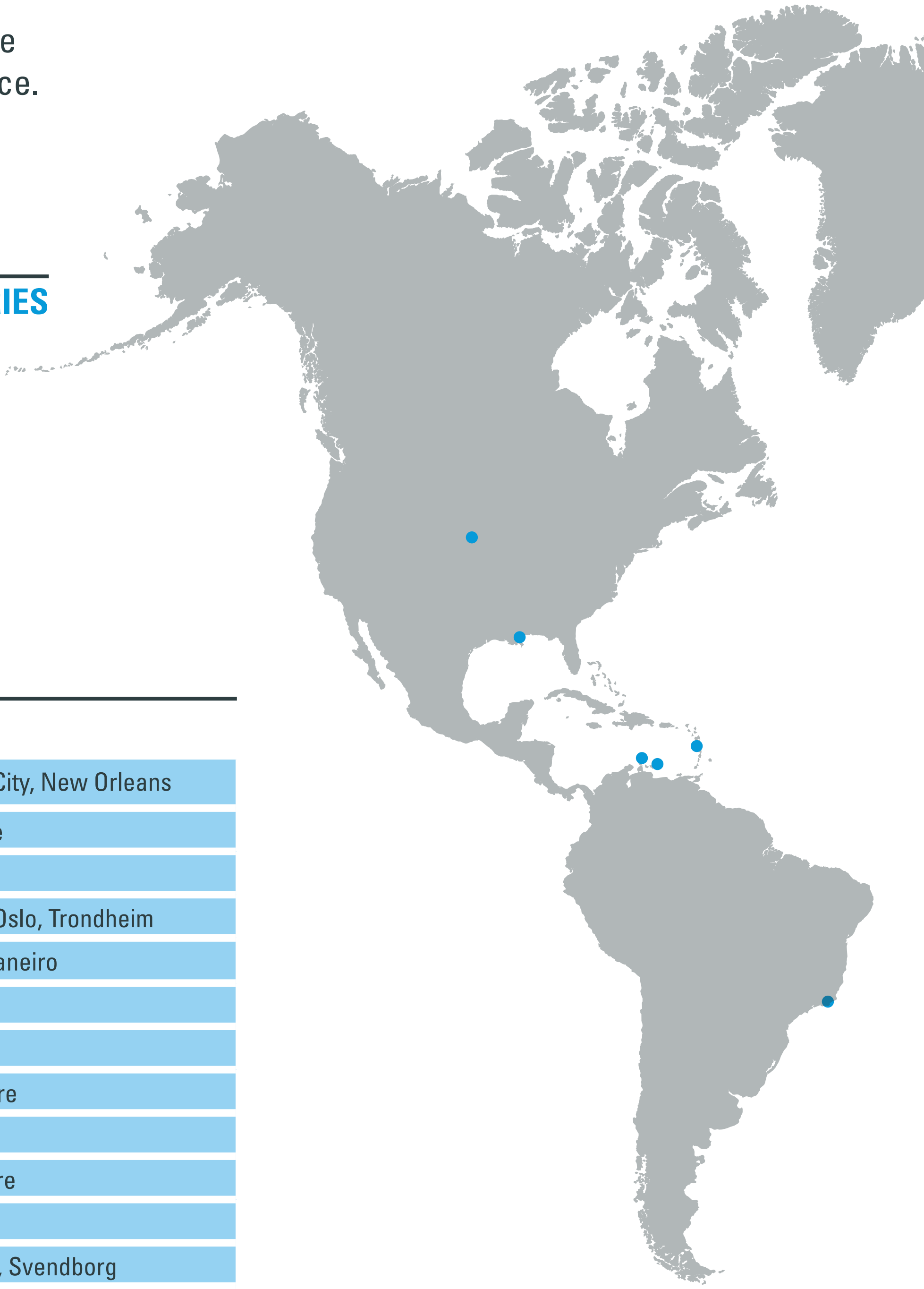
Finally we like to take the opportunity to extend our thanks and gratitude to our employees for their efforts and dedication, to our management and our Board of Directors for their commitment, and to our shareholders and customers for their faith and trust in Zenitel.

Beckers Consulting BVBA
Eugeen Beckers
Chairman

Kenneth Dåstøl
CEO

OUR WORLDWIDE PRESENCE

We expand, we grow and we aim to have a global precence.



REPRESENTED IN COUNTRIES

18

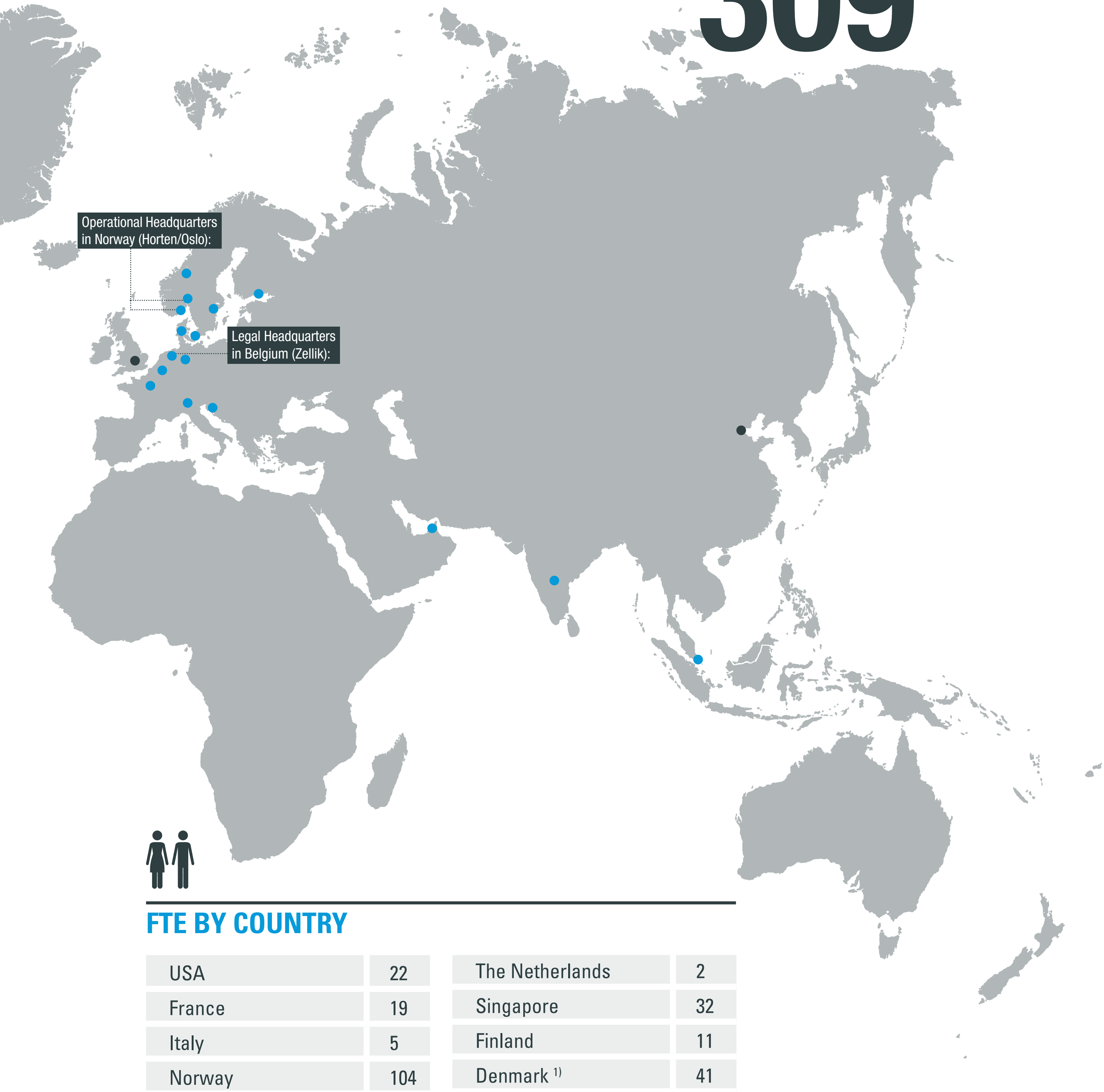
OFFICE LOCATIONS

USA	Kansas City, New Orleans
France	Nanterre
Italy	Milan
Norway[2]	Horten, Oslo, Trondheim
Brazil	Rio de Janeiro
Croatia	Opatija
Germany	Aurich
India	Bangalore
The Netherlands	Almere
Singapore	Singapore
Finland	Espoo
Denmark	Brøndby, Svendborg
Caribbean	Curaçau, Aruba, Sint-Maarten
Belgium[1]	Zellik
United Arab Emirates	Dubai
Sweden	Stockholm
United Kingdom[3]	Crawley
China[2]	Beijing

[1] Legal Headquarter [2] Operational Headquarter in Horten and Oslo, [3] Related offices.

EMPLOYEES WORLDWIDE

309



FTE BY COUNTRY

USA	22	The Netherlands	2
France	19	Singapore	32
Italy	5	Finland	11
Norway	104	Denmark [1)]	41
Brazil	3	Caribbean	33
Croatia	27	Belgium	2
Germany	2	United Arab Emirates	2
India	3	Sweden	1

[1)] Zenitel Denmark: 22, Zenitel Etronic: 19

TURBINE INDUSTRIAL: TFIE-1 Industrial Intercom Station designed for harsh environments.

OUR BUSINESS

Zenitel is a company in continuous growth. We invest in the future with attention to innovative technology and to our employees' personal development.

OVERVIEW

Zenitel is recognized globally for offering advanced offshore and onshore communications. Vingtor-Stentofon's primary system offerings are Public Address, Intercom and Radio. Markets include: Building Security and Public Safety, Transportation, Industrial, Oil and Gas, and Maritime. Systems interface with other security devices including CCTV, access control and alarm for a comprehensive security solution.

VALUING OUR PEOPLE

We foster our company culture through continued enhancement of our workforce, driven by innovation, technology and personal development. We value teamwork and promote ongoing training programs and career path development. With a dynamic mix of new and experienced 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 a significant asset in our efforts to attract the most qualified people in the industry.

OUR RESPONSIBILITY TOWARDS

OUR CUSTOMERS

Customer care and professionalism is extremely important for us in maintaining superior customer service. Consistent quality control, investments in type approvals and certifications, and surveys measuring customer satisfaction, all underline our strategy to build strong, sustainable customer relationships. A newly established global Customer Service Center takes our responsibility towards customers a major step further.

OUR SUPPLIERS

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

OUR ENVIRONMENT

Zenitel products are produced according to environmental standards such as RoHS and other European Directives as well as Waste Electrical and Electronic Equipment Directives. Zenitel complies with the IMO resolution (A.962 Clean Design/Green Passport) by documenting all materials in a 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 that proven, reliable communication systems are vital. This is Zenitel's most significant contribution, helping to ensure a safe and secure environment protecting life, property and assets.

OUR PERSONNEL

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

OUR SHAREHOLDERS

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

OUR BRANDS

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

Vingtor-Stentofon is recognized globally for offering advanced off-shore and on-shore communications. The brand provides integrated security communications for environments where life, property and assets are at stake. Vingtor-Stentofon's primary system offering is within Public Address, Intercom and Radio.

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

www.zenitel.com

OUR MARKETS

The markets Zenitel works in stand out as demanding environments where the Vingtor-Stentofon solutions compliment your efficiency and contribute to make you, your property and assets safer and more secure.

MARITIME

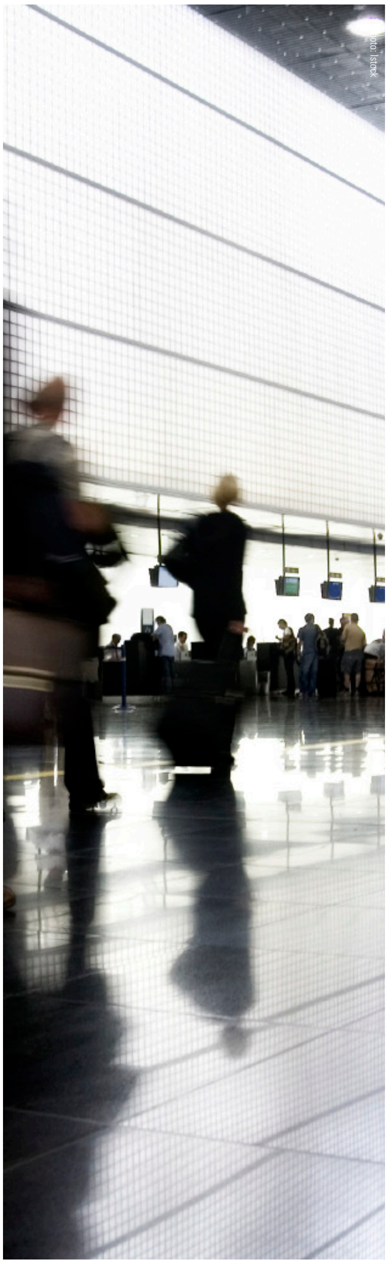
Reliable and instant communication is critical to the operation of any vessel. Integrated communication solutions based on modern technology, meet the requirements of all kinds of vessels.

OIL & GAS

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

INDUSTRIAL

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

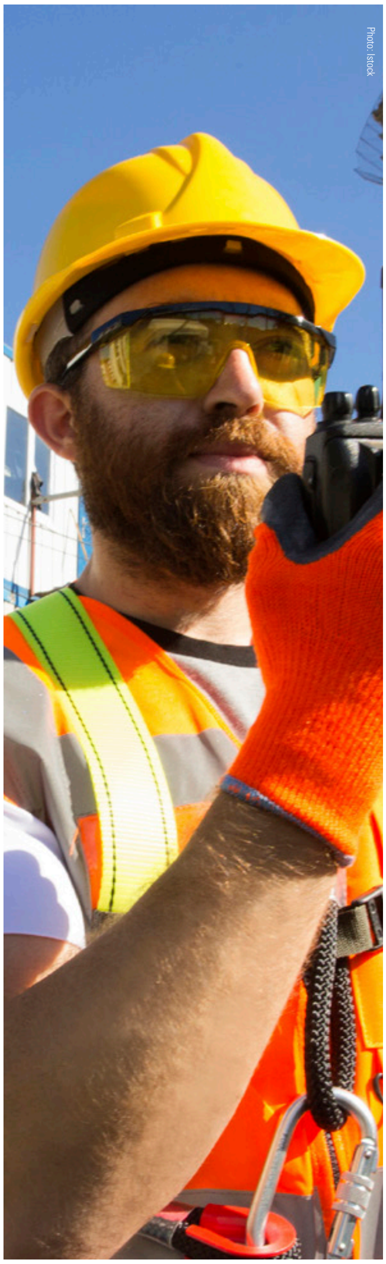


TRANSPORTATION

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

BUILDING SECURITY

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



PUBLIC SAFETY

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

HIGHLIGHTS OF 2014

ACCOUNTABILITY JANUARY, 2014

ZENITEL LAUNCHES EXIGO FOR BOTH VINGTOR AND THE STENTOFON BRANDS

Zenitel's latest development in advanced IP Public Address and Alarm Systems – EXIGO will be available for onshore installations. The system was introduced to oil and gas and marine segments during Nor-Shipping 2013.

