



Condensed Consolidated Interim Financial Report For the six months period ended 30 June 2010



Introduction

Zenitel NV/SA (the "Company") is a limited liability company organized under the laws of Belgium. The Consolidated interim financial statements for the six months period ended 30 June 2010, comprise the company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. Other notations and definitions herein apply as presented in our 2009 annual report, published on 25 March 2010 (the "Annual Report"). A copy is available on our website at www.zenitel.com.

Basis of Preparation

The condensed consolidated interim financial statements of Zenitel NV/SA as of and for the six months period ended 30 June 2010 and 2009, and the audited annual financial statements as of the year ended 31 December 2009 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and with IAS 34, Interim Financial Reporting.

Information regarding forward-looking statements

This document includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology including the terms "believes", "estimates", "anticipates", "aims", "expects", "intends", "may", "will", "would", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution that forward-looking statements are not guarantees of future performance. Our actual results of operations, financial condition and liquidity and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this report. In addition, even if our results of operations, financial condition and liquidity and the development of the industry in which we operate are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in future periods.

We do not undertake any obligation and do not intend to review or confirm expectations or estimates or to release publicly any revisions to any forward-looking statements that reflect events or circumstances occurring after the date of this document.

We urge you to read the sections of our 2009 Annual Report for a more complete discussion of (risk) factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this document may not occur.



INDEX

1. MANAGEMENT DISCUSSION & ANALYSIS
 - 1.1. Introduction
 - 1.2. Financial highlights
 - 1.3. Analysis results for the six months ended 30 June 2010
 - 1.4. Operational key performance indicators
 - 1.5. Post balance sheet events
 - 1.6. Going concern and forward-looking statements
2. FINANCIAL DATA
 - 2.1. Condensed consolidated interim statement of comprehensive income
 - 2.2. Condensed consolidated interim statement of financial position
 - 2.3. Condensed consolidated interim statement of changes in shareholders' equity
 - 2.4. Condensed consolidated interim statement of cash flows
 - 2.5. Notes to the condensed consolidated interim financial statements
3. RISK FACTORS
4. FAIR VIEW STATEMENT BY THE MANAGEMENT OF THE COMPANY
5. LIMITED REVIEW REPORT ON THE CONSOLIDATED HALF-YEAR FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

For further information, please contact:

Mr. Glenn Wiig CFO: +47 4000 2585

Mr. Eric Goeyvaerts VP Finance: +32 2 370 5310

[ABOUT ZENITEL](#) is a leading player in instant audio and data communication. Communication products, communication networks, so fast and so secure, that they are also used as critical communication tools at a time of crisis. Zenitel communication is the preferred choice for those in authority or whose work involves protecting human lives or managing vital activities. Zenitel is organized into two key offerings, each of which has a focus on, but is not exclusively dedicated to, one of Zenitel's key principle offerings: Own Intercom Products and 3rd Party Products and Network Services.

1. MANAGEMENT DISCUSSION & ANALYSIS

1.1. Introduction

The following discussion and analysis is based on the condensed consolidated interim financial statement of Zenitel NV/SA as of and for the six months ended 30 June 2010 and 30 June 2009, and the audited consolidated financial statement of Zenitel NV/SA as of the period ended 31 December 2009, prepared in accordance with IFRS as adopted by the EU. We have included selected financial information on Zenitel NV/SA as of and for the relevant periods. You should read the condensed consolidated interim financial statements attached hereto, including the notes thereto, along with the following discussion and analysis.

As a result of the divestments in the second half of 2009, and in order to present comparable figures, the presentation of the comparative six months 2009 figures in the condensed consolidated interim statement of comprehensive income differ from the previously published figures in the condensed consolidated financial report for the six month period ended 30 June 2009.

As announced in the Annual Report 2009, as from 2010, Zenitel has two segments: Secure Communication Systems and Caribbean. The presentation of the segment figures and their corresponding previous year comparatives has been changed in comparison to the segment figures presentation included in the consolidated financial statement 2009. Additional information on these changes can be found in the note on segment reporting in this report.

1.2. Financial highlights

From condensed consolidated interim statement of comprehensive income

In thousands of Euro, except per share amounts

	As at and for the six month ended June 30	
	2010	2009
Revenue - continuing operations	34,297	34,643
Revenue - discontinued operations	0	9,920
Revenue	34,297	44,563
Recurrent EBITDA - continuing operations	1,895	2,680
Recurrent EBITDA - discontinued operations	0	(1,738)
Recurrent EBITDA ⁽¹⁾	1,895	942
One time items - continuing operations	(1,079)	(1,843)
One time items - discontinued operations	0	675
Profit/(Loss) on disposal of subsidiaries	0	(828)
One time items	(1,079)	(1,996)
EBITDA - continuing operations	816	837
EBITDA - discontinued operations	0	(1,892)
EBITDA ⁽²⁾	816	(1,055)
Operating profit/(loss) - continuing operations	(265)	(495)
Operating profit/(loss) - discontinued operations	0	(2,350)
Operating profit/(loss) - EBIT ⁽³⁾	(265)	(2,845)
Net profit/(loss) from continuing operations	(941)	(1,686)
Net profit/(loss) from discontinued operations	0	(2,703)
Net profit/(loss)	(941)	(4,388)
Weighted average number of ordinary shares in issue ('000)	16,441	16,441
From continuing and discontinued operations		
Basic earnings per share	(0.06)	(0.27)
Diluted earnings per share	(0.06)	(0.27)
From continuing operations		
Basic earnings per share	(0.06)	(0.10)
Diluted earnings per share	(0.06)	(0.10)

From condensed consolidated interim statement of financial position

In thousands of Euro

	June 30 2010	December 31 2009
Total balance sheet	47,017	46,255
Shareholders' equity	3,040	2,758
Working capital	3,430	2,796
Debt (excluding leasing and short term instalments)	13,409	12,859
Total debt	14,902	14,263
Net cash position	2,799	4,229

From Cash flow statement

In thousands of Euro

	As at and for the six months ended June 30	
	2010	2009
Cash flow from operating activities	394	(6,716)
Net cash (used in) / generated by investing activities	(569)	6,084
Net cash received / (used in) financing activities	(1,594)	(269)
Total cash flow	(1,768)	(901)

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

⁽²⁾ EBITDA: earnings before interest & taxes, depreciation and amortization plus write-offs on current assets - This is a non GAAP measure.