RESULTS FEBRUARY, 2014

ZENITEL AWARDED GLOBAL FRAME AGREEMENT BY STATOIL FOR PUBLIC ADDRESS AND GENERAL ALARM SYSTEMS

Zenitel Norway AS has been awarded a global frame agreement by Statoil Petroleum ASA, for the delivery of systems for Public Address and General Alarm (PAGA). The newly developed Exigo system for PAGA will be available for Statoil's new and existing oil and gas installations worldwide.

Statoil

ACCOUNTABILITY APRIL, 2014

STENTOFON PLAYS AN ESSENTIAL PART IN THE LAUNCH OF ARIANE ROCKETS

For the first time in French television history, a camera has been allowed to film the «backstage» of the take-off of an Ariane space shuttle in Kourou, Guyana. Those with a keen eye for Intercom technology could recognize some well-known STENTOFON products during this media event.

RESULTS JUNE, 2014

ETRONIC

In June 2014 Zenitel acquired the assets of Etronic, a strategic supplier based in Denmark. The acquisition was done to secure future deliveries in the Marine Market and will help Zenitel to further improve margins. Etronic's operations have been integrated into the wider Zenitel organization.

RESULTS JUNE, 2014

RESULTS OF THE PUBLIC OFFERING OF 16,554,422 NEW ZENITEL SHARES

Results of the public offering of 16,554,422 new shares in the context of a capital increase in cash with non-statutory preferential subscription rights in the framework of the authorized capital, of an amount of 13,243,538 euro.

RESULTS AUGUST, 2014

HALF YEAR RESULTS 2014

Zenitel strengthens its Balance Sheet and continues to grow. Revenue increased by 2.7 percent to EUR 34.1 million in the first six months of 2014.

PRIDE MARCH, 2014

SKIDATA AND STENTOFON ANNOUNCE THEIR PARTNERSHIP

STENTOFON is happy to announce the partnership with SKIDATA to deliver the optimal experience to users, clients, integrators and partners in the Parking industry. The STENTOFON audio communication solutions are used in SKIDATA parking devices for bidirectional communication between operators and their customers.

RESULTS

AUGUST, 2014

EXPANSION OF THE RADIO INSTALLATION FOR THE ORMEN LANGE PROJECT

During 2014 Zenitel expanded Shell's installation for the Ormen Lange project. The delivery was part of the Nyhamna Expansion. Since the first delivery in 2009 Zenitel has remained the preferred provider of terminals and other radio equipment for the land facility at Nyhamna, which is processing the gas from the Ormen Lange Field. The project provides steady income and is of high strategic value to the Zenitel.

INNOVATION

SEPTEMBER, 2014

TURBINE INDUSTRIAL INTERCOM STATIONS

New Turbine industrial intercoms designed for harsh environments. The stations are the first Intercoms from Vingtor-Stentofon produced in Polyamide and a milestone for the company.

TEAM WORK

SEPTEMBER, 2014

ZENITEL CONGRATULATES MR. PEDRO CORREIA DE SOUZA BERGA AS THE PRIZE DRAW WINNER OF OUR CUSTOMER SATISFACTION SURVEY

The Customer Satisfaction Survey allows Zenitel to make necessary improvements and changes. In order to improve continuously and continue to provide superior support and service for all our customers.

RESULTS

SEPTEMBER, 2014

ZENITEL US OPENS DEDICATED MARITIME OFFICE IN NEW ORLEANS

The U.S. completed two significant firsts for its Marine Division; opening of office space in New Orleans, Louisiana in September and exhibiting at the largest marine conference in the U.S. – The International Workboat Show.

TEAM WORK

OCTOBER, 2014

GLOBAL MANAGEMENT MEETING FOLLOWED BY GLOBAL PARTNER MEETING FOR BOTH VINGTOR AND STENTOFON

In October sales representatives from Zenitel are gathered for presentations and workshops. The event is followed up by a partner meeting gathering partners from all segments to nourish creativity.

PRIDE

NOVEMBER, 2014

VINGTOR AND STENTOFON BECOME VINGTOR-STENTOFON

Zenitel, a global leader and owner of the VINGTOR® and STENTOFON® brands of communication systems, is proud to announce the unity of these two brands into one – Vingtor-Stentofon®.

VINGTOR STENTOFON

REPORT OF THE BOARD OF DIRECTORS

Zenitel ('the Company') continued the positive trend in 2014, and delivered a revenue growth of 6.4% compared to 4.2% last year. The net result increased further from 1.8 million euro in 2013 to 2.2 million euro in 2014. In June 2014 Zenitel closed a successful Capital Increase and became debt free.

STRATEGY

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

The Secure Communication Systems business focuses on the development and marketing of our own products and brands. The Vingtor-Stentofon and Zenitel brands are very well established and recognized in the industry. They serve specific market segments for instant audio and data communication. In 2014, Zenitel continued investing in the development of new products and solutions which resulted, among others, in the launch of heavy duty intercom stations and a set of new PA panels and accessories based on the Turbine technology. The products have been very well received in the market, providing a solid basis for further product- and segment solutions in the coming years.

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

While the strategic focus has shifted more towards growth, Zenitel is cautious in ensuring that this growth stays profitable. In order to do so, operating expenses are closely monitored and kept at a strict minimum. Continuous focus on operational efficiency enables us to gradually increase our profits. The 2014 results show that these strategies are paying off.

With the capital increase of June 2014, Zenitel paid off its bank and shareholders debt. In addition the provisions decreased by 0.3 million euro. Efficient capital management together with profitable growth objectives are important to ensure that operational cash flows are sufficient to continue investing in products and to grow our sales channels.

IFRS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

THE BOARD OF DIRECTORS: From the left: Eric Van Zele, Grethe Viksaas, Peter Van de Weyer, Kenneth Dåstøl, Wenche Holen, Eugeen Beckers and Jo Van Gorp.

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 2014, all of which were endorsed by the European Union.

An overview of the new standards that became applicable for 2014, and the standards and interpretations that will become applicable after 2014, 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 2014.

FINANCIAL YEAR 2014

The Board of Directors is pleased to present its report for the financial year 2014. The 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 71.7 million euro in 2014. This represents a growth of 4.3 million euro or 6.4% compared to 2013. The SCS revenue increased by 7.8% to 67.2 million euro and the revenue of the Caribbean network operation declined by 10.0% to 4.6 million euro. This revenue movement is analyzed further in the Segment Reporting chapter of this report.

With our continued focus on operational efficiency, and investment in the business for further growth, EBITDA (Earnings before Interests, Taxes, Depreciation and Amortization) increased from 4.8 million euro to 5.3 million euro, an increase of 11.1%.

(thousands of EUR)	*Year ended Dec 31st*	
	2014	**2013**
Revenue	71 738	67 403
EBITDA *	**5 295**	**4 770**
Depreciation/amortization/impairments	-1 900	-1 654
Operating profit (EBIT)	**3 395**	**3 115**

* 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 3.4 million euro compared to 3.1 million euro in 2013. The increase of 0.3 million euro or 9.0% is due to increased revenue and reduced depreciation and impairments. There were no non-recurring items in 2014.

The net financial expense amounted to 1.0 million euro, compared to 1.2 million euro in 2013.

The total consolidated net result for the Zenitel Group shows a profit of 2.2 million euro, against 1.8 million euro in 2013. Earnings per share amounted to 0.07 euro in 2014 against 0.11 euro in 2013.

SEGMENT REPORTING

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

(thousands of EUR)	*Year ended Dec 31st*	
Secure Communication Systems (SCS)	**2014**	**2013**
Revenue	67 174	62 331
EBITDA	5 221	4 701
EBIT	3 960	4 029
FTE	274	236

SCS is reporting a revenue increase of 4.8 million euro or 7.8%. This increase is mainly driven by the growth in products both in the Maritime and in the Oil & Gas market.

The SCS business generated a EBITDA of 5.2 million euro against 4.7 million euro in the previous year, an increase of 11.1%, due to top line growth and the continuing effort to improve operational efficiency.

(thousands of EUR)	*Year ended Dec 31st*	
Caribbean	**2014**	**2013**
Revenue	4 564	5 071
EBITDA	1 311	1 269
EBIT	673	-274
FTE	33	32

The Caribbean operations realized a turnover of 4.6 million euro, 0.5 million euro or 10.0% decrease from 2013. However, the recurrent revenue stream from the network business remained stable, so the decrease in revenue is due to less one-off projects.

EBITDA is 1.3 million euro in 2014, slightly above EBITDA in 2013, as a result of the improving business efficiency.

The unallocated operations negatively impacted the EBITDA with 1.2 million euro, the same level as the previous year. The impact on the operating profit amounted to -1.2 million euro in 2014 compared to -0.6 million euro in 2013.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total assets amounted to 47.9 million euro, an increase of 10.1 million euro compared to 2013, mainly due to the successful capital increase closed in June 2014.

Property, plant and equipment amount to 2.2 million euro, 0.3 million euro more than previous year. Goodwill decreased to 3.6 million euro, due to the foreign currency translation impact.

Other intangible assets increased to 2.8 million euro and consisted of increased capitalized development costs. Deferred taxes amounted to 2.1 million euro, a decrease of 0.2 million euro due to the foreign currency translation impact. Long term financial assets amounted to 0.5 million euro, which is in line with previous year.

Inventories amount to 8.1 million euro, an increase of 1.3 million euro from the previous year. Contracts in progress increased by 0.5 million euro to 1.8 million euro.

Trade and other receivables amount to 16.1 million euro, an increase of 1.5 million euro compared to the previous year. The increase is mainly driven by milestone invoicing in December 2014.

Equity totals 21.2 million euro, an increase of 14.3 million euro which can be mainly explained by the impact of the capital increase of June 2014 and the positive result of the year. The equity ratio increased from 18.2% to 44.3%.

Total non-current liabilities decreased from 3.6 million euro to 0.8 million euro. The decrease comes from repayment of bank debt and pension payments in 2014. There has also been a shift from long term to short term of an important part of the long term pension liabilities.

Total current liabilities decreased by 1.4 million euro to 25.8 million euro in 2014. Trade and other payables amount to 19.9 million euro, an increase of 3.3 million euro. Short term borrowings decreased by 4.4 million euro to 2.1 million euro. Total long term and short term borrowings decreased from 9.4 million euro to 2.2 million euro, which is explained by the loan repayments made in 2014 as a result of the capital increase in 2014. Short term provisions decreased from 3.7 million euro to 3.4 million euro.

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

SOURCES AND APPLICATIONS OF FUNDS

Net cash flow of the Zenitel Group amounted to 6.6 million euro in 2014, against -2.2 million euro in 2013. In total, 7.2 million euro borrowings were repaid in 2014. The cash outflow from investment activities amounted to 4.7 million euro in 2014 and the cash flow generated from operations amounted to 5.5 million euro in 2014. At the end of 2014, Zenitel's net cash and cash equivalents amounted to 7.5 million euro.

HUMAN RESOURCES

The number of full-time equivalents (FTE) on December 31, 2014 is 309.

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

FTE	2014	2013
Secure Communication Systems	274	236
Caribbean	33	32
Support Centers	2	2
Total	**309**	**270**

The increase of FTEs in 2014 is mainly coming from the acquisition of the assets of Etronic, a strategic supplier in Denmark and 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 2014.

INFORMATION ON RESEARCH AND DEVELOPMENT

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

CONFLICTS OF INTEREST

The capital increase of June 2014 resulted in transactions and operations that required application of articles 523 and 524 of the Belgian Company Code. All requirements were properly applied following the above articles.

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 and the price of its shares.

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

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

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

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

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

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

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

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

USE OF FINANCIAL INSTRUMENTS

Financial risk management

Zenitel uses bank forward exchange contracts in order to secure Zenitel's commercial transactions in foreign currencies. Since most of the Norwegian business is export in the euro currency, Zenitel Norway AS has a NOK deficit and a EUR surplus. The company has put in place hedging systems that secure the needed exchange between EUR/NOK on a rolling basis. Per 31.12.2014 Zenitel has secured its need of Norwegian kroner by monthly forward exchange contract from euro until October 2015. 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:	33,250 euro
Zenitel Group:	88,834 euro

Non audit fees:	
Tax & legal assistance:	85,894 euro

OUTLOOK 2015

We have been growing the company over the last years by living our values and executing our strategy. We continue to optimize our organization and to focus on those market segments where we choose to compete and where we are well positioned to continue generating profitable growth.

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 2013 in order to be in line with the new Belgian rules and regulations with respect to Corporate Governance. An update has also been made in February 2014 to the Charter provisions of the Act of 20 December 2010 on the exercise of certain rights of shareholders in listed companies. A copy of this Corporate Governance Charter is available on the Zenitel website.

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

The chapter 'Declaration with regards to Corporate Governance' which is included elsewhere in this Annual Report 2014, forms an integral part of this report of the Board of Directors.

STATUTORY ACCOUNTS OF ZENITEL NV (UNCONSOLIDATED)

BALANCE SHEET

Financial assets amount to 43.1 million euro and consist of the participations in Zenitel group companies.

Receivables within one year amount to 0.6 million euro and consist mainly of receivables from other Zenitel Group entities.

Cash and deferred charges increased to 0.7 million euro compared to 0.3 million euro in previous year. This is mainly the result of the capital increase of June 2014.

The change in equity from 26.7 million euro to 39.6 million euro is fully related to capital increase of June 2014 and the result of the year (see below).

Provisions for pensions decreased from 0.8 million euro as per year-end 2013 to 0.7 million euro as per year-end 2014 as a result of payments made in 2014. Provisions for risk and other liabilities amounted to 3.0 million euro and are in line with previous year.

Total financial debts were fully repaid at the end of 2014.

INCOME STATEMENT

Other operating income decreased from 4.9 million euro to 1.8 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 1.8 million euro in 2014, 3.1 million euro less than last year. In 2014, Zenitel SCS group companies are directly invoiced by Zenitel Norway AS, a subsidiary of Zenitel NV.

Operating expenses decreased from 4.9 million euro in 2013 to 1.8 million euro in 2014, which was mainly related to the change in management fee invoicing.

The above mentioned changes resulted in an operating profit of 0.03 million euro in 2014 against an operating profit of 0.02 million euro in 2013.

Financial income decreased from 1.0 million euro in 2013 to 0.1 million euro in 2014. This can be explained by lower foreign exchange conversion impact on liabilities to other Zenitel Group entities.

Financial costs amounted to 0.5 million euro and consisted in 2014 mainly of interests paid on the outstanding borrowings. The net extraordinary result amounted to 2.9 million euro in 2013. In 2014 no extraordinary result was generated.