⁽³⁾ EBIT: earnings before interest & taxes - This is a non GAAP measure.

1.3. Analysis results of the six months' period ended 30 June 2010

Revenue (from continuing operations) amounts to EUR 34.3 million, EUR 0.3 million or 1% lower than the previous year. Secure Communication Systems (SCS) revenue for the first half year of 2010 amounted to EUR 31.6 million, EUR 0.9 million or 3% lower than the previous year. This decrease was partly compensated by the Caribbean revenue increase by EUR 0.6 million (+26%) to EUR 2.7 million in the first half of 2010.

The main drivers for the decline in revenue from SCS business is continuing decline in the world wide Marine market and less project business in Denmark.

About half of the *Caribbean* revenue increase from EUR 2.2 million to EUR 2.7 million is due to a large TETRA coverage expansion project on the BES islands. The remaining increase is primarily driven by expansion and diversification of the product portfolio.

Recurrent EBITDA (from continuing operations) amounts to EUR 1.9 million in the first half of 2010 against EUR 2.7 million in the same period for 2009. Due to the significant cost base in Norwegian Kroner, the EBITDA was negatively impacted by an unfavourable foreign currency translation effect of about EUR 0.7 million compared to the same period in 2009.

One time items (from continuing operations) amounted to EUR -1.1 million. This consists of a favorable impact resulting from a change in pension plans in Norway (EUR 0.8 million) and an increase in provisions regarding pending claims and old projects (EUR -1.8 million).



The following table provides an overview of one time items and the impact of divestments in 2009 for continuing and discontinued operations.

	Continuing operations		Discontinued operations		Total	
	June 30,		June 30,		June 30,	
	2010	2009	2010	2009	2010	2009
For the six months ended						
In thousands of Euro						
Recurrent EBITDA	1,895	2,680	0	(1,738)	1,895	942
One time items	(1,079)	(1,843)	0	675	(1,079)	(1,169)
Impact of divestments	0	0	0	(828)	0	(828)
EBITDA	816	837	0	(1,892)	816	(1,055)
Depreciation/amortization/impairments	(1,082)	(1,332)	0	(458)	(1,082)	(1,790)
Operating profit (EBIT)	(265)	(495)	0	(2,350)	(265)	(2,845)

EBITDA (from continuing operations) amounts to EUR 1.9 million in 2010 against EUR 0.8 million in 2009. In 2009 high non recurrent restructuring charges were included in EBITDA.

EBIT (from continuing operations) amounts to EUR -0.3 million, compared to a loss of EUR -0.5 million in the first half of 2009.

Net result of the Group for the first half-year of 2010 amounted to a loss of EUR -0.9 million as opposed to a loss of EUR 4.4 million in the first half year of 2009. In 2009, EUR 2.7 million of this loss was attributable to discontinued operations. In 2010, a net amount of EUR 1.1 one time charges are included in the net result.



Segment reporting

	Segment revenue		Recurrent EBITDA ⁽¹⁾		One time items		Segment result ⁽²⁾	
	2010	2009	2010	2009	2010	2009	2010	2009
In thousands of Euro For the 6 months ended June 30								
Secure Communication Systems (SCS)	31,589	32,490	1,702	2,641	752	(5)	1,980	2,001
Caribbean	2,708	2,153	797	699	0	(12)	204	19
All Segments	34,297	34,643	2,499	3,340	752	(16)	2,183	2,020
Unallocated continuing operations	0	0	(604)	(660)	(1,831)	(1,827)	(2,449)	(2,515)
Unallocated discontinued operations	0	9,920	0	(1,738)	0	675	0	(1,522)
Net loss on disposal of subsidiaries and activities						(828)		(828)
Total unallocated	0	9,920	(604)	(2,398)	(1,831)	(1,980)	(2,449)	(4,865)
Continuing operations	34,297	34,643	1,895	2,680	(1,079)	(1,843)	(265)	(495)
Discontinued operations	0	9,920	0	(1,738)	0	(153)	0	(2,350)
Total continuing and discontinued operations	34,297	44,563	1,895	942	(1,079)	(1,996)	(265)	(2,845)
Financial results - continuing operations							(656)	(1,189)
Financial results - discontinued operations							0	(295)
Total financial results							(656)	(1,485)
Income tax expense - continuing operations							(20)	(1)
Income tax expense - discontinued operations							0	(58)
Total income tax expenses							(20)	(59)
Profit / (loss) for the period - continuing operations							(941)	(1,686)
Profit / (loss) for the period - discontinued operations							0	(2,703)
Total profit / (loss) for the period							(941)	(4,389)

⁽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.

Until 2009, Zenitel's activities were divided in three main segments: Secure Communication Systems (SCS), Networks and System Integration. After the strategic restructuring of the group in 2009, where the system integration activities and the network operations in The Netherlands and Belgium were disposed of, Zenitel now manages its operations based on its two key activities: Secure Communication Systems and Caribbean.



As a result of this new segment presentation, the following changes took place when comparing the previously published segment presentation with the segment presentation included in this report.

The operations of Zenitel Denmark are included in SCS while previously reported in the System Integration segment.

The following entities and operations divested in 2009 are currently reported as unallocated discontinued operations:

Entity/activity disposed of in 2009	Segment allocation until 2009
Zenitel Belgium NV	System Integration
Rail activities of Zenitel Wireless France SA	System Integration
Confined Area Systems AV (Zenitel Radioteknik)	Secure Communication Systems
Network activities of MCCN BV	Networks
Network activities of MCCN NV	Networks
Real estate activities of Zenitel NV/SA	Unallocated

The activities included in the unallocated continuing operations relate to the holding activities of Zenitel NV, Zenitel Finance Netherlands BV and the remaining networks and NRSFRANCE SA activities that were not disposed of in 2009.

The presentation of the segment figures and their corresponding previous year comparatives has been changed in accordance with the abovementioned changes in comparison to the segment figures presentation included in the consolidated financial statement 2009.

The *Secure Communication Systems* unit, strong in its own and third party products, confirmed its profitability during the first half of 2010. Revenue decreased slightly (3%) compared to the same period the previous year. This is primarily due to less project revenues in Denmark and France and the decrease in



the world wide Marine market compared to a record high in 2009, especially in Asia. Several years of focus on cost reduction programs with our products has increased our margins which compensates partly for the decline in revenues. The foreign currency translation had an unfavourable impact of about EUR 0.7 on the operating expenses in Norway and therefore on the recurrent EBITDA of SCS. This is primarily caused by the evolution of the NOK exchange rate. In 2010, as in previous years, SCS continued its development efforts resulting in the introduction and launch of the new AlphaCom XE series of audio servers as well as the introduction of the new STENTOFON Soft Client (SW) stations. Both products have been very well received in the market.

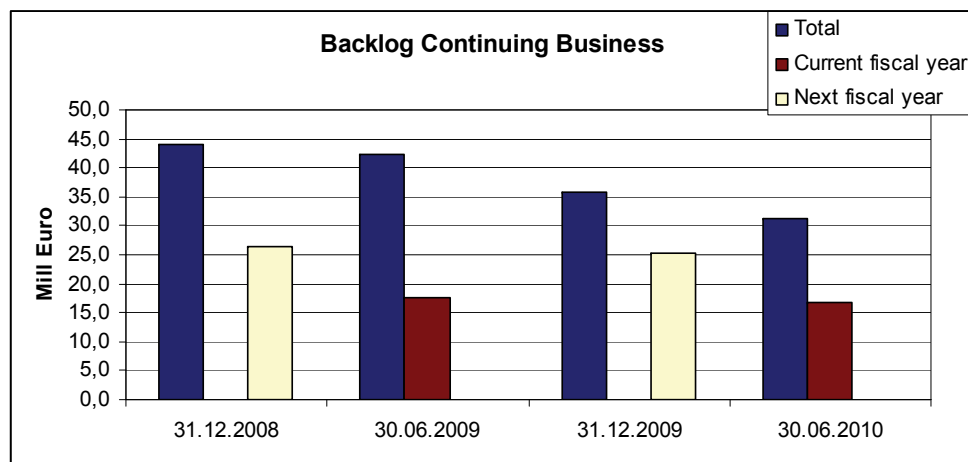
Caribbean activities consist mainly of a TETRA network operation (ChuChubi) in the Caribbean and the offering of related secure communication solutions. Revenue increased by EUR 0.6 million or 26%. Half of this revenue increase is due to a large TETRA coverage expansion project on the BES islands. The remaining increase is explained by growth of the business as a result of the expansion and diversification of the product portfolio. The EBITDA increase in the Caribbean is the result of this revenue increase.

Recurrent EBITDA from *Unallocated continuing operations* improved by EUR 0.1 million or 9% as a result of the cost reduction measures at the holding. Unallocated continuing operations still include claims and litigations relating to old system integration activities and which were not taken over by the buyers when divesting these activities in 2009. During the first half of 2010, management increased provisions with respect to some of these litigations which explains the one time item charges of EUR 1.8 million in the first half of 2010. For more information on these litigations we refer to the notes on provisions and contingent liabilities in this report.

Unallocated discontinued operations contain the 2009 first half results of the activities that were disposed of in 2009.

1.4. Operational key performance indicators

Zenitel's total backlog for continuing operations per 30 June 2010 amounts to EUR 31.2 million, compared to EUR 42.2 million per 30 June 2009.



The backlog from continuing business decreased by EUR 11.0 million compared to 30 June 2009 and decreased by EUR 4.7 million compared to year end 2009.

The decrease in total backlog compared to the same period last year is due to two main issues:

In Denmark large projects in the police and the rail market segments were completed and delivered after June 2009 causing the Danish backlog to decrease by EUR 6.0 million.

Due to the world market conditions for new shipbuilding, the backlog in the Marine area has decreased by EUR 5.0 million.

Short term backlog for the remainder of the year is close to the same level as this time last year with a small reduction of EUR 0.9 million.

Zenitel Denmark signed a frame agreement with NSN in the beginning of July. This allows Zenitel Denmark to participate in the National GSM-R project expansion as a sub-supplier to NSN during 2010 to 2012.

1.4.2. Alphacom – E platforms

Zenitel launched its new VoIP intercom system AlphaCom-E on 1 June 2006. During the first half of 2010 the company released another enhancement with its AlphaCom XE series of audio servers.

The first half of 2010 1,035 systems were sold compared to 912 systems for the first half of 2009. Since the launch 6,898 systems (compared to 5,009 systems per 30 June 2009) have been sold.

Since the introduction of the new AlphaCom-E series, Zenitel offers a replacement for some of the previous hardware products with licensed software. License revenue in the first six months of 2010 amounted to EUR 0.5 million against EUR 0.4 million in the first six months of 2009. In the Marine segment, sales of IP systems have started to take off, where all systems shipped are now AlphaCom-E systems.