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 366,420.63 euro the Board of Directors proposes to appropriate the result as follows:

Result carried forward prior year:	3,414,532.83 euro
Result of the year:	-366,420.63 euro
Result carried forward:	**3,048,122.20 euro**

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

Share capital:	20,000,000.00 euro
Share premium:	5,623,849.48 euro
Reserves:	10,879,235.50 euro
Result carried forward:	3,048,122.20 euro
Total:	**39,551,197.18 euro**

ADDITIONAL HONORARIA PAID TO STATUTORY AUDITOR

During the year under review, 44,185 euro additional fees for tax and legal advice have been paid to the statutory auditor of Zenitel NV.

AUTHORIZED CAPITAL

On April 28, 2014, an extraordinary shareholders meeting decided to renew the powers of the Board of Directors to increase the capital up to an amount of 10,000,000 euro for a period of five years. The Board of Directors has used its capacity regarding the authorized capital for the capital increase of June 2014.

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

Please refer to the paragraph on risk factors and uncertainties where information is provided on the main risks and uncertainties that could negatively impact the development, 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.

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.

NATIVE IP PA & GA SYSTEM: EXIGO System Controller (ESC1) and Network Amplifier (ENA2200) has a construction that is extremely robust and can handle mobile environments as well as stationary, temperature controlled rooms.

STOCK & SHAREHOLDER INFORMATION

SHARE QUOTATION

Per 31 December 2014, the subscribed capital amounted to 20,000,000.00 euro. It is represented by 33,108,844 shares without nominal value and is fully paid up. The par value is 0.6041 euro. The shares are quoted on Euronext Brussels (double fixing) with symbol ZENT.

As a result of the entry into force on 10 January 2013 of the Act of 27 December 2012 containing various provisions, the decreased withholding tax regime applicable to dividends on shares with a VVPR strip (at 15% instead of the normal rate of 25% - the so-called "VVPR-regime") has been abolished, as a result of which all existing VVPR strips of the Company have lost their substance, as the sole right embodied by such strips (the right to apply such decreased withholding tax regime), has lapsed pursuant to this Act. Accordingly, the board of directors of Zenitel NV acknowledged on 17 November 2014 the cancellation of all outstanding VVPR- strips. The general meeting shall be requested to formally acknowledge this.

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 2014. Zenitel NV has not received any other notifications since this notification.

SHAREHOLDERS AND CAPITAL STRUCTURE

The shareholder structure per 31 December 2014 is the following as it appears from the notifications Zenitel NV received.

Shareholders	Number of shares	% of total
De Wilg GCV*	4 000 000	12.08%
3D NV*	15 251 156	46.06%
QuaeroQ CVBA	4 962 300	14.99%
Freefloat	8 895 388	26.87%
Total	33 108 844	100%

*Acting in concert

All shares have the same rights and obligations. There are no different kinds of shares. At the end of 2014 there were no warrants outstanding and there was no stock option plan for employees applicable. The Company has not issued any non-voting shares. The Company did however implement a long term incentive plan for senior managers in 2014. Further information thereon is provided in the Section Declaration with regards to corporate Governance.

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

VOTING RIGHTS

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

TRANSFER OF SECURITIES

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

SHAREHOLDERS' AGREEMENTS

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

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

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

DIVIDEND

No dividend payments have been made or are planned.

ACQUISITION AND DIVESTMENT OF OWN SHARES

The Company has been authorized by means of a decision of the general meeting of 28 April 2014, to acquire its own shares or bonus shares or VVPR-strips or certificates which relate thereto, or to divest them in accordance with the Articles 620 and following of the Company Code.

The general meeting of 28 April 2014 has explicitly granted the authority to the Board of Directors, in accordance with the provisions of Article 620 and following of the Company Code, to acquire by sale or exchange its own shares, VVPR-strips, bonus shares or certificates which relate thereto or to divest those, without the requirement of a prior decision of the general meeting, either directly or 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 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 this decision in the Annexes to the Belgian State Gazette, i.e. until 19 May 2017, and can be renewed.

The general meeting of 28 April 2014 has moreover granted the Board of Directors the power to acquire by sale or exchange the maximum number of shares, VVPR-strips, bonus shares or certificates which relate thereto as set forth in Article 620 §1 and 622 §2 of the Company Code, and to divest those, either directly or 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 Company Code, against a consideration which cannot be lower than 20% and cannot be higher than 20% of the average stock exchange rate of the relevant security on Euronext during the five trading days preceding the acquisition or exchange or divestment. This power is valid for a period of 5 years as from the resolution of the general meeting of 28 April 2014, ie. until 28 April 2019.

The Board of Directors is furthermore also empowered in accordance with Article 630 §1 of the Company Code, to take a pledge, directly or indirectly through a subsidiary or a person who acts in its own name but on behalf of that subsidiary or the company, as stipulated in Article 630 §1 of the Company Code, on its own shares, VVPR-strips, bonus shares or certificates which relate thereto and this in accordance with the conditions and duration for acquisition and divestment of own shares set forth above. In accordance with Article 620 §2 of the Company Code the company should, for as long as it is listed or as long as its securities are admitted to an MTF as defined in Article 2, 4° of the Law of 2 August 2002 on the supervision of the financial sector and the financial services, to the extent that it works with at least one daily trading and with a central order book, inform the Financial Services and Markets Authority of acquisitions that it is considering by application of Article 620 §1 of the Company Code. The Board of Directors is furthermore empowered to divest shares or certificates of the company in accordance with Article 622, §2, 1° of the Company Code.

Zenitel Norway AS, a direct subsidiary of Zenitel NV, held 113,113 shares of Zenitel NV. On 22 August 2014, this number was increased through the acquisition by Zenitel Norway AS of 86,887 shares, representing 0.26% of the current share capital of Zenitel NV, in order to bring the total number of shares owned in Zenitel NV to 200,000. This acquisition took place in accordance with the authority granted by the extraordinary general meeting of shareholders of Zenitel NV on 28 April 2014, externally of any regulated market or MTF, by means of an OTC-transaction, at a purchase price of 0.80 euro per share. The acquired shares had a par value of 0.6041 euro per share. The shares were purchased in the framework of a long term incentive plan for senior managers of Zenitel NV and its subsidiaries.

In the framework of the same incentive plan, Zenitel Norway AS subsequently sold in 2014 the 200,000 shares in Zenitel NV to certain identified senior managers of Zenitel NV and its subsidiaries. The 200,000 shares represent 0.6% of the current share capital. The shares have been sold at 0.8 euro per share. The relevant senior managers received a two year interest-free loan from Zenitel Norway AS to acquire such shares. As a result of this transaction, Zenitel NV (and its subsidiaries) no longer holds any own shares.

AUTHORIZED CAPITAL

The Board of Directors received the authority to increase the share capital in one or more transactions, during a period of five years as from the publication of the decision of the general meeting dd. 28 April 2014 in the Annexes to the Belgian State Gazette, i.e. until 19 May 2019, with a maximum amount of 10,000,000 euro. This power of the Board of Directors also exists for capital increases by means of a conversion of reserves.

Apart from the issue of shares, convertible bonds and warrants, the capital increases decided by the Board of Directors may also take place by the issue of shares without voting rights, of shares with a preferential dividend and preferential liquidation right and of convertibles shares that convert under certain conditions into a smaller or larger number of ordinary shares. These powers of the Board of Directors can be renewed.

In the framework of this Article, the Board of Directors has the power, in the interest of the Company and subject to compliance of the conditions provided in Article 595 and following of the Company Code, to cancel or limit the statutory preferential subscription right of the shareholders. The Board of Directors has the power to limit or cancel the preferential subscription right for the benefit of one or more determined persons, other than members of the personnel of the company or its subsidiaries.

Upon a capital increase, within the limits of the authorized capital, the Board of Directors is authorized to request an issue premium. If the Board of Directors so decides, this issue premium is to be booked on an unavailable reserves account which can only be reduced or eliminated by a decision of the general meeting adopted in accordance with the rules applicable for the amendment of the articles of association. The Board of

Directors has the authority to amend the articles of association of the Company in accordance with the capital increase that was decided, within the framework of its powers.

The general meeting of 28 April 2014 has furthermore, in accordance with Article 607, second paragraph, 2° of the Company Code, explicitly granted the authority to the Board of Directors to increase the share capital in one or more transactions, as from the date that the company receives the notice of the Financial Services and Markets Authority that it has been given knowledge of a public takeover bid on the securities of the company, by contributions in cash with cancellation or limitation of the preferential subscription right of the existing shareholders or by contributions in kind, and/or by the issuance of securities giving voting rights whether or not representing the capital, or the issuance of securities giving right to subscribe to or acquire such securities, also if these securities or rights are not offered by preference to the shareholders in proportion to the capital that is represented by their shares. In such case, the transaction should comply with the conditions provided for in Article 607, second paragraph, 2° a) until c) of the Company Code. This power is granted for a period of three years as from 28 April 2014, i.e. until 28 April 2017, and can be renewed.

In the framework of the authorized capital, the board of directors decided in June 2014 to increase the share capital with 10,000,000.00 euro, to bring it from 10,000,000.00 euro to 20,000,000.00 euro, by the issuance of 16,554,422 new shares, without nominal value, at an issue price of 0.80 euro per share, identical to the existing shares and having the same rights and obligations as the existing shares. An issue premium of 3,243,538.00 euro was booked on an unavailable reserves account (onbeschikbare reserverekening). This capital increase took place with cancellation of the statutory preferential subscription rights of the existing shareholders in accordance with Article 596 of the Company Code but with the creation of non-statutory preferential subscription rights for the existing shareholders. The new shares have been issued in the framework of a public offer of shares to the existing shareholders. The Board of Directors has drawn up a prospectus in the framework thereof. The effective consequences of the capital increase are set out below. The Board of Directors also refers to the report drawn up in accordance with Article 596 of the Company Code in this respect and the prospectus, which are all available on the website of the Company.

AGREEMENTS AFFECTED BY A CHANGE OF CONTROL OF THE COMPANY

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

STOCK PRICE EVOLUTION

The graph below shows the development of the closing share price of Zenitel shares from February 2014 until January 2015. (see also Euronext website, www.euronext.com)

Shareholders	Shareholding prior to the capital increase		Shareholding after the capital increase	
3D NV	5,546,875	33.51%	15,251,156	46.06%
De Wilg Comm. V	2,000,000	12.08%	4,000,000	12.08%
Zenitel Norway AS*	113,113	0.68%	113,113	0.34%
QuaeroQ CVBA	2,481,150	14.99%	4,962,300	14.99%
Freefloat	6,413,284	38.74%	8,782,275	26.52%
Total	**16,554,422**	**100.00%**	**33,108,844**	**100.00%**

* Zenitel Norway AS no longer owns shares of Zenitel as per 31 December 2014.

The authority of the Board of Directors to increase the share capital has therefore been fully used.

FINANCIAL CALENDAR

27/02/2015	Press Release Results 2014 (8:00 AM)
19/03/2015	Publication Annual Report (8:00 AM)
28/04/2015	Annual General Shareholders' Meeting (11:00 AM)
12/08/2015	Press Release Half-Year Results 2015 (8:00 AM)

The financial statements were authorized for issue by the Board of Directors on March 16, 2015.

ABOLISHMENT OF BEARER SHARES

In accordance with the Act of 14 December 2005 on the annulment of bearer securities, any bearer securities which were not yet converted on 31 December 2013 into registered or dematerialized securities, were automatically dematerialized and registered by the Company in its own name on a securities account. The total number of bearer shares that were not yet converted on 31 December 2013 into dematerialized or registered shares amounted to 6,208 shares. As per 30 January 2015, 5,635 shares have not yet been claimed by its rightful owner. All rights of such shares are suspended, until the rightful owner claims its shares with the Company.

In accordance with the aforementioned Act, the Company will proceed in 2015 with selling those shares on the regulated market in accordance with the provisions of the Act of 14 December 2005 on the annulment of bearer securities (as amended), as well as in accordance with its implementing decisions.

REFINED DESIGN: The Turbine intercom stations have refined, minimalistic design and an acoustically superior circular speaker grille.

DECLARATION AS REGARDS TO CORPORATE GOVERNANCE

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

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

Zenitel has adopted the Belgian Corporate Governance Code 2009 as the reference code. The Belgian Corporate Governance Code 2009 is available at the following website: www.corporategovernancecommittee.be. No other corporate governance practices 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 2014.

BOARD OF DIRECTORS

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

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

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

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

The Board of Directors met ten times during 2014. The following significant matters were discussed at the meetings of the Board of Directors during 2014:

- 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 reorganization processes
- Information and decisions on important projects
- Strategy of the company and of the various business segments
- Approval of 2015 budget
- HR issues
- Reporting of Audit Committee and Nomination and Remuneration Committee
- Discussion of acquisition opportunities
- Discussions on financing of the business
- Discussions and decisions on the capital increase process
- Functioning of the Board
- Decision on the cancellation on the VVPR strips

CHAIRMAN OF THE BOARD OF DIRECTORS

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

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

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

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

INDEPENDENT DIRECTORS

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

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

COMPOSITION OF THE BOARD OF DIRECTORS

Per 31st December 2014, the Board of Directors consists of seven members.

The Board of Directors convened ten times during 2014. On these occasions either all or a large majority of the Directors at that point in time were present or attended through conference call.

The Board of Directors per 31st December 2014

Name and position	Independent / dependent	Executive / non-executive	Term*
Beckers Consulting BVBA, represented by Eugeen Beckers, Chairman	Dependent	Non-executive	2017
Blanco Blad BVBA, represented by Jo Van Gorp	Independent	Non-executive	2016
Kenneth Dåstøl, CEO	Dependent	Executive	2016
Value Research Group BVBA, represented by Peter Van de Weyer	Dependent	Non-executive	2017
Wenche Holen	Independent	Non-executive	2015
Grethe Viksaas	Independent	Non-executive	2015
VZH NV, represented by Eric Van Zele	Independent	Non-executive	2015

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

There is no family relationship between any of these persons.

The board of directors held on 25 February 2014 took note of the resignation of Frank Donck from its office of director of the Issuer, with effect as from 25 February 2014 and co-opted as from the same date Value Research Group BVBA, represented by Peter Van de Weyer as director of the Issuer.

The general meeting of shareholders held on 28 April 2014 decided to appoint Value Research Group BVBA, represented by Peter Van de Weyer, as director of the Issuer with immediate effect until the general meeting of 2017 and reappointed Beckers Consulting BVBA, represented by Eugeen Beckers, as dependent director until the general meeting of 2017.

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

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

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

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

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 Itera Group and was on the Board of Directors of several other Norwegian companies in the past. Mrs. Holen obtained an Engineering degree at Gjøvik School of Engineering and post-graduate degrees in Business Economics and Strategic Leadership at the Norwegian Business School and at the London Business School.