1.4.3. ChuChubi RGU's

The number of contracted users on the ChuChubi network amounts to 6.949 against 6.765 as per year end 2009. Despite the increased churn risk resulting from more long term subscription contracts that are up for renewal, the company managed to increase the number of contracted users.



1.5. Post balance sheet events

NRSFRANCE SA, a 100% subsidiary of Zenitel NV, has filed in August 2010 a declaration of cessation of payments at the commercial court section of the Tribunal de Grande Instance of Thionville. The company is awaiting the court's decision in the beginning of September 2010. No further negative impact on the consolidated financial results of the Group is currently expected.

1.6. Going concern and forward-looking statements

The board of directors is of the opinion that the application of the existing valuation rules under going concern is justified. It refers to the justification of the application of the valuation rules under going concern (Art 96.6° of the Belgian Company code) included in the board report on the annual results of 2009 (Annual Report 2009).

Despite the difficult economic environment and the fact that we are coming out of a year with strategic reorganization, we expect a positive operating profit in the second half of 2010.

Page intentionally left blank

2. FINANCIAL DATA

2.1. Condensed consolidated interim statement of comprehensive income

	For the six months ended June 30,	
	2010	2009
In thousands of Euro, except per share amounts		
Continuing operations		
Revenue	34,297	34,643
Other gains and losses	(3)	112
Raw materials and consumables used	(17,335)	(17,028)
Salaries and employee benefits	(10,052)	(11,309)
<i>of which reorganization expenses</i>	0	(1,176)
Depreciation and amortization	(1,045)	(1,030)
Net impairment in current assets	(39)	(302)
Consulting expenses	(895)	(1,589)
<i>of which reorganization expenses</i>	0	(91)
Facility expenses	(2,161)	(2,301)
Other expenses	(3,034)	(1,689)
Operating Profit / (Loss)	(265)	(495)
Finance income	36	24
Finance costs	(578)	(670)
Net foreign exchange gains / (losses)	(114)	(543)
Profit / (Loss) before tax	(921)	(1,685)
Income tax expense	(20)	(1)
Profit / (Loss) for the period from continuing operations	(941)	(1,686)
Discontinued operations		
Profit / (loss) for the period from discontinued operations	0	(2,703)
Profit / (Loss) for the period	(941)	(4,388)

	For the six months ended June 30,	
	2010	2009
In thousands of Euro, except per share amounts		
Other comprehensive income		
Exchange differences arising on translation of foreign operations	1,223	1,301
Other comprehensive income for the period (net of tax)	1,223	1,301
Total comprehensive income for the period	282	(3,087)
Profit / (loss) for the period attributable to:		
Equity holders of the parent	(941)	(4,388)
Total comprehensive income attributable to:		
Equity holders of the parent	282	(3,087)
Earnings (loss) per share		
Weighted average number of ordinary shares in issue ('000)	16,441	16,441
From continuing and discontinued operations		
Basic earnings per share	(0.06)	(0.27)
Diluted earnings per share	(0.06)	(0.27)
From continuing operations		
Basic earnings per share	(0.06)	(0.10)
Diluted earnings per share	(0.06)	(0.10)

See notes to the condensed consolidated interim financial statements

2.2. Condensed consolidated interim statement of financial position

ASSETS	June 30, 2010	December 31, 2009
In thousands of Euro		
Non-current assets		
Property, plant and equipment	4,584	4,451
Goodwill	4,248	4,037
Other intangible assets	1,484	1,412
Deferred tax assets	2,393	2,285
Financial assets	1,703	1,916
Other assets	0	16
Total non-current assets	14,412	14,117
Current assets		
Inventories	8,307	8,350
Contracts in progress	2,532	3,311
Trade and other receivables	15,810	13,566
Financial assets	322	406
Deferred charges and accrued income	850	976
Cash and cash equivalents	4,784	5,529
Total current assets	32,605	32,137
TOTAL ASSETS	47,017	46,255

EQUITY AND LIABILITIES	June 30, 2010	December 31, 2009
In thousands of Euro		
Capital and reserves		
Issued capital	25,274	25,274
Share premium account	15,115	15,115
Reserves	3,260	2,037
Retained earnings	(37,652)	(36,711)
Treasury shares	(2,958)	(2,958)
<i>Equity attributable to holders of the parent</i>	<i>3,040</i>	<i>2,758</i>
Total equity	3,040	2,758
Non-current liabilities		
Interest bearing loans and borrowings	10,899	11,565
Retirement benefit obligation	3,347	3,867
Deferred tax liabilities	15	13
Provisions	1,642	1,945
Total non-current liabilities	15,903	17,390
Current liabilities		
Trade and other payables	16,821	16,802
Borrowings	4,003	2,698
Current tax liabilities	501	692
Retirement benefit obligation	134	162
Provisions	6,615	5,754
Total current liabilities	28,073	26,107
TOTAL LIABILITIES AND EQUITY	47,017	46,255

See notes to the condensed consolidated interim financial statements

2.3. Condensed consolidated interim statement of changes in shareholders' equity

In thousands of Euro	Share capital	Share premium	Treasury shares	Equity settled employee benefits reserve	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of the parent	Total
Period ended June 30, 2009								
Balance on January 1, 2009								
As previously reported	25,274	15,115	(2,958)	200	(723)	(28,874)	8,034	8,034
Net result of the period						(4,388)	(4,388)	(4,388)
Exchange differences arising on translation of foreign operations					1,301		1,301	1,301
<i>Total comprehensive income for the period</i>					1,301	(4,388)	(3,087)	(3,087)
Other				0			0	0
Balance at June 30, 2009	25,274	15,115	-2,958	200	578	-33,262	4,947	4,947
Period ended June 30, 2010								
Balance on January 1, 2010								
As previously reported	25,274	15,115	(2,958)	200	1,837	(36,711)	2,758	2,758
Net result of the period						(941)	(941)	(941)
Exchange differences arising on translation of foreign operations					1,223		1,223	1,223
<i>Total comprehensive income for the period</i>					1,223	(941)	282	282
Other							0	0
Balance at June 30, 2010	25,274	15,115	-2,958	200	3,060	-37,652	3,040	3,040