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

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

Peter Van de Weyer (representing Value Research Group BVBA) – (°1967) - Value Research Group BVBA, represented by Mr Van de Weyer, became a member of Zenitel's board of directors in 2014. Since 2004, Mr Van de Weyer manages the private equity investments at 3D NV. He is currently chairman of Serax and Libeco-Lagae and holds mandates as a director in Audioprof and Aspel. Between 2005 and 2012, he was chairman of Emerson & Cuming Microwave Products. He started his career in investment management and strategy advice. He holds a MBA from the KU Leuven.

GENDER DIVERSITY OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

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

AUDIT COMMITTEE

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

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

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

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

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

As of December 31, 2014, the Audit Committee consists of:

Name and position	Term*
Beckers Consulting BVBA, represented by Eugeen Beckers	2017
Blanco Blad BVBA, represented by Jo Van Gorp, Chairman and independent Director	2016
Value Research Group BVBA, represented by Peter Van de Weyer	2017
Wenche Holen	2015
Grethe Viksaas	2015

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

The Audit Committee met four times during 2014. The following significant matters were discussed at the meetings of the Audit Committee in 2014.

- Presentation of the external auditor and financial statements of 2013
- Financial statements per 30 June 2014, 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 carried out at Zenitel Caribbean and Zenitel Singapore
- Discussions regarding the Capital increase of June 2014
- 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 are being discussed. Furthermore, the Chairman of the Board of Directors has an open invitation to attend the Nomination and Remuneration Committee.

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

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

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

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

As of December 31, 2014, the Nomination and Remuneration Committee consists of:

Name and position	Term*
Blanco Blad BVBA, represented by Jo Van Gorp	2016
Value Research Group BVBA, represented by Peter Van de Weyer, Chairman	2017
Wenche Holen	2015

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

The Nomination and Remuneration Committee met three times in 2014.

The following significant matters were discussed at the meetings of the Nomination and Remuneration Committee in 2014:

- Evaluation and proposal of appointment of Compliance Office/Company Secretary
- Proposal of reappointment of one Director and appointment of a new Director
- Discussion on the resignation of a Director
- Evaluation of functioning of the Board of Directors
- Discussion and approval of the remuneration report 2013
- Decision on 2013 bonus payments and timing of these payments
- Decision on the 2014 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 2014

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 2014:

Name	BOD (Total 10)	AC (Total 4)	NRC (Total 3)
Beckers Consulting BVBA, represented by Eugeen Beckers	10/10	4/4	-
Blanco Blad BVBA, represented by Jo Van Gorp	10/10	4/4	3/3
Kenneth Dåstøl	10/10	-	-
Value Research Group BVBA, represented by Peter Van de Weyer	9/9	3/3	2/2
Grethe Viksaas	9/10	3/4	-
Wenche Holen	10/10	4/4	3/3
VZH NV, represented by Eric Van Zele	9/10	-	-
Frank Donck	1/1	1/1	1/1

CHIEF EXECUTIVE OFFICER

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

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

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

EXECUTIVE TEAM

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

The role of the Executive Team is, among others, to review envisaged acquisitions, mergers and divestments, review corporate restructuring programs, update and develop alternative long term strategies, and present this to the Board of Directors and to execute actions based on decisions of the Board of Directors. The team is established to ensure the fast and efficient management and control of the activities and to enable adequate reporting and exchange of information with the Board of Directors and within the 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 2014 the Senior Management Team consisted of the following members: Kenneth Dåstøl, Mark Küpers, Thomas Hægh, Svein Damre, Hanne Eriksen, Cecilie Bergenstjerna and Tor Kristian Lystad.

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

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

DIRECTOR AND EXECUTIVE MANAGEMENT CONFLICTS OF INTERESTS

Articles 523 and 524 of the Belgian Company Code contain special provisions, which must be complied with whenever a Director has a direct or indirect conflicting interest of a patrimonial nature in a decision or transaction within the authority of the Board of Directors.

The capital increase of June 2014 resulted in transactions and operations that required application of articles 523 and 524 of the Belgian Company Code. All requirements were properly applied following the above articles.

REMUNERATION REPORT

THE PROCEDURES APPLIED

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

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

The Remuneration and Nomination Committee of 25 February 2014 evaluated the 2013 variable remuneration, the 2014 salary increases and the 2014 bonus schemes for executive management and proposed its conclusions to the Board of Directors for their approval. The Board of Directors of 25 February 2014 approved the Remuneration and Nomination committee's proposals of 25 February 2014.

The remuneration of non-executive Directors are fixed amounts and they did not change in 2014 compared to 2013.

THE APPLIED 2014 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 2014 no remuneration was given based on shares, warrants or any other rights to acquire shares. The Directors' remuneration policy is based on a fixed remuneration in cash. No performance-based variable remuneration or remuneration based on shares, warrants or any other rights to acquire shares have been granted. In 2014 no remuneration was given based on shares and warrants. The Executive Team and members of the Senior Management Team were however given a long term share incentive plan. These managers bought in total 200.000 shares at a price per share of 0.80 euro in line with the price set at the capital increase. The 113.113 treasury shares held by Zenitel Norway AS were part of this transaction. The plan includes a lock-up period of 3 years and includes a loan to each of the members that will be repaid over 24 months. Members of the Remuneration and Nomination Committee are not specifically remunerated for their tasks. The members of the Audit Committee receive an extra fixed remuneration in cash.

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

DIRECTORS' REMUNERATION

The annual remuneration for a non-executive Director is a fixed fee of 20,000 euro. The Chairman receives the double of that amount. Similarly, the members of the Audit Committee receive a fixed fee of 7,500 euro and the Chairman of the Audit Committee 15,000 euro on an annual basis, for their specific tasks in the Audit Committee. No benefits in kind nor variable remuneration are granted to the non-executive members of the Board of Directors. No amounts have been set aside or accrued by Zenitel or its subsidiaries to provide pension, retirement or similar benefits to the non-executive Directors. The CEO, as the only executive director, is not remunerated for his work in the Board of Directors. No benefits in kind nor variable remuneration are granted to the members of the Board of Directors. A summary of the remuneration of the Board members in 2014 is shown in the table below.

Name and position		Remuneration in EUR
Beckers Consulting BVBA, represented by Eugeen Beckers, Chairman	Non-executive	47,500
Blanco Blad BVBA, represented by Jo Van Gorp	Non-executive	35,000
Kenneth Dåstøl, CEO	Executive	NA
Frank Donck	Non-executive	3,875
Wenche Holen	Non-executive	27,500
Grethe Viksaas	Non-executive	27,500
VZH NV, represented by Eric Van Zele	Non-executive	20,000
Value Research Group, Represented by Peter Van de Weyer	Non-executive	23,625

As of 1 January 2010, Beckers Consulting BVBA entered into a separate consulting agreement with Zenitel NV. Conforming to this agreement, Beckers Consulting BVBA reports directly to the Board of Directors and the scope of its advisory services covers limited and well defined areas. This agreement has been discussed by the Remuneration & Nomination Committee in 2010, and approved by the Board in 2010 with respect to the conflict of interest procedure. The agreement foresees assistance by Mr. Eugeen Beckers on a time and material basis. The fees have been set at arm's length. With reference to this agreement, Beckers Consulting BVBA invoiced 54,662 euro in 2014 to the Company for consulting services performed besides the above mentioned remuneration for his Directorship.

EVALUATION CRITERIA FOR THE REMUNERATION OF THE EXECUTIVE TEAM

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

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

In order to earn a bonus, the average score needs to be higher than 75% of the maximum score. All members of the Executive Team earned a bonus in 2014. The bonus level is based on a percentage of the annual salary.

REMUNERATION TO THE CEO AND EXECUTIVE TEAM

Remuneration to the CEO and the Executive Team is made in NOK. Amounts for both years are converted to euro with a NOK/EUR rate of 8.39.

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 2014. In 2014 no remuneration was given based on shares and warrants. The Executive Team and members of the Senior Management Team were however given a long term share incentive plan. These managers bought in total 200.000 shares at a price per share of 0,80 euro in line with the price set at the capital increase. The 113.113 treasury shares held by Zenitel Norway AS were part of this transaction. The plan includes a lock-up period of 3 years and includes a loan to each of the members that will be repaid over 24 months.

Remuneration in EUR	CEO		Executive Team excluding the CEO	
	2014	**2013**	**2014**	**2013**
Basic Remuneration	273 316	263 056	127 031	130 402
Variable Remuneration*	104 887	100 961	25 576	37 330
Group insurance premiums	8 571	8 246	8 216	8 297
Other Benefits	29 121	29 121	10 011	21 910
Total	**415 894**	**401 383**	**170 834**	**197 939**

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

RECLAIM PROVISIONS

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

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

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

MOTIVATION AND DECISIONS OF THE BOARD OF DIRECTORS ON SEVERANCE PACKAGES

Not applicable.

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

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

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

INSIDER TRADING POLICY

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

THE STATUTORY AUDITOR

The statutory auditor of ZENITEL NV is BDO Bedrijfsrevisoren Burg. Venn. CVBA, The Corporate Village, Da Vincilaan 9 Bus E6, 1935 Zaventem, represented by Ms. Veerle Catry. BDO Bedrijfsrevisoren was appointed for a period of three years at the general shareholders' meeting of April 29, 2013. The statutory auditor is a member of the Institute for Company Auditors ('Instituut der bedrijfsrevisoren'). The remuneration amounted to 33,250 euro per year. The total fee for BDO for the Group audit amounted to 122,084 euro per year.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

CONTROL ENVIRONMENT

The Board of Directors is responsible for the definition and creation of the Zenitel company culture. In order to do so it sets the tone with respect to integrity and ethics. One of the instruments in setting the tone at the top is the Corporate Governance Charter which defines clearly the responsibilities of the governing bodies of the company and the code of conduct with respect to transactions in Zenitel shares. This Corporate Governance Code is continuously under review and updated to conform with the requirements of the stakeholders of the Company. A clear governance structure is in place in which the roles and responsibilities of each level of management are fulfilled with respect to the company structure. In order to achieve this, clear and detailed company guidelines exist with respect to proxy rules and the hiring and firing of personnel. These guidelines are available to all Zenitel employees via the Company's intranet. The Board of Directors carefully monitors that employees in key management positions have the right qualifications to take on their responsibilities and that the Company rules are complied with. The Board of Directors has already proven in the past that appropriate action was taken in case one of these two conditions was not fulfilled. Some members of the Board of Directors are closely coaching the Group's executive management. This management philosophy of proximity is extended further in the group structure, which results in a limited number of hierarchical levels in the Company and a strong hands-on involvement of executive management in the day-to-day operations of the group companies.

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

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

RISK MANAGEMENT

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

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

With respect to the financial reporting process, the goals, responsibilities, external communications on risks and deadlines are clearly known by all involved personnel of the Company.

Changing regulations or conditions that might cause the external reporting to be impacted are identified in a timely manner and discussed at management and - if significant - at board level. The identification of these changing conditions and regulations are both based on the skills and continuous learning of the Zenitel employees involved and on advises received from external consultants.

CONTROL ACTIVITIES

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

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

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

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

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

INFORMATION AND COMMUNICATION

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

The Company has to issue periodic financial information to the market on a half year basis. All press releases are approved by the Board of Directors before they are issued. In case information is to be issued on an ad hoc basis, the approval of at least two board members is also required. The

Company's relations and communications with regulators, analysts and shareholders are the responsibility of the executive management team. Internal communications are mainly conveyed via the Company's intranet which has been specifically developed for these purposes. Via this communication tool, all Group guidelines, instructions, product information and market information are made available to all Zenitel employees. All information based on data information gathering and communication systems are subject to security measures protecting the confidentiality of, the restricted access to and the consistency of the gathered and communicated information. Taking into account the size of the Company and the existing systems and procedures in place, executive management is of the opinion that these are sufficient in order to be able to comply with all legal information and communication requirements.

MONITORING

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

COMPLY OR EXPLAIN

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

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

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

FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

(thousands of EUR)		*Year ended December 31st*	
	Notes	**2014**	**2013**
Revenue	1	71 738	67 403
Raw materials and consumables used	4	-34 738	-33 434
Employee benefits expense	5	-22 061	-20 430
Depreciation and amortization expenses	15,16,17	-1 510	-1 636
Impairment of non-current assets	15	0	-513
Net impairment on current assets	18	-390	-18
Consulting expense		-1 880	-1 209
Facility expense	6	-4 518	-4 395
Other expenses	7	-3 247	-2 653
Operating Profit / (Loss)		***3 395***	***3 115***
Finance income	9	71	54
Finance costs	10	-664	-1 048
Net foreign exchange gains / (losses)	11	-376	-263
Share of profit / (loss) from equity accounted investments	19	11	18
PROFIT BEFORE TAX		**2 436**	**1 877**
Income tax expense	12	-222	-116
Profit for the year		**2 214**	**1 761**
Attributable to:			
Owners of the Company		2 214	1 761
Non-controlling interest		0	0
EARNINGS PER SHARE			
Weighted average number of ordinary shares in issue ('000)		**33 108**	**16 441**
FROM OPERATIONS			
Basic earnings per share	14,1	0.07	0.11
Diluted earnings per share	14,2	0.07	0.11

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

(thousands of EUR)		*Year ended December 31st*	
	Notes	**2014**	**2013**
PROFIT FOR THE YEAR		**2 214**	**1 761**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
OCI actuarial gains and losses		-251	37
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		-718	-2 759
Other comprehensive income for the period (net of income tax)		-969	-2 722
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1 245**	**-961**
Attributable to:			
Owners of the Company		1 245	-961
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 2014

(thousands of EUR)		*Year ended December 31st*	
ASSETS	**Notes**	**2014**	**2013**
Non-current assets			
Property, plant and equipment	15	2 183	1 854
Goodwill	16	3 561	3 827
Other intangible assets	17	2 802	2 150
Deferred tax assets	13	2 147	2 301
Financial assets	19	480	468
Total non-current assets		**11 173**	**10 599**
Current assets			
Inventories	20	8 102	6 799
Contracts in progress	21	1 835	1 288
Trade and other receivables	22	16 124	14 578
Financial assets	19	0	0
Deferred charges and accrued income		1 092	604
Cash and cash equivalents	23	9 578	3 901
Total current assets		**36 731**	**27 171**
TOTAL ASSETS		**47 904**	**37 771**

(thousands of EUR)			*Year ended December 31st*
EQUITY AND LIABILITIES	**Notes**	**2014**	**2013**
Capital and reserves			
Capital		20 000	10 000
Share premium account		5 340	2 380
Reserves		1 294	10 879
Retained earnings		-5 405	-13 417
Treasury shares		0	-2 958
Equity attributable to equity holders of the parent		21 229	6 884
Total equity		**21 229**	**6 884**
Non-current liabilities			
Borrowings	25	143	2 895
Retirement benefit obligations	26	679	735
Deferred tax liabilities	13	10	9
Provisions	27	0	0
Total non-current liabilities		**832**	**3 639**
Current liabilities			
Trade and other payables	24	19 881	16 620
Borrowings	25	2 052	6 469
Current tax liabilities	12	273	230
Retirement benefit obligations	26	219	275
Provisions	27	3 418	3 654
Total current liabilities		**25 843**	**27 248**
TOTAL EQUITY AND LIABILITIES		**47 904**	**37 771**