See notes to the condensed consolidated interim financial statements

2.4. Condensed consolidated interim statement of cash flows

In thousands of Euro	For the six months ended June 30,	
	2010	2009
Cash flows from operations		
Profit / (Loss)	(941)	(4,388)
<i>Adjustments to reconcile profit/(loss) to net cash provided by operating activities:</i>		
Interest charges	578	1,021
Interest income	(36)	(64)
Income tax	-	-
Depreciation and amortization	1,045	1,514
Impairment of goodwill	-	-
Impairment of property plant & equipment	-	1,130
Impairment of current assets	39	276
Capital (gains) / losses	-	828
Change in long term provisions	(824)	(576)
Changes in the net asset of pension fund	35	-
Net cash from operating activities before changes in working capital	(104)	(260)
Changes in short term provisions	394	504
Changes in working capital	682	(5,938)
Cash flows generated from operations	972	(5,695)
Interest paid	(578)	(1,021)
Taxes paid	-	-
Net cash from operating activities	394	(6,716)
Cash flows from investing activities		
Acquisition of subsidiary, net of cash	-	-
Additions to property, plant and equipment	(397)	(457)
Payments for intangible assets	(234)	(149)
Proceeds on disposal of subsidiary, net of cash	0	6,548
Proceeds on disposal of plant, property and equipment	25	78
Interest received	36	64
Net cash (used in) / generated by investing activities	(569)	6,084
Cash flows from financing activities		
Proceeds from borrowings	10	-
Proceeds from the issue of ordinary shares, net of costs	-	-
Loan made	-	-
Loan repayment received	215	171
Repayments of borrowings	(1,818)	(440)
Net cash received / (used in) financing activities	(1,594)	(269)
(Decrease) / increase in cash and cash equivalents	(1,768)	(901)
Movement in cash and cash equivalents		
At start of the period	4,229	(1,831)
(Decrease) / increase	(1,768)	(901)
Effect of exchange rate changes	339	132
At the end of the period	2,799	(2,600)
Total Cash	4,784	2,894
(Bank borrowings)	(1,985)	(5,242)
(Bank overdrafts)	0	(253)
Net cash at the end of the period	2,799	(2,600)

See notes to the condensed consolidated interim financial statements

2.5. Notes to the condensed consolidated interim financial statements

Note 1: Basis of preparation

Zenitel prepared the financial information as disclosed in this half-year press release in accordance with the International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting'. These Interim Financial Statements should be read with the Consolidated Financial Statements for the year ended 31 December 2009 (hereafter 'the Annual Financial Statements') as they provide an update of previously reported information. They were approved for issue by the Board of Directors on 26 August 2010.

Note 2: Accounting policies

The accounting policies used are consistent with those used in the Annual Financial Statements. In the first half of 2010 there were no changes in these accounting policies that would have caused a material impact on the result.

The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements, except for the changes in segment reporting which were announced in the Annual Report 2009 and which are further explained in the Management discussion and analysis section (chapter 1.3) and note 10 of the condensed consolidated interim financial statements included in this report.

The comparatives have been reclassified or extended from the previously reported Interim Financial Statements to take into account the presentational changes made in the Annual Financial Statements or in these Interim Financial Statements. The preparation of the Interim Financial Statements require management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the Interim Financial Statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the Interim Financial Statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the

circumstances change. The accounting policies remained in the assumption of going concern.

Accounting standards effective for the first time this year

The following standards and interpretations, which have been issued by the IASB and the IFRIC and endorsed by the European Union, are effective for the first time this fiscal year, but are not applicable or did not have a material impact on the consolidated financial statements of Zenitel NV:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Revised and Restructured (Effective for annual periods beginning on or after 1 July 2009)
- IFRS 3 Business Combinations – Revision (Effective for annual periods beginning on or after 1 July 2009)
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Several Amendments (Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010)
- IAS 27 Consolidated and Separate Financial Statements & IAS 31 Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3 (Effective for annual periods beginning on or after 1 July 2009)
- IAS 28 Investments in Associates – Consequential amendments arising from amendments to IFRS 3 (Effective for annual periods beginning on or after 1 July 2009)
- IAS 31 Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3 (Effective for annual periods beginning on or after 1 July 2009)
- IAS 39 Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items (Effective for annual periods beginning on or after 1 July 2009)
- IAS 39 Financial Instruments: Recognition and Measurement – Amendments for embedded derivatives when reclassifying financial instruments (Effective for annual periods beginning on or after 30 June 2009)
- Amendments resulting from April 2009 Annual Improvements to IFRSs (Effective for annual periods beginning on or after 1 July 2009)

- IFRIC 17 Distribution of Non-Cash Assets to Owners (Effective for annual periods beginning on or after 1 July 2009)
- IFRIC 18 Transfer of Assets from Customers (Effective for transfers received on or after 1 July 2009)
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Amendments relating to oil and gas assets an determining whether an arrangement contains a lease (Effective for annual periods beginning on or after 1 January 2010)
- IFRS 2 Share-based Payments – Amendments relating to group cash-settled share-based payment transactions (Effective for annual periods beginning on or after 1 January 2010)
- IAS 32 Financial Instruments : Presentation – Amendments relating to classification or rights issues (Effective for annual periods beginning on or after 1 January 2010)
- Amendments resulting from April 2009 Annual Improvements to IFRSs (Effective for annual periods beginning on or after 1 January 2010)

The following new standards and interpretations, which have been issued by the IASB and the IFRIC, are applicable to future periods and have not been adopted early in these financial statements:

- FRS 1 First-time Adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 Disclosures for first-time adopters (Effective for annual periods beginning on or after 1 July 2010)
- IFRS 9 Financial Instruments – Classification and Measurement (Effective for annual periods beginning on or after 1 January 2013)
- IAS 24 Related Party Disclosures – Revision (Effective for annual periods beginning on or after 1 January 2011)
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (Effective for annual periods beginning on or after 1 January 2011)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (Effective for annual periods beginning on or after 1 July 2010)

Note 3: Risk management

During the six months ended 30 June 2010, the Company did not change its financial risk management objectives or policies. As a result, they are still consistent with the disclosures in the consolidated financial statements for the year ended 31 December 2009.

Note 4: Goodwill

Goodwill amounts to EUR 4.2 million per 30 June 2010, compared to EUR 4.0 million per 31 December 2009. No additional impairment of goodwill has been accounted for in the first semester of 2010. The change in goodwill balance between December 31 2009 and June 30 2010 is explained by foreign currency translation. In the first semester of 2010 there were no indications that goodwill would be impaired. A new impairment analysis will occur per 31 December 2010. Goodwill only relates to the Secure Communication Systems segment.

Note 5: Deferred tax assets

The deferred income tax asset relates to a part of the tax losses carried forward of Zenitel Norway AS. The difference between the balance as per 30 June 2010 and 31 December 2009 is fully attributable to the foreign currency translation impact. In the first semester of 2010 there were no indications that the deferred tax asset would be impaired. A new impairment analysis will occur per 31 December 2010.

Note 6: Financial assets

In thousands of Euro

	June 30, 2010	December 31, 2009
Proceeds receivable arising from the sale of MCCN assets and contracts	1,419	1,738
Available for sale investments	439	425
Long term guarantees paid in cash	168	160
	2,026	2,323
of which current	322	406
of which non current	1,703	1,916

Of the total proceeds receivable arising from the sale of MCCN assets and contracts in 2009, EUR 929k relates to the contingent part that is depending on number of network users on the MCCN network during the period October 2009 till September 2014. No fair value adjustments have been made in the first half of 2010 since the key assumptions in the fair value assessment are still applicable. The change of available for sale investments between 31 December 2009 and 30 June 2010 is due to the foreign currency translation.

Note 7: Financial debts

In thousands of Euro

	June 30, 2010	December 31, 2009
Non current		
Bank borrowings	9,393	10,058
Shareholders' loan	1,500	1,500
Finance lease liabilities	6	6
	10,899	11,564
Current		
Bank overdraft	1,985	1,300
Current installment of long term loan	2,016	1,395
Finance lease liabilities	2	3
	4,003	2,698
Total borrowings	14,901	14,262

Non current borrowings

In December 2009 the Group signed a new credit agreement with one of its main lending financial institutions. Total debt towards this lender amounts to EUR 3,500k of which EUR 1,250k is repayable before July 2011. The applied interest rate amounts to EURIBOR + 3% and 3D NV subordinated its shareholders' loan to this financial institution. The first instalment on this shareholder loan is due in December 2011 and the interest rate also amounts to EURIBOR + 3%.

In 2007 a long term loan of EUR 5 million was closed and in 2009 the conditions of this long term loan were renegotiated. After this debt renegotiation the applicable interest rate amounts to 6% with first instalment of 1/12 of the loan due in July 2011. This borrowing is subordinated towards the other bank debts.

The long term borrowings in the Caribbean are on a non-recourse basis. These borrowings are secured by customer contracts. The terms of the loans, closed in Antillean guilder (ANG), are three to six years. Early in 2010 the Company was able to renegotiate the interest rate of this borrowing from 9% to 7.75%. The Caribbean group company uses the long term borrowings to locally finance its local investments.

In 2004, Zenitel NV/SA took over a loan from its Danish Subsidiary. This loan was for an amount of DKK 12 million. Repayment occurs every three months for 1.25% of the initial loan amount. The final settlement will occur per 30 September 2014. The outstanding amount per 30 June 2010 is EUR 1,147k. The interest rate equals the interest on the international inter banks' currency markets plus 3.75%.

Current borrowings

The Norwegian group companies have a credit facility of NOK 25 million. This credit facility allows for borrowing up to 80% of the value of customer invoices. At the same time, a line of arrangement up to a maximum of NOK 10 million is available, allowing for borrowing up to 25% of the value of inventory. As per 30



June 2010, a total of EUR 2 million of this credit facility was used against EUR 1.3 million as per 31 December 2009.

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

The total credit lines held by the Company amount to EUR 15.8 million. In addition the company also holds lines for bank guarantees at different credit institutions for in total almost EUR 8.9 million, of which EUR 5.3 million are used as at 30 June 2010 to secure the completion of customer contracts. EUR 2.2 million of these used bank guarantees relate to discontinued activities and are counter guaranteed by the purchasers of these discontinued activities.

Note 8: Provisions and restructuring

In thousands of Euro	Retirement benefit obligations	Restructuring	Technical guarantees	Other	Total
On 1 January 2010	4,029	3,339	575	3,782	11,725
Additions to provisions	18	0	84	1,889	1,991
Payments	(229)	(1,033)	(1)	(297)	(1,560)
Reversal of provisions	(752)	(51)	(43)	0	(846)
Deconsolidation	0	0	0	0	0
Exchange differences	416	1	11	0	428
Transfer	0	(105)	0	105	0
On 30 June 2010	3,482	2,151	626	5,479	11,738
of which non current	3,347	1,443	0	199	4,989
of which current	134	708	626	5,280	6,748

Retirement benefit obligations

The actuarial assumptions used for the evaluation of the pension provisions are the same as those used as per year end 31 December 2009. The calculation of these pension liabilities is based on the recommendations of independent actuaries.