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 2014

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

(thousands of EUR)							*Year ended December 31st, 2014*	
	Share capital	**Share premium**	**Cost of Capital increase**	**Treasury shares**	**Foreign currency translation reserve**	**Retained Earnings**	**Attributable to equity holders of the parent**	**Total**
BALANCE ON JANUARY 1, 2014	**10 000**	**2 380**	**0**	**-2 958**	**2 012**	**-4 550**	**6 884**	**6 884**
Profit for the year						2 214	2 214	2 214
OCI actuarial gains & losses						-251	-251	-251
Other comprehensive income for the year, net of income tax					-718	0	-718	-718
Total comprehenisve income for the year	0	0	0	0	-718	1 963	*1 245*	1 245
Capital increase	10 000	3 244	-284		0		12 960	12 960
Transfer of treasury shares				2 958		-2 818	140	140
BALANCE AT 31 DECEMBER 2014	**20 000**	**5 624**	**-284**	**0**	**1 294**	**-5 405**	**21 229**	**21 229**

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

CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

(thousands of EUR)			*Year ended December 31st*
	Notes	**2014**	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit / (Loss) for the year		**2 214**	**1 761**
Income tax expense recognized in profit or loss	12	222	115
Finance cost recognized in profit or loss	10	664	1 048
Loss / (gain) on effective settlement		0	-513
Loss / (gain) from equity accounted investments		-11	-18
Investment revenue recognized in profit or loss	9	-71	-54
Impairment loss recognized on trade receivables	20	2	0
Impairment loss recognized on inventory	20	388	18
Depreciation and amortization of non-current assets	15,16,17	1 510	1 636
Impairment of non-current assets		0	513
Development costs expensed	8	2 026	2 264
Cash generated from operating activities before changes in working capital		**6 945**	**6 769**
Changes in working capital	32	-882	-2 163
Interest paid		-369	-932
Income taxes paid		-196	-115
Net cash generated from operating activities		**5 498**	**3 560**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		71	54
Proceeds received from minority interest		11	18
Payments for property, plant and equipment	15	-1 161	-836
Payments for intangible assets	17	-1 601	-1 064
Development costs paid	8	-2 026	-2 264
Net cash (used in) / generated by investing activities		**-4 706**	**-4 091**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares		13 243	0
Payment for share issue costs		-285	0
Repayment of borrowings	25	-7 170	-1 713
Net cash received / (used) in financing activities		**5 788**	**-1 713**
Net (decrease)/increase in cash and cash equivalents		**6 580**	**-2 245**
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At start of the year		640	2 885
Increase / (decrease)		6 580	-2 245
Effect of exchange rate changes on the balance of cash held in foreign currencies		327	0
At the end of the year		**7 547**	**640**
Total Cash and cash equivalents	23	9 578	3 901
(Used factoring facility)	25	-2 031	-2 199
(Bank overdrafts)	25	0	-1 062
Net cash and cash equivalents at the end of the year		**7 547**	**640**

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

VALUATION RULES AND FINANCIAL RISK FACTORS

Zenitel (the "Company" or the "Group") is a limited liability company registered in Belgium. The consolidated financial statements of the company for the year ended 31 December 2014 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 19, 2015.

BASIS OF PREPARATION

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

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

AMENDMENTS TO IFRS AFFECTING AMOUNTS REPORTED IN THE FINANCIAL STATEMENTS

During the current financial year, the Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the accounting year starting on January 1, 2014. The Group has not applied any new IFRS requirements that are not yet effective as per December 31, 2014.

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

- IFRS 10 - Consolidated Financial Statements – Original Issue May 2011
- IFRS 10 - Consolidated Financial Statements (Amendment June 2012) – Amendments to transitional guidance
- IFRS 10 - Consolidated Financial Statements (Amendment October 2012) – Amendments for investment entities
- IFRS 11 - Joint Arrangements - Original Issue May 2011
- IFRS 11 - Joint Arrangements (Amendment June 2012) – Amendments to transitional guidance
- IFRS 12 - Disclosure of Interests in Other Entities - Original Issue May 2011
- IFRS 12 - Disclosure of Interests in Other Entities (Amendment June 2012) – Amendments to transitional guidance
- IFRS 12 - Disclosure of Interests in Other Entities (Amendment October 2012) – Amendments for investment entities
- IAS 27 - Consolidated and Separate Financial Statements (Amendment October 2012) — Amendments for investment entities
- IAS 32 - Financial Instruments: Presentation (Amendment December 2011) — Amendments relating to the offsetting of assets and liabilities
- IAS 36 – Impairment of Assets (Amendment May 2013) — Recoverable Amounts Disclosures for Non-Financial Assets
- IAS 39 – Financial Instruments: Recognition and Measurement (Amendment June 2013) — Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 – Levies (May 2013)

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

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

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

NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE

The Group elected not to early-adopt the following new Standards, Interpretations and Amendments, which have been issued but are not yet effective as per December 31, 2014.

- Annual Improvements to IFRSs 2010-2012 Cycle (issued by the IASB in December 2013)
- Annual Improvements to IFRSs 2011-2013 Cycle (issued by the IASB in December 2013)
- Annual Improvements to IFRSs 2012-2014 Cycle (issued by the IASB in September 2014)
- IFRS 7 - Financial Instruments: Disclosures (Amendment December 2011) — Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures
- IFRS 7 – Financial Instruments: Disclosures (Amendment November 2013) — Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9
- IFRS 9 - Financial Instruments — Classification and Measurement (Original issue November 2009, and subsequent amendments)
- IFRS 10 – Consolidated Financial Statements — Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (September 2014)
- IFRS 10 – Consolidated Financial Statements — Amendments regarding the application of the consolidation exception (December 2014)
- IFRS 11 - Joint Arrangements — Amendments regarding the accounting for acquisitions of an interest in a joint operation (May 2014)
- IFRS 12 – Disclosure of Interests in Other Entities — Amendments regarding the application of the consolidation exception (December 2014)
- IFRS 14 – Regulatory Deferral Accounts (Original issue January 2014)
- IFRS 15 - Revenue from Contracts with Customers (Original issue May 2014)
- IAS 1 - Presentation of Financial Statements — Amendments resulting from the disclosure initiative (December 2014)
- IAS 16 – Property, Plant and Equipment — Amendments regarding the clarification of acceptable methods of depreciation and amortization (May 2014)
- IAS 16 – Property, Plant and Equipment — Amendments bringing bearer plants into the scope of IAS 16 (June 2014)
- IAS 19 - Employee Benefits — Amendments relating to Defined Benefit Plans: Employee Contributions (November 2013)
- IAS 27 - Consolidated and Separate Financial Statements — Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (August 2014)
- IAS 28 – Investments in Associates and Joint Ventures — Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (September 2014)
- IAS 28 – Investments in Associates and Joint Ventures — Amendments regarding the application of the consolidation exception (December 2014)
- IAS 38 – Intangible Assets — Amendments regarding the clarification of acceptable methods of depreciation and amortization (May 2014)
- IAS 39 – Financial Instruments: Recognition and Measurement — Amendments for continuation of hedge accounting (fair value hedge of interest rate exposure) when IFRS 9 is applied (November 2013)
- IAS 41 – Agriculture — Amendments bringing bearer plants into the scope of IAS 16 (June 2014)

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

The Company has not yet determined the potential impact of the above new standards, interpretations and amendments. The Company did not early-adopt these standards and has not yet determined the potential impact of the interpretation of these standards. None of the other new standards, interpretations and amendments, which are effective for annual periods beginning after the 1st of January 2015 and which have not been adopted early, are expected to have a material effect on the Group's future financial statements.

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

Subsidiaries

The consolidated financial statements include all the subsidiaries that are controlled by the Group. Control is achieved where Zenitel has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Control is presumed to exist when Zenitel owns, directly or indirectly, more than 50% of an entity's voting rights of the share capital. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

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

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

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

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

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

INVESTMENTS IN ASSOCIATES

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

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

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

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

INTERESTS IN JOINT VENTURES

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

FOREIGN CURRENCIES

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

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

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

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

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

INTANGIBLE ASSETS

ACQUIRED INTANGIBLE ASSETS

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

COMPUTER SOFTWARE DEVELOPMENT COSTS

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

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

INTERNALLY GENERATED INTANGIBLE ASSETS - RESEARCH AND DEVELOPMENT EXPENDITURE

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

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

GOODWILL

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

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

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

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

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

TANGIBLE ASSETS

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Industrial buildings:	40 years
Office buildings:	50 years
Machine tools and heavy equipment:	10 years
Network infrastructure:	7-10 years
Electronic measuring appliances:	5 years
Quality control appliances:	10 years

Workshop and laboratory equipment:	4 years
Furniture in industrial buildings:	10 years
Vehicles - cars:	4-5 years
Vehicles - trucks:	4 years
Office furniture:	10 years

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

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

LEASING

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

ZENITEL AS LESSEE

Finance leases

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

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

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

Operating lease

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

CAPITAL MANAGEMENT

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

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

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

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

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

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

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

INVENTORIES

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

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

CONTRACTS IN PROGRESS

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

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

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

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

CONTRACT REVENUE

Contract revenue comprises:

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

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

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

CONTRACT COSTS

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

FINANCIAL INSTRUMENTS

Trade Receivables

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

Investments

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

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

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

Other Receivables & Financial Assets related to Divestments

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

Cash & Cash Equivalents

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

Available-for-sale financial assets

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

Financial Liabilities And Equity

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

Bank Borrowings

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

Trade Payables

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

Equity Instruments

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

Derivative Financial Instruments

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

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

Derivatives that do not qualify for hedge accounting

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

Treasury Shares

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

NON-CURRENT ASSETS HELD FOR SALE

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

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

GOVERNMENT GRANTS

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

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

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

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

PROVISIONS

Provisions are recognized in the consolidated statement of position when:

(a) there is a present obligation (legal or constructive) as a result of a past event; and

(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(c) a reliable estimate can be made of the amount of the obligation.

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

Restructurings

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

Warranty

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

Onerous Contracts

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

REVENUE RECOGNITION

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

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

Sale of Goods

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

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

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

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

Rendering of Services

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

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

Royalties

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

Interest

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

Dividends

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

Rental Income

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

INCOME TAXES

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

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

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

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

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

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

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

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

EMPLOYEE BENEFITS

Pension Obligations

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

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

The Group adopted the new standards, interpretations and revisions that became mandatory for the Zenitel Group on the 1st of January 2014. This had impact only for the adoption of the revision of IAS 19 (IAS 19R) on Employee Benefits and more specifically on post-employment benefits. The major changes introduced in the IAS 19R relate to the recognition of actuarial gains and losses through Other Comprehensive Income (equity) and the alignment of expected return of assets to the discount rate. Applying the revision, Zenitel classified the net periodic pension cost in operating and financing activities for their respective components and reclassified the accumulated 2014 actuarial gains and losses to the retained earnings. Total impact of this revision was EUR 0.3 million.

Other Long-Term Employee Benefits

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

Termination Benefits

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

Profit-Sharing & Bonus Plans

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

FINANCIAL RISK FACTORS

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

FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

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

FOREIGN EXCHANGE RISKS

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

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

Further information on these Hedges is given in note 28.

TRANSACTIONAL FOREIGN CURRENCY RISK

As far as foreign currency risk on borrowing is concerned, it is the Company's policy to have debt in the subsidiaries as much as possible in the functional currency of the subsidiary. The transactional currency risk mainly arises from the open foreign currency positions outstanding of group companies against respectively the Danish krone, the Norwegian krone, the US dollar and the Singapore dollar. On the basis of the average volatility during the last 5 years of these currencies against the euro for respectively 2014 and 2013, we estimated the reasonably possible changes of exchange rate of these currencies as follows:

1 euro equals	Closing Rate 31st Dec 2014	Possible volatility of rates in %	Rates used for the sensitivity analysis	Closing rate 31st Dec 2013	Possible volatility of rates in %	Rates used for sensitivity analysis
NOK	9.06	3.5%	8.74 - 9.38	8.43	4.6%	8.05 - 8.81
USD	1.22	3.3%	1.18 - 1.26	1.38	3.9%	1.32 - 1.43
SGD	1.61	4.0%	1.55 - 1.67	1.75	7.0%	1.62 - 1.87
DKK	7.45	0.1%	7.44 - 7.46	7.46	0.1%	7.45 - 7.47

If the above-indicated currencies had weakened/strengthened during 2014 and 2013 by the above estimated changes against the euro, with all of the other variables held constant, the 2014 and 2013 net result would not have been significantly affected (less than 0.01 million euro) both in 2014 and 2013. Neither would there have been a material impact on other components of equity both in 2014 and 2013.

TRANSLATIONAL FOREIGN CURRENCY RISK

100 percent of Zenitel's revenue is generated by its subsidiaries. 88 percent (2013: 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 US dollar, the Singapore 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 2014 and 2013, we estimated the reasonably possible change of the exchange rate of these currencies against the euro as follows

				Rates as used in the sensitivity analysis for 2014					*Rates as used for the sensitivity analysis for 2013*	
1 euro equals	Closing Rate 31 Dec 2014	Ave. Rate 2014	Possible volatility of rates in 2014	Possible closing rate	Possible average rate	Closing rate 31 Dec 2013	Ave. rate 2013	Possible volatility of rates in 2013	Possible closing rate	Possible average rate
NOK	9.06	8.39	3.49%	8.74 - 9.38	8.10 - 8.68	8.43	7.87	4.56%	8.05 - 8.81	7.51 - 8.23
DKK	7.45	7.45	0.11%	7.44 - 7.46	7.44 - 7.46	7.46	7.46	0.10%	7.45 - 7.47	7.45 - 7.47
USD	1.22	1.32	3.32%	1.18 - 1.26	1.28 - 1.36	1.38	1.33	3.86%	1.32 - 1.43	1.28 - 1.38
SGD	1.61	1.68	3.97%	1.55 - 1.67	1.61 - 1.75	1.75	1.67	7.04%	1.62 - 1.87	1.55 - 1.79
ANG	2.21	2.41	4.40%	2.11 - 2.31	2.30 - 2.52	2.51	2.42	4.84%	1.50 - 3.51	1.45 - 3.39

If the euro had weakened/strengthened during 2014 and 2013 by the above estimated possible changes against the above listed currencies with all other variables held constant, the 2014 profit would have been 0.1 million euro or 5.0% of net income higher/lower (2013: 0.2 million euro or 12% of net income) while the translation reserves in equity would have been 0.9 million euro or 4.5% of total equity higher/lower (2013: 1.6 million euro or 23% of total equity).

CREDIT RISKS

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

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

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

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

Millions of EUR	*Year ended December 31st*	
	2014	**2013**
Other financial assets	0.5	0.5
Trade & other receivables	16.1	14.6
Bank deposits	0.6	0.6
Total	**17.2**	**15.6**

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

LIQUIDITY RISKS

Liquidity risk is linked to the evolution of our current assets and current liabilities. The Group monitors the changes in these current assets and liabilities through regular monitoring and ratio-calculation. Further information on the existing credit lines is given in Note 25.

The following table sets forth details of the remaining contractual maturities of financial liabilities as of December 31, 2014 and 2013.

Millions of euro	*31st December 2014*				*31st December 2013*			
	Total	**Payment due within 1 year or less**	**Payment due later than 1 year but not later than 5 years**	**Payment due later than 5 years**	**Total**	**Payment due within 1 year or less**	**Payment due later than 1 year but not later than 5 years**	**Payment due later than 5 years**
Used factoring credit facility	2.0	2.0	0.0	0.0	2.2	2.2	0.0	0.0
Trade payables	19.9	19.9	0.0	0.0	16.5	16.5	0.0	0.0
Bank borrowings*	0.0	0.0	0.0	0.0	2.6	1.9	0.7	0.0
Shareholder loans	0.0	0.0	0.0	0.0	4.4	2.3	2.1	0.0
Finance lease liabilities*	0.2	0.0	0.1	0.1	0.2	0.0	0.1	0.1
Total	**22.1**	**21.9**	**0.1**	**0.1**	**25.9**	**22.9**	**2.9**	**0.1**

* including future undiscounted interest payment

INTEREST RATE RISKS

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The Group manages the risk by maintaining an appropriate mix between fixed and floating rate borrowings. As per year-end 2014 and 2013, 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 2014	**Interest charge 2014**	**Ave. interest rate 2014**	**Possible volatility of rate in 2014**	**Outstanding debt 31 Dec 2013**	**Interest charge 2013**	**Ave. interest rate 2013**	**Possible volatility of rate in 2013**
Used factoring facility	2.0	0.1	3.24%	4.6%	2.2	0.1	4.45%	3.7%
Bank borrowings	0.0	0.1	2.93%	3.5%	2.6	0.3	3.48%	4.1%
Shareholder loans	0.0	0.2	6.00%	4.6%	4.4	0.2	6.00%	3.7%
Finance lease liabilities	0.2	0.0	2.88%	Fixed Rate	0.2	0.0	2.88%	Fixed Rate
Other financial liabilities	0.0	0.0	0.00%	NA	0.0	0.0	0.00%	NA
Total	**2.2**	**0.4**			**9.9**	**0.6**		

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 2014 net result would have been 0.01 million euro lower/higher (2013: 0.01 million euro lower/higher). The impact on interest income on interest bearing financial assets (such as finance lease receivables and cash deposits) was not included in this calculation as this impact is only limited.

The estimated volatilities in 2014 and 2013 as indicated in the table above are based on average deviations of the interest rate during the respective years

EQUITY RISK

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

The available-for-sale investments are accounted at fair value. Fair values are assessed on a regular basis and at the end of 2013, the investment in TetraNet Denmark (0.6%) was impaired. In 2011, the company started a joint venture called StentofonBaudisch with 1/3rd participation in Germany together with Baudisch GmbH and Scanvest GmbH. The investment is accounted for using the equity method.

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

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

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

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

IMPAIRMENT OF GOODWILL

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

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

The (pre-tax) discount rate applied to cash flow projections is the weighted average cost of capital (WACC) of 11% (pre-tax discount rate 2013: 10.6%). The components for the determination of the WACC are based on sector-specific parameters received from various banks and analysts and taking into account the financial position of Zenitel and historical performance of the individual CGU. The cash flow forecast is calculated over a 5-year time frame including a terminal value at the end of 2019. The cash flow is based on actual performance and estimated development of key drivers. The following assumptions are made:

- Growth rate of 2.0% (2013: 2.0%) applied on revenues.
- Growth rate of 2.0% (2013:2.0%) applied on terminal value.
- Inflation rate of 1.4% (2013: 1.9%) applied on operating expenses (weighted average inflation rate of each country included in the CGU).
- Cost of Goods sold to increase by 1.7% for the first year and stable for the following years.

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

The calculation shows a cushion (difference between value in use and carrying value) of 13.9 million euro, and the sensitivity analysis shows that 1.0% (2013: 1.0%) is to be subtracted from the growth rate before goodwill is impaired. CGU Intercom requires a WACC exceeding 16.9% before goodwill is impaired (2013: 15.9%).

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

CONTINGENCIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REVENUE

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

(thousands of EUR)		*Year ended December 31st*
	2014	**2013**
Revenue from the sale of goods	66 948	62 198
Revenue from the rendering of services	4 791	5 205
Total revenue	**71 738**	**67 403**

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

2. SEGMENT INFORMATION

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

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

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

(thousands of EUR)		*Year ended December 31st*
Revenues from external customers attributed to subsidiaries in:	**2014**	**2013**
Belgium (Country of domicile)	0	0
Norway	36 845	29 777
Singapore	10 510	10 703
Denmark	4 668	7 356
France	5 071	5 446
Caribbean	4 446	5 071
USA	6 185	5 359
Other foreign countries	4 014	3 691
Total	**71 738**	**67 403**

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:	**2014**	**2013**
Belgium (Country of domicile)	0	0
Caribbean	1 361	1 288
Norway	8 792	8 727
Other foreign countries	1 020	584
Total	**11 173**	**10 599**

For further information about geographical area's, we refer to note 2.d below. The two largest customers account for 5.9%, 4.9% respectively of Group net sales in 2014 (3.6%, 3.5% of Group net sales in 2013).The highest amounts of trade accounts receivable outstanding are 8.7% and 3.6% respectively of the Group's accounts receivable at 31 December 2014 (5.3%,4.0% at 31 December 2013).

2.A SEGMENT REVENUES AND SEGMENT RESULTS

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

(thousands of EUR)	Segment revenue		Recurrent EBITDA(1)		One-time items		Segment result(2)	
Year ended December 31	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Secure Communication Systems (SCS)	67 174	62 331	5 221	4 701	0	0	3 960	4 028
Caribbean	4 564	5 071	1 311	1 269	0	(573)	673	(274)
All Segments	**71 738**	**67 403**	**6 532**	**5 970**	**0**	**(573)**	**4 633**	**3 755**
Unallocated operations	0	0	(1 238)	(1 200)	0	573	(1 239)	(640)
Total	**71 738**	**67 403**	**5 295**	**4 770**	**0**	**0**	**3 395**	**3 115**
Financial results					0	0	(959)	(1 238)
Income tax expense					0	0	(222)	(116)
Total profit/(loss) for the period					**0**	**0**	**2 214**	**1 761**

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

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

Segment revenue reported above represents revenue from external customers. Inter segment sales amounted to 0.2 million euro (2013: 0.1 million euro).

The unallocated recurrent operating expenses in 2014 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 EBIT and EBITDA figures per segment.

2.B SEGMENT ASSETS AND SEGMENT LIABILITIES

(thousands of EUR)				*Year ended December 31st*
	Assets		**Liabilities**	
	2014	**2013**	**2014**	**2013**
Secure Communication Systems	43 448	34 159	19 360	17 895
Caribbean	3 625	3 206	1 816	1 713
Unallocated	831	406	5 499	11 279
Consolidated	**47 904**	**37 771**	**26 675**	**30 887**

Unallocated liabilities consist mainly of pension obligations and provisions related to reorganization and other risks and liabilities included in Zenitel NV.

2.C OTHER SEGMENT INFORMATION

(thousands of EUR)	Depreciation, amortization & goodwill impairment		Additions to non-current assets	*Year ended December 31st*
	2014	2013	2014	2013
Secure Communication Systems	1 262	669	2 234	1 319
Caribbean	638	972	528	581
Unallocated	0	13	0	0
Consolidated	**1 900**	**1 654**	**2 762**	**1 900**

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)	Revenue from external customers		Segment assets		Additions to non-current assets	*Year ended December 31st*
	2014	2013	2014	2013	2014	2013
Europe	50 597	46 270	36 465	25 850	2 161	1 319
Asia	10 510	10 703	5 457	5 283	44	581
Americas	10 631	10 431	5 982	6 638	557	0
Consolidated	**71 738**	**67 403**	**47 904**	**37 771**	**2 762**	**1 900**

3.A DISCONTINUED OPERATIONS

In 2009 Zenitel sold MCCN network assets and contracts. The proceeds of this sale consisted of a fixed and a contingent part, which is billable in the period from October 2009 till September 2014. In October 2013, the remaining amount was been paid off In 2014 there were no discontinued operations.

3.B BUSINESS COMBINATIONS

In June 2014 Zenitel acquired the assets of Etronic, a strategic supplier based in Denmark. Etronics operations have been integrated into the wider Zenitel organization. The revenue of Zenitel Etronic resulted in 2.1 million euro and operating profit amounted to 0.1 million euro in 2014.

(thousands of EUR)	Book value	Adjustments	Fair value *Year ended December 31st*
Non-current assets	117	0	117
Current assets	1 270	0	1 270
	1 387	**0**	**1 387**

Additionally to the above, the purchase price included an amount of 0.2 million euro that can be allocated to know-how and that is shown into the intangible assets of the consolidated financial statements.

4. RAW MATERIALS AND CONSUMABLES USED

(thousands of EUR)		*Year ended December 31st*
Continuing operations	**2014**	**2013**
Supplies	36 246	32 057
Subcontractors	199	272
Changes in inventories of finished goods and work in progress	-2 442	440
Other	734	665
Total raw materials and consumables used	**34 738**	**33 434**

5. EMPLOYEE BENEFITS EXPENSES

(thousands of EUR)		*Year ended December 31st*
	2014	**2013**
Wages and salaries	18 146	16 576
Social security costs	2 465	2 378
Other employee benefits	890	829
Short term employee benefits	**21 501**	**19 783**
Pension costs - defined contribution plans	522	600
Pension costs - defined benefit plans	38	47
Pension costs	**560**	**647**
TOTAL EMPLOYEE BENEFITS EXPENSES	**22 061**	**20 430**
Average number of employees	**309**	**270**
Employees	293	252
Management	16	18

In 2014 and 2013 there were no reorganization expenses.

6. FACILITY EXPENSES

(thousands of EUR)		*Year ended December 31st*
	2014	**2013**
Housing costs (rent & common charges)	2 155	2 027
Telecom expenses	495	503
Insurances	304	250
Utilities	548	636
Other facility costs	1 016	979
Total facility expenses	**4 518**	**4 395**

7. OTHER EXPENSES

(thousands of EUR)		*Year ended December 31st*
	2014	**2013**
Advertising, publicity and trade fairs	692	475
Travel & related costs	1 721	1 548
Car expenses	798	830
Other	36	-200
Total other expenses	**3 247**	**2 653**

8. RESEARCH & DEVELOPMENT COSTS

(thousands of EUR)		*Year ended December 31st*
	2014	**2013**
Research and development costs	**2 026**	**2 264**

Whereof 1.8 million euro (1.6 million in 2013) were included in the Employee benefits expense (Wages and salaries).

Besides these expensed research & development costs, 0.8 million euro of development costs were capitalized in 2014 (1.1 million in 2013).

9. FINANCE INCOME

(thousands of EUR)		*Year ended December 31st*
	2014	**2013**
Other (aggregate of immaterial items)	71	54
Total finance income	**71**	**54**

10. FINANCE COSTS

(thousands of EUR)		*Year ended December 31st*
	2014	**2013**
Interest on bank overdrafts, used factoring facility and loans	369	577
Interest on obligations under finance lease	9	5
Other financial charges	286	466
Total finance costs	**664**	**1 048**

The weighted average interest rate on funds borrowed generally is 4.4% per annum.

11. NET FOREIGN EXCHANGE GAINS / (LOSSES)

(thousands of EUR)		*Year ended December 31st*
	2014	**2013**
Foreign exchange rate losses	-400	-349
Both realized and unrealized	*-400*	*-349*
Foreign exchange rate gains	23	86
Both realized and unrealized	*23*	*86*
Net foreign exchange gains/(losses)	**-376**	**-263**

12. INCOME TAXES

(thousands of EUR)			*Year ended December 31st*
	Notes	**2014**	**2013**
Current tax expense / (income)		164	87
Adjustments recognized in the current year in relation to current tax of prior years		58	20
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	13	0	9
Total income tax expense/(income) relating to continuing operations		**222**	**116**

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*	
	2014	**2013**
Results before tax	**2436**	**1877**
Tax calculated at tax rate of 33.99%	828	638
Effects of:		
- Different tax rates in other countries	-230	-198
- Adjustments recognized in the current year in relation to current tax of prior years	58	20
- Income not subject to tax	-94	-177
- Expenses not deductible for tax purposes	440	394
- Utilization of previously unrecognized tax losses	-954	-783
- Reversal of previous write-downs of tax assets as tax losses	60	0
- Unrecognized tax losses of the current year	114	222
Total income tax expense/(income)	**222**	**116**

The tax rate used for the 2014 and 2013 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 2014 neither in 2013.

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% (2013: 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.

(thousands of EUR)	*Year ended December 31st*	
	2014	**2013**
At the beginning of the year		
- deferred tax liability	9	16
- deferred tax asset	-2 301	-2 632
Income statement (credit)/charge	0	9
Other changes	155	315
At the end of the year	**-2 137**	**-2 292**
Recognized in the balance sheet as		
- deferred tax liability	10	9
- deferred tax asset	-2 147	-2 301

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, 2012	**0**	**15**	**0**	**0**	**530**	**0**	**545**
Charged/(credited) to P/L	0	-24	0	0	0	24	0
Other changes	0	10	0	0	-530	-16	-536
At December 31, 2013	**0**	**1**	**0**	**0**	**0**	**8**	**9**
Charged/(credited) to P/L	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	1	1
At December 31, 2014	**0**	**1**	**0**	**0**	**0**	**9**	**10**

Deferred tax assets	Net PBO Liabilities	Impairments	Tax losses	Provisions	Depreciation	Other	Total
At December 31, 2012	**-169**	**-354**	**-2 056**	**-17**	**-413**	**-151**	**-3 160**
Charged/(credited) to P/L	0	121	0	0	-61	-51	9
Other changes	169	83	45	-8	391	171	851
At December 31, 2013	**0**	**-150**	**-2 011**	**-25**	**-83**	**-31**	**-2 301**
Charged/(credited) to P/L	0	0	0	0	0	0	0
Other changes	0	-1 349	2 011	15	-454	-65	155
At December 31, 2014	**0**	**-1 499**	**0**	**-10**	**-537**	**-100**	**-2 147**

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*
	2014	**2013**
Deferred tax assets	-2 147	-2 301
Deferred tax liabilities	10	9
Total	**-2 137**	**-2 292**

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	**2014**	**2013**
Zenitel NV	56 084	56 204
Zenitel Finance Netherlands BV	8 807	8 807
Zenitel Caribbean	2 716	1 805
Zenitel CSS France	1 696	1 465
Zenitel Finland	1 506	1 742
Zenitel Denmark	4 460	6 553
Zenitel Italy	881	1 241
Zenitel USA	214	0

Tax losses carried forward as per year end 2014 indicated in the table above do not have an expiry date. Tax losses carried forward as per year end 2013 had no expriry date either.