In the first half of 2010 the Norwegian group companies changed from a defined benefit to a defined contribution plan resulting in a significant reversal of pension



provisions. The impact of exchange rate differences on the pension plans relates mainly to the Caribbean pension plan provisions in Antillean guilders.

Restructuring

Restructuring provisions primarily relate to the restructuring obligations resulting from the reorganizations measures taken in 2009 and before. Payments in 2010 relate to the restructuring obligations at group corporate headquarters and to restructuring obligations from divested activities in 2009 (MCCN network operations and Zenitel Belgium NV), where the buyer did not take over the existing restructuring obligations.

Technical guarantees

The assumptions used for the evaluation of the guarantee provision as per 30 June 2010 are the same as those used for the Annual Financial Statements.

Other

The other provisions cover principally risks related to the representations and warranties given, claims on deliveries, potential losses on projects, site restoration obligations, penalties, jubilee premiums or legal claims. Provisions were set up based on the current situation of the different files in order to cover the risks relating to some of these litigations.



Note 9: Contingencies

On 11 May 2010 the appeal court in Paris ordered NRSFRANCE SA, a 100% subsidiary of Zenitel NV, to pay a provision of EUR 995k to a consortium co-contractor as a provision for services rendered in relation to a project for ANB (Agence National de Barrages) in Algeria. Since it became clear that the customer stopped the project and was not going to pay NRSFRANCE's invoices, the latter was unable to pay the aforementioned provision. Hence, in August 2010, NRSFRANCE SA has filed a declaration of cessation of payments at the commercial court section of the Tribunal de Grande Instance of Thionville. The company is awaiting the court's decision in the beginning of September 2010. No further negative impact on the consolidated financial results of the Group is currently expected.

Relating to its contingent liabilities, the total maximum exposure is estimated at EUR 12.3 million. The related contingent liabilities relate to possible obligations in respect of old projects, soil contamination, local authorities and redundancies. The estimated contingent liability amounts to EUR 0.8 million. This contingent liability has been calculated based on estimated probabilities of possible obligations, with uncertainty on timing and/or amount arising in the course of the business.

Given the ongoing counterclaims, initiated by the Company, relating to these old claims, the total maximum potential upside amounts to EUR 4.6 million. The total estimated contingent asset amounts to EUR 0.5 million.



Note 10: Segment reporting

Until 2009, Zenitel's activities were divided in three main segments: Secure Communication Systems (SCS), Networks and System Integration. After the strategic restructuring of the group in 2009 where the system integration activities and the network operations in The Netherlands and Belgium were disposed of, Zenitel now manages its operations based on its two key activities: Secure Communication Systems and Caribbean.

As a result of this new segment presentation, the following changes took place when comparing the previously published segment reporting with the current segment reporting as included in this report.

The operations of Zenitel Denmark are included in SCS while previously reported in the System Integration segment.

The following entities and operations that were disposed of in 2009 are currently reported as unallocated discontinued operations:

Entity/activity disposed of in 2009	Segment allocation until 2009
Zenitel Belgium NV	System Integration
Rail activities of Zenitel Wireless France SA	System Integration
Confined Area Systems AV (Zenitel Radioteknik)	Secure Communication Systems
Network activities of MCCN BV	Networks
Network activities of MCCN NV	Networks
Real estate activities of Zenitel NV/SA	Unallocated

The activities included in the unallocated continuing operations relate to the holding activities of Zenitel NV and Zenitel Finance Netherlands BV and the

remaining networks and Zenitel wireless France SA (non rail) activities that were not disposed of in 2009.

The presentation of the segment figures and their corresponding previous year comparatives has been changed in accordance with the abovementioned changes in comparison to the segment figures presentation included in the consolidated financial statement 2009.

	Segment revenue		Recurrent EBITDA ⁽¹⁾		One time items		Segment result ⁽²⁾	
	2010	2009	2010	2009	2010	2009	2010	2009
In thousands of Euro For the 6 months ended June 30								
Secure Communication Systems (SCS)	31,589	32,490	1,702	2,641	752	(5)	1,980	2,001
Caribbean	2,708	2,153	797	699	0	(12)	204	19
All Segments	34,297	34,643	2,499	3,340	752	(16)	2,183	2,020
Unallocated continuing operations	0	0	(604)	(660)	(1,831)	(1,827)	(2,449)	(2,515)
Unallocated discontinued operations	0	9,920	0	(1,738)	0	675	0	(1,522)
Net loss on disposal of subsidiaries and activities						(828)		(828)
Total unallocated	0	9,920	(604)	(2,398)	(1,831)	(1,980)	(2,449)	(4,865)
Continuing operations	34,297	34,643	1,895	2,680	(1,079)	(1,843)	(265)	(495)
Discontinued operations	0	9,920	0	(1,738)	0	(153)	0	(2,350)
Total continuing and discontinued operations	34,297	44,563	1,895	942	(1,079)	(1,996)	(265)	(2,845)
Financial results - continuing operations							(656)	(1,189)
Financial results - discontinued operations							0	(295)
Total financial results							(656)	(1,485)
Income tax expense - continuing operations							(20)	(1)
Income tax expense - discontinued operations							0	(58)
Total income tax expenses							(20)	(59)
Profit / (loss) for the period - continuing operations							(941)	(1,686)
Profit / (loss) for the period - discontinued operations							0	(2,703)
Total profit / (loss) for the period							(941)	(4,389)

⁽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.

Revenue reported above represents revenue from external customers. There were no inter-segment sales in the first semester of 2010.