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

(thousands of EUR)		*Year ended December 31st*
Company	**2014**	**2013**
Zenitel NV	-120	3 342
Zenitel Finance Netherlands	5	5
Zenitel Caribbean	911	523
Zenitel CSS France	231	4
Zenitel Finland	-236	374
Zenitel Denmark	-2 093	-951
Zenitel Italy	-360	220
Zenitel USA	214	-135
Total	**-1 448**	**3 382**

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
	2014	**2013**
Basic earnings per share	**0.07**	**0.11**

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)	**2 214**	**1 761**
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures) - See Note 31	**33 108 844**	**16 441 309**

14.2 Diluted earnings per share

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

		Year ended December 31st
	2014	**2013**
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures) - See Note 31	33 108 844	16 441 309
Adjustments for warrants	-	-
Weighted average number of ordinary shares for diluted earnings per share	33 108 844	16 441 309
Diluted earnings per share	0.07	0.11

15. PROPERTY, PLANT & EQUIPMENT

(thousands of EUR)	Land & buildings	Installations & machinery	Furniture, fixtures & vehicles	Other tangible assets	Total
Cost or valuation					
Balance as at 1 January 2013	**81**	**3 744**	**4 753**	**9 625**	**18 204**
Additions		132	125	579	836
Disposals		-117	-259	-2 692	-3 068
Transfer from one heading to another		23	135	-125	33
Net foreign currency exchange differences		-356	-350	-406	-1 112
Balance as at 1 January 2014	**81**	**3 426**	**4 404**	**6 981**	**14 893**
Additions		249	113	799	1 161
Disposals		-16	-80	-219	-315
Transfer from one heading to another					
Others		-155	-5	2 116	1 956
Net foreign currency exchange differences		-68	1	952	885
Balance as at 31 December 2014	**81**	**3 436**	**4 433**	**10 629**	**18 580**
Accumulated depreciation and impairment					
Balance as at 1 January 2013	**-81**	**-3 421**	**-4 396**	**-7 209**	**-15 107**
Depreciation expense		-127	-211	-764	-1 102
Eliminated on disposals of assets		73	44	2 041	2 158
Transferred from one heading to another					
Net foreign currency exchange differences		336	328	348	1 012
Balance as at 1 January 2014	**-81**	**-3 139**	**-4 235**	**-5 584**	**-13 039**
Depreciation expense		-149	-206	-649	-1 004
Eliminated on disposals of assets		16	76	223	315
Transferred from one heading to another					
Others		147	38	-2 141	-1 956
Net foreign currency exchange differences		70	10	-793	-713
Balance as at 31 December 2014	**-81**	**-3 055**	**-4 317**	**-8 944**	**-16 397**
Carrying amount					
As at 31 December 2013	**0**	**288**	**169**	**1 398**	**1 854**
As at 31 December 2014	**0**	**382**	**116**	**1 686**	**2 183**

16. GOODWILL

(thousands of EUR)		*Year ended December 31st*
Cost	**2014**	**2013**
Balance at beginning of year	**61 104**	**68 088**
Effect of foreign currency exchange differences	-3 117	-6 984
Balance at end of year	**57 987**	**61 104**
Accumulated impairment losses		
Balance at beginning of year	**-57 277**	**-63 719**
Effect of foreign currency exchange differences	2 851	6 442
Balance at end of year	**-54 426**	**-57 277**
Carrying amount		
At the beginning of the year	**3 827**	**4 369**
At the end of the year	**3 561**	**3 827**
Of which all is related to the SCS Business		

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

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

The (pre tax) discount rate applied to cash flow projections is the weighted average cost of capital (WACC) of 11% (pre tax 2013: 10.6%). The components for the determination of the WACC are based on sector-specific parameters received from various banks and analysts and taking into account the financial position of Zenitel and historical performance of the individual CGU.

A growth rate of 2.0% (2013: 2.0%) has been used and the assumed inflation rate is 1.4% (2013: 1.9%).

Sensitivity analysis shows that 1.0% (2013: 1.0%) is to be subtracted from the growth rate before goodwill is impaired. CGU Intercom requires a WACC exceeding 16.9% (2013: 15.1%) before goodwill is impaired.

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

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

17. OTHER INTANGIBLE ASSETS

(thousands of EUR)			*Year ended December 31st*
Cost	**Capitalized development**	**Software, licenses**	**Total**
Balance at 1 January 2013	**4 872**	**2 184**	**7 056**
- internally generated	4 436		4 436
- externally acquired	436	2 184	2 620
Additions (including internally generated)	1 022	42	1 064
Cancellations			
Transfer from one heading to another			
Net foreign currency exchange differences	-651	-98	-749
Balance at 1 January 2014	**5 243**	**2 128**	**7 370**
- internally generated	4 865	0	4 865
- externally acquired	377	2 128	2 505
Additions (including internally generated)	1 182	419	1 601
Cancellations		-6	-6
Transfer from one heading to another			
Other	-151	-93	-244
Net foreign currency exchange differences	-411	-45	-456
Balance at 31 December 2014	**5 863**	**2 403**	**8 265**
- internally generated	5 515	0	5 515
- externally acquired	348	2 403	2 751
Accumulated amortization and impairment			
Balance at 1 January 2013	**-3 139**	**-1 979**	**-5 117**
Amortization expense	-390	-169	-559
Impairment charge			
Amortization cancelled (disposals)	2	-26	-24
Transfer from one heading to another			
Net foreign currency exchange differences	394	86	480
Balance at 1 January 2014	**-3 133**	**-2 088**	**-5 220**
Amortization expense	-460	-47	-507
Impairment charge	0	0	0
Amortization cancelled (disposals)		6	6
Transfer from one heading to another			0
Other		-1	-1
Net foreign currency exchange differences	236	23	259
Balance at 31 December 2014	**-3 357**	**-2 107**	**-5 463**
Carrying amount			
As at 31 December 2013	**2 110**	**40**	**2 150**
As at 31 December 2014	**2 506**	**296**	**2 802**

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*
	2014	**2013**
Impairment charge on inventories	590	18
Impairment charge on receivables	2	0
Reversal of impairment charge on inventories	-2	0
Reversal of impairment charge on receivables	-200	0
Total impairment on current assets	**390**	**18**

19. FINANCIAL ASSETS

(thousands of EUR)	*Year ended*	*December 31*
	2014	**2013**
Available for sale investments	283	283
Long term guarantee paid in cash	117	117
Participations accounted for using the equity method	80	68
Total	**480**	**468**
of which current	0	0
of which non-current	480	468

(thousands of EUR)	*Year ended December 31st*	
Available for sale investments	**2014**	**2013**
At the beginning of the year	**283**	**439**
Acquisition	0	0
Disposals	0	0
Impairments	0	-116
Net foreign currency exchange differences	0	-40
At the end of the year	**283**	**283**

(thousands of EUR)	*Year ended*	*December 31*
The breakdown of the outstanding balance is as follows:	**2014**	**2013**
- BNSC - Beijing Nera Stentofon Comm. Equipment (China):	283	283
Total	**283**	**283**

The available-for-sale investments are accounted at fair value. Fair values are assessed on a regular basis and at the end of 2014, no objective evidence indicates that available-for-sale investments are impaired. In 2013 the TETRANET DK investment was written off.

(thousands of EUR)	*Year ended December 31st*	
Participations accounted for using the equity method	**2014**	**2013**
At the beginning of the year	68	61
Acquisition	0	0
Share of profit/(loss) from equity accounted investments	11	18
Disposals	0	0
Net foreign currency exchange differences	1	-12
At the end of the year	**80**	**68**

The acquisition in 2011 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 no contingent liabilities nor capital commitments relating to this joint venture .

20. INVENTORIES

(thousands of EUR)	*Year ended December 31st*	
	2014	**2013**
Raw material	486	454
Goods purchased for resale	7 616	6 345
Total inventories	**8 102**	**6 799**

Total inventory write offs amounted to 0.6 million euro in 2014 (0.02 million euro in 2013). Inventory expenses are included in the Raw materials and cosumables used line of the income statement..

21. CONTRACTS IN PROGRESS

(thousands of EUR)	*Year ended December 31st*	
	2014	**2013**
At the beginning of the year	**1 289**	**787**
Contract costs incurred plus recognized profits less recognized losses to date	718	1 148
Less: progress billings during the year	-1 276	-1 832
Net foreign currency exchange differences	-73	-29
Advances received from customers and included in 'other payables'	1 177	1 215
At the year end	**1 835**	**1 289**

With respect to contracts in progress, the revenue recognition occurs according to the Percentage of Completion Method. In 2014 the total contract revenue recognized amounted to 0.7 million euro. (2013: EUR 1.1 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*	
	2014	**2013**
Trade receivables	14 764	14 573
Allowance for doubtful debts	-574	-742
Total	**14 190**	**13 831**
OTHER RECEIVABLES		
Tax receivables other than income tax	489	481
Income tax receivable	18	9
Other receivables	1 427	257
Total Other receivables	**1 934**	**747**
Total trade and other receivables	**16 124**	**14 578**

The total amount of trade receivables is presented after deduction of a bad debt allowance of 0.6 million euro (2013: 0.7 million euro). The aging of our current trade and other receivables can be detailed as follows:

			Of Which:							
	Gross amount as at 31 Dec 2014	Of which: not past due on the reporting date	Past due less than 30 days	Past due between 30 and 59 days	Past due between 60 and 89 days	Past due between 90 and 179 days	Past due between 180 and 359 days	Past due more than 359 days	Valuation allowance for doubtful debtors	Net carrying amount as at 31 December 2014
Trade receivables	14 764	8 965	2 701	1 496	360	487	128	627	-574	14 190
Tax receivables, other than income tax	489	489	0	0	0	0	0	0	0	489
Income tax receivable	18	18	0	0	0	0	0	0	0	18
Other receivables	1 427	1 220	181	0	0	20	0	6	0	1 427
Total	**16 698**	**10 692**	**2 882**	**1 496**	**360**	**507**	**128**	**633**	**-574**	**16 124**

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

The average credit period on sales of goods and services is 74.1 days (2013: 71.8 days). No interest is charged on trade receivables for the first 60 days from the date of the invoice. Thereafter the interest charged is charged at 2% per annum on the outstanding balance. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the balance sheet date. An allowance is recognized when there is objective evidence that the individual asset is impaired.

(thousands of EUR)	*Year ended December 31st*	
Movement of the allowance for doubtful debtors	**2014**	**2013**
Balance at beginning of the year	-742	-1 090
Amounts written off during the year	21	35
Amounts recovered during the year	84	215
Decrease / (Increase) in allowance recognized in profit or loss	105	41
Translation difference	-42	57
Balance at end of year	**-574**	**-742**

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 5.9% and 4.9% respectively of Group net sales. There is no other significant concentration of credit risk. Therefore, management is of the opinion that inherent credit risk in the group's receivables is limited. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtfull debtors.

23. CASH AND CASH EQUIVALENTS

(thousands of EUR)	*Year ended December 31st*	
	2014	**2013**
Cash at bank and in hand	8 958	3 338
Short term bank deposit	620	563
Total cash and cash equivalents	**9 578**	**3 901**

The weighted average effective interest rate on short-term bank deposits amounts to 0.26 % (2013: 0.54%).

24. TRADE AND OTHER PAYABLES

(thousands of EUR)	*Year ended December 31st*	
	2014	**2013**
Trade payables	**9 331**	**7 773**
Remuneration & staff related liabilities	4 483	3 881
Accrued expenses	3 340	1 953
Advances received on contracts	1 177	1 215
Other	1 550	1 798
Other payables	**10 550**	**8 847**
Total trade and other payables	**19 881**	**16 620**

The fair value of the derivative financial instrument amounted to 0.5 million euro are included in the line other. Further information on these financial instruments is given in note 28.

25. BORROWINGS

(thousands of EUR)	*Year ended December 31st*	
	2014	**2013**
Non-current		
Bank borrowings	0	661
Shareholder loans	0	2 083
Finance lease liabilities	143	152
	143	**2 896**
Current		
Used factoring facility	2 031	2 199
Bank overdraft	0	1 062
Shareholders' loans	0	2 330
Current installment of long term loan	0	859
Finance lease liabilities	21	19
	2 052	**6 469**
Total borrowings	**2 195**	**9 365**

	Year ended December 31st	
The weighted average interest rate per year amounts to (%):	**2014**	**2013**
Leasing	2.9	2.9
Shareholder loans	6.0	6.0
Bank borrowings LT	4.4	3.5
Used factoring facility	4.5	4.5

The bank borrowings and the shareholder loans were fully repaid as a result of the capital increase of June 2014.

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 2014			*31st December 2013*		
	Total future payments	Unexpired interest expenses	Present value	Total future payments	Unexpired interest expenses	Present value
Not later than one year	2 031	0	2 031	3 563	373	3 190
Between one and five years	0	0	0	2 882	139	2 743
Later than five years	0	0	0	0	0	0
Total	**2 031**	**0**	**2 031**	**6 445**	**512**	**5 933**

The financial lease liabilities are payable as follows :

	31st December 2014			*31st December 2013*		
	Total future payments	Unexpired interest expenses	Present value	Total future payments	Unexpired interest expenses	Present value
Not later than one year	25	4	21	23	4	19
Between one and five years	102	18	84	96	18	78
Later than five years	72	13	59	91	17	74
Total	**199**	**35**	**164**	**210**	**39**	**171**

NON CURRENT BORROWINGS

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.

CURRENT BORROWINGS

Zenitel Norway AS has a factoring agreement of NOK 36 million. This factoring agreement allows for borrowing up to 80% of the value of customer invoices. As per 31 December 2014, 2.0 million euro of this credit facility was used against 2.1 million euro as per 31 December 2013. The interest rate on this facility on average amounted to 4.4% in 2014 (4.5% in 2013). At the same time, a credit line up to a maximum of NOK 36 million is available. As per year end 2014, this credit facility was not used (1.0 million euro at year end 2013).

The total credit lines held by the Company amount to 9.1 million euro (2013: 11.3 million euro).

In addition, the company also holds lines for bank guarantees at different credit institutions for in total almost 3.2 million euro(2013: 1.2 million euro) of which 3.1 million euro (2013: 1.1 million euro) are used to secure the completion of customer contracts. 0.1 million euro (2013: 0.1 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 unrecognised actuarial losses and past service costs and the present value of future economic benefits available in the form of refunds from the plan or reduction in future contributions of the plan (see adjustments for limit on net asset).

(thousands of EUR)	2014	2013
Opening retirement benefit obligation	**1 010**	**1 434**
Additions to provisions	272	72
Payments	-302	-277
Reversal of provisions	-98	-219
Exchange differences	16	0
Retirement benefit obligation at end of year	**898**	**1 010**
Non-current	679	735
Current	219	275
	898	**1 010**

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

(thousands of EUR)	*Year ended December 31st*	
	2014	**2013**
Present value of funded obligations	2 748	2 782
Fair value of plan assets	-2 495	-2 685
Funded status	**253**	**97**
Present value of unfunded obligations	645	913
Unrecognized actuarial gains (losses)	0	0
Unrecognized past service (cost) benefit	0	0
Net Liability	**898**	**1 010**
Amounts recognized in the balance sheet		
Recognized as non current liability / retirement benefit obligations	679	735
Recognized as current liability / retirement benefit obligations	219	275
Net Liability	**898**	**1 010**

The amounts recognized in the income statements are as follows:

	2014	**2013**
Current service cost	27	27
Interest costs	97	105
Expected return on plan assets	-86	-85
Amorization of past service cost	0	0
Net actuarial losses recognised in year	0	0
Gain on curtailment	0	0
Settlement gain	0	0
Total pension costs	**38**	**47**
Actual return on plan assets	**86**	**-69**

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:

	2014	**2013**
Opening defined benefit obligation as prevoiously reported	**3 695**	**4 195**
Reversal of retirement benefit obligation	-68	0
Service cost	27	27
Interest cost	98	105
Plan participants' contributions	14	13
Actuarial losses (gains)	251	-283
Expenses paid	0	0
Losses (gains) on curtailments	0	0
Exchange differences on foreign plans	2	-31
Benefits paid	-627	-331
Closing defined benefit obligation	**3 392**	**3 695**

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

(thousands of EUR)	2014	2013
Opening fair value of plan assets	**2 685**	**2 760**
Expected return	86	85
Actuarial gains and (losses)	0	-153
Contributions by employer	340	341
Plan participants' contributions	14	13
Expenses paid	0	0
Divestiture	0	0
Exchange differences on foreign plans	-3	-30
Benefits paid	-627	-331
Closing fair value of plans assets	**2 495**	**2 685**

The group expects to contribute 0.2 million euro to its defined benefit pension plans in 2015.

(thousands of EUR)		*Year ended December 31st*
	2014	**2013**
Defined benefit obligation	-2 748	-2 782
Plan assets	2 495	2 685
Surplus/(deficit)	**-253**	**-97**
Experience adjustments on plan assets	0	-153
Experience adjustments on plan liabilities	0	0

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
	2014	**2013**	**2014**	**2013**
	%	%	EUR'000	EUR'000
Equity instruments	0.00	0.00	0	0
Debt instruments	0.79	2.19	1 706	1 956
Real estate	0.0	0.00	0	0
Other	1.14	0.93	789	729
Weighted average expected return	**1.92**	**1.85**	**2 495**	**2 685**

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:

	2014	2013
Weighted average assumptions to determine benefit obligations	**%**	**%**
Discount rate	1.76	2.87
Rate of compensation increase	2.25	3.14
Rate of price inflation	2.14	2.27
Weighted average assumptions to determine the net costs		
Discount rate	3.02	2.86
Expected long term rate of return on plan assets during the financial year	2.46	2.17
Rate of compensation increase	3.20	2.96
Rate of price inflation	2.06	2.11

27. PROVISIONS

(thousands of EUR)	Restructuring	Technical Guarantees	Other	Total
On January 1, 2013	**3**	**769**	**3 555**	**4 328**
Additions to provisions	0	0	0	0
Utilization	-3	-1	-44	-48
Reversal of provisions	0	-138	-450	-588
Exchange differences	0	-39	0	-39
On December 31, 2013	**0**	**591**	**3 062**	**3 653**
Non-current	0	0	0	0
Current	0	591	3 062	3 653
	0	**591**	**3 062**	**3 653**
On January 1, 2014	**0**	**591**	**3 062**	**3 653**
Additions to provisions	0	0	0	0
Utilization	0	-4	0	-4
Reversal of provisions	0	-218	0	-218
Exchange differences	0	-13	0	-13
On December 31, 2014	**0**	**356**	**3 062**	**3 418**
Non-current	0	0	0	0
Current	0	356	3 062	3 418
	0	**356**	**3 062**	**3 418**

Restructuring

Earlier 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 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 recognised at amortized costs in the financial statements approximate their fair values.

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

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

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

The following table provides an overview of the carrying values and classes of financial instruments 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 2014*		*31 December 2013*			
	Carrying value	**Fair value**	**Carrying value**	**Fair value**	**Level**	**Balance sheet caption**
Financial assets availabe for sale	**283**	**283**	**283**	**283**		**Financial assets**
Available for sale investments	283	283	283	283	3	Financial assets
Loans and receivables	**15 814**	**15 814**	**14 273**	**14 273**		
Long term guarantees paid in cash	117	117	117	117	3	Financial assets
Other financial assets	80	80	68	68	3	Financial assets
Trade receivables	14 190	14 190	13 831	13 831	3	Trade and other receivables
Other receivables	1 427	1 427	257	257	3	Trade and other receivables
Financial liabilities at amortized cost	**22 076**	**22 076**	**25 985**	**25 985**		
Interest bearing loans and borrowings	2 195	2 195	9 365	9 365	3	Interest bearing loans and borrowings LT and ST
Trade payables	9 331	9 331	7 773	7 773	3	Trade and other payables
Other payables	10 550	10 550	8 847	8 847	3	Trade and other payables

NET FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

The derivatives are not part of a hedging relationship that qualifies for hedge accounting. Consequently, changes in fair value are recognized in the income statement.

Since most of the Norwegian business is export in the euro currency, Zenitel Norway AS has a NOK deficit and a EUR surplus. The company has put in place hedging systems that secure the needed exchange between EUR/NOK on a rolling 12-month basis. As per year end 2014 and 2013 there were no forward exchange contracts outstanding.

Per 31.12.14 the company had in total 7.4 million euro in forward sales contracts at a sales rate ranging between 8.325 and 8.534 NOK/EUR and outstanding until October 2015.

Revaluation rate ranges between 9.045 and 9.120 NOK/EUR giving a total fair value of 0.5 million euro. The fair value amount can be found in other payables in the Consolidated Statement of Financial Position.

29. CONTINGENCIES

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

30. COMMITMENTS

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

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

(thousands of EUR)	*Year ended December 31st*	
	2014	**2013**
Not later than 1 year	2 602	2 512
Later than 1 year and not later than 5 years	7 226	7 082
Later than 5 years	78	91
Total	**9 906**	**9 685**

Lease payments recognized in the income statement for the current period amount to 2.7 million euro (2013: 2.7 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*	
	2014	**2013**
Not later than 1 year	1 769	1 745
Later than 1 year and not later than 5 years	7 077	6 979
Later than 5 years	0	0
Total	**8 846**	**8 724**

Lease payments recognized in the income statement for the current period amount to 1.8 million euro (2013: 1.7 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 2014 amounted to 33,108,844.

Ordinary shares & treasury shares:

	Number of ordinary shares	Treasury shares	Total
On December 31, 2012	16 441 309	113 113	16 554 422
On December 31, 2013	16 441 309	113 113	16 554 422
On December 31, 2014	33 108 844	0	33 108 844
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	33 108 844		

All issued shares are fully paid. Shares have no par value. The total authorized capital is per December 31, 2014 EUR 20,000,000.

Warrants were granted in the past to directors and to employees. However there are no warrants outstanding anymore as at year end 2014.

32. CASH FLOWS FROM OPERATING ACTIVITIES

(thousands of EUR)		*Year ended December 31st*	
	Notes	**2014**	**2013**
Net profit / (Loss) for the year		**2 214**	**1 761**
Adjustments for :			
Income tax expense recognized in profit or loss	12	222	115
Finance cost recognized in profit or loss	10	664	1 048
Loss / (gain) on effective settlement		0	-513
Loss / (gain) from equity accounted investments		-11	-18
Investment revenue recognized in profit or loss	9	-71	-54
Impairment loss recognized on trade receivables		0	0
Impairment loss recognized on inventory	20	390	18
Depreciation and amortization of non-current assets	15,16,17	1 510	1 636
Impairment of non-current assets		0	513
Development costs expensed	8	2 026	2 264
		6 945	**6 769**
Movements in working capital:			
(Increase) / decrease in trade and other receivables		-1 545	-1 047
(Increase) / decrease in inventories		-1 303	978
(Increase) / decrease contract work in progress		-547	-501
(Increase) / decrease in other assets		-488	-330
Increase / (decrease) in trade and other payables		3 261	-436
Increase / (decrease) in provisions and retirement benefit obligations		-303	-487
Increase / (decrease) in tax liabilities		44	-338
		-882	**-2 163**
Cash generated from operations		**6 063**	**4 606**

33. RELATED PARTY TRANSACTIONS

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

Landlord of office building in Zellik

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

		Year ended December 31st	
	Note	**2014**	**2013**
Receivables from related parties (thousands of EUR)		337	392
Director's remuneration (thousands of EUR)*		185	185
WARRANTS GRANTED TO DIRECTORS (number)			
- Non executives		-	-
- Executives		-	-
SHAREHOLDER LOAN (thousands of EUR)	25	0	4 413
KEY MANAGEMENT - AVERAGE FTE		2.0	2.0

	Year ended December 31st	
KEY MANAGEMENT REMUNERATION (thousands of Euro)*	**2014**	**2013**
Short term employee benefits	570	584
Post-employment benefits	17	16
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)**	**587**	**600**

The CEO's total remuneration package for 2014 amounted to EUR 0.3 million fixed remuneration and EUR 0.1 million variable remuneration. Remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

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

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

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

On 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. The joint venture is based in Wäschenbeuren, Germany.

35. POST BALANCE SHEET EVENTS

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

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF THE COMPANY ZENITEL NV FOR THE YEAR ENDED 31 DECEMBER 2014

As required by law, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and the explanatory notes.

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 2014, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, which show a consolidated statement of financial position total of 47.904 kEUR and a consolidated statement of profit or loss showing a consolidated profit for the year of 2.214 kEUR.

Responsibility of the board of Directors for the preparation of the consolidated financial statements

The board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards, and for such internal control as the board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the statutory auditor

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 (ISA's). Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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 statutory 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 statutory auditor considers the company's internal control relevant to the preparation of 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 the board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the board of Directors and company officials the explanations and information necessary for performing our audit.

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

Unqualified opinion

In our opinion, the consolidated financial statements of the company Zenitel NV give a true and fair view of the group's equity and financial position as at 31 December 2014, and of its results and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The board of Directors is responsible for the preparation and the content of the Directors' report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The Directors' report the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Merelbeke, 16 March 2015

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*	
	2014	**2013**
Fixed Assets	**43 128**	**43 128**
Formation expenses	0	0
Intangible assets	0	0
Tangible assets	0	0
Financial Assets	43 128	43 128
Current assets	**1 334**	**1 381**
Amounts receivable more than one year	0	0
Amounts receivable within one year	592	1 084
Cash at bank and in hand	654	267
Deferred charges and accrued income	88	30
Total	**44 462**	**44 509**

Equity & Liabilities	*Year ended December 31st*	
	2014	**2013**
Capital and reserves	**39 551**	**26 674**
Issued capital	20 000	10 000
Share premium account	5 624	2 380
Reserves	10 879	10 879
Result carried forward	3 048	3 415
Provisions and deferred taxation	**3 725**	**3 843**
Pensions and similar obligations	665	782
Other liabilities and charges	3 061	3 061
Creditors	**1 185**	**13 992**
Amounts payable after one year	0	2 750
Amounts payable within one year	1 185	11 145
Current portion of amounts payable after one year	0	2 997
Financial debt	0	0
Suppliers	1 089	923
Taxes, remuneration and social security	65	117
Other amounts payable	31	7 108
Accrued charges and deferred income	0	97
Total	**44 462**	**44 509**

INCOME STATEMENT AND RESULT APPROPRIATION

(thousands of EUR)	2014	2013
Operating income	**1 806**	**4 947**
Turnover		-
Other operating income	1 806	4 947
Operating Charges	**-1 778**	**-4 931**
Services and other goods	-1 263	-4 863
Remuneration, social security costs and pension costs	-621	-813
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	0	-13
Decrease in provisions for obsolete inventory and doubtful customer receivables		102
Decrease in provisions for liabilities and charges	118	656
Other operating charges	-10	-0
Operating profit / (loss)	**28**	**15**
Financial income	**108**	**1017**
Income from financial fixed assets	15	22
Income from current assets	0	11
Other financial income	93	984
Financial charges	**-502**	**-537**
Interest and other debt charges	-200	-440
Write offs of current assets excluding inventory and customer receivables: addition (-); reversal (+)	0	0
Other financial charges	-302	-98
Profit / (loss) on ordinary activities before taxes	**-366**	**495**
Extraordinary income	**0**	**2 919**
Reversal of provisions for exceptional risks and charges	0	0
Other extraordinary income	0	2 919
Extraordinary charges	**0**	**0**
Provisions for extraordinary liabilities and charges (increase: -, decrease: +)	0	0
Other extraordinary charges		0
Profit / (loss) for the period before taxes	**-366**	**3 414**
Income taxes	-0	0
Income taxes (-)	-0	0
Adjustment of income taxes & write-back of tax provisions	0	0
Profit / (loss) for the period	**-367**	**3 414**
Profit / (loss) for the period available for appropriation	**-367**	**3 414**
Profit / (loss) to be appropriated	**-367**	**3 414**
Profit / (loss) for the period available for appropriation	-367	3 414
Profit / (loss) brought forward	0	0
Profit / (loss) to be carried forward	-367	3 414

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

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

DIVIDEND POLICY

In view of the losses realized in the fiscal years before 2014, 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 2014 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 2014 and takes responsibility for consistency between the texts in these two language versions. Should there be any difference of interpretation between the English and the Dutch language versions, then the English language version alone is legally binding.

COMPANY DOCUMENTS

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

To obtain information on Zenitel, please contact:

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The Annual Report 2014 is also available on www.zenitel.com (investor relations > financial reports) as from 19 March 2015.
Het jaarverslag 2014 is ook verkrijgbaar in het Nederlands op www.zenitel.com (investor relations > financial reports) vanaf 19 maart 2015.

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 2014, drawn up respectively in accordance with the International Financial Reporting Standards (IFRS) and the Belgian Generally Accepted Accounting Principles, have been audited by BDO Bedrijfsrevisoren Burg.Venn.CVBA, The Corporate Village, Da Vincilaan 9 Bus E9, 1935 Zaventem, represented by Ms. Veerle Catry.

RESPONSIBILITY FOR THE CONTENTS OF THE ANNUAL REPORT

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

Kenneth Dåstøl	Mark Küpers
CEO	CFO

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