Note 11: Discontinued operations in 2009

In 2009 the Company divested the following entities and operations:

- On 29 May 2009, Zenitel Belgium NV and the rail activities of Zenitel Wireless France SA were sold to Crescent NV.
- On 24 June 2009, the Group sold 100% of the share of Confined Area Solutions AB to Wireless Holding ApS, a Danish company, specialized in analog/digital radio equipment.
- On 21 August 2009, the Group closed the sale of 85% of its stake in its Dutch subsidiary, Zenitel Netherlands BV, to Crescent NV.
- On 15 October 2009, the network infrastructure assets and customer contracts of MCCN NV and MCCN BV were sold to Entropia Networks NV.
- On 12 November 2009, Zenitel NV sold its real estate activities regarding the headquarters building in Zellik (Belgium) to 3D NV.

The result of these sold subsidiaries and activities until the date of the transfer of control and the realized gains or losses upon each disposal are included in the 2009 comparative figures of the condensed consolidated interim statement of comprehensive income as *Profit / (loss) from discontinued operations*.

In thousands of Euro

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

Activites Belgium and France ⁽¹⁾	For the six months ended June 30, 2009			MCCN ⁽⁴⁾	Total
	Sweden ⁽²⁾	The Netherlands ⁽³⁾			
Profit / (loss) of the operation for the period	(593)	47	(793)	(536)	(1,875)
Profit / (loss) on disposal	(1,246)	(662)	1,080	0	(828)
	(1,839)	(615)	287	(536)	(2,703)

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

Activites Belgium and France	Sweden	The Netherlands	MCCN	Total	
Revenues (external)	5,444	542	3,914	19	9,920
Operating costs	(5,859)	(489)	(4,730)	(363)	(11,442)
Finance costs	(120)	(6)	23	(192)	(295)
Profit / (loss) before tax	(535)	47	(793)	(536)	(1,817)
Income tax (charge) / credit	(58)	0	0	0	(58)
Profit / (loss) after tax	(593)	47	(793)	(536)	(1,875)

⁽¹⁾ Activites Belgium and France refer on the one hand to Zenitel Belgium NV and the rail activities of Zenitel WS France SA that were divested in 2009. The presented figures for the six months ended June 30, 2009 refer to the period from January till April 2009 with respect to the operations of Zenitel Belgium NV and rail operations of WS France SA. On the other hand the real estate activities regarding the headquarters building in Zellik are included. The real estate activities' operating figures of the period from January till June 30, 2009 are included in the presented figures for the six months ended June 30, 2009.

⁽²⁾ Sweden: refers to Confined Area Solutions AB (previously named Zenitel Radioteknik AB). The presented figures for the six months ended June 30, 2009 refer to the period from January till June 2009.

⁽³⁾ The Netherlands: refers to Zenitel Netherlands BV. The presented figures for the six months ended June 30, 2009 refer to the period from January till June 2009.

⁽⁴⁾ MCCN refers to the network activities of MCCN BV and MCCN NV. The presented figures for the six months ended June 30, 2009 refer to the period from January till June 2009.



Note 12: Related parties

The related parties of the Company mainly comprise its shareholders that have the ability to exercise significant influence or control.

The Company has a shareholder loan of EUR 1.5 million from 3D NV. This shareholder loan has an interest percentage equal to EURIBOR + 3%, which is identical to the interest on the current borrowings received from the Company's bank.

Page intentionally left blank



3. RISK FACTORS

General

Zenitel's core activities consist of providing integrated solutions and services for the professional market, where fast, reliable and secure communication is essential. The profitability and risk profile of the Company is defined by a number of factors described in the Annual Report 2009. These elements cause uncertainty with regard to the trend that will be followed by the value of Zenitel shares. Additional risks and uncertainties, that are currently not known to Zenitel or which the Company currently believes are immaterial, could likewise impair its business operations or have an adverse effect on Zenitel's cash flows, profitability, financial condition, its ability to continue as a going concern and the price of its shares.

Management refers to the section "Risk Factors" in the Annual Report/Facts and Figures 2009 page 7-10, which remain valid for the second semester of 2010.

Two risk factors, are worth highlighting.

Financial situation

Zenitel's operating results, excluding extraordinary items, have been negative for the past few years. This has led to decreases in solvency and liquidity levels. Continued focus on profitable activities, efforts to constantly better align the different subsidiaries to their market size and share, and the implementation of adequate procedures will further allow mitigation of the risks that are linked to the different types of businesses. The assumption to operate as a going concern is only valid to the extent that the Group can realize its financial, technical and commercial goals, as foreseen in the Group's business plan and to the extent that the Group continues to have access to short and medium term financing, granted by the Group's main creditors.

Currency Risk

The results of the Company are reported in euro. This means that the results of operations and the financial position of Zenitel entities that work in other currencies than the euro need to be translated to euro in the consolidation process. As there is ongoing fluctuation between these foreign currencies and the euro, a negative impact may occur on the Company's consolidated results. The most important currency risk in this respect relates to the Norwegian krone (NOK), followed by the Singaporean dollar (SGD), the US dollar (USD) and the Antillean guilder (ANG).

Evolution of the exchange rate of these currencies against the euro cannot be predicted. This results in an ongoing risk in forecasting sales volumes for the Group, due to the time elapsing between order and actual delivery and invoice. At the same times profit margins may be negatively affected.



4. FAIR VIEW STATEMENT BY THE MANAGEMENT OF THE COMPANY

We the undersigned, Kenneth Dastol, CEO of Zenitel NV/SA, and Glenn Wiig, CFO, declare that, to our knowledge:

- The set of condensed interim financial statements drawn in accordance with the prevailing accounting standards on Interim Financial Statements (IAS 34), gives a true and fair view of the assets, financial position and profit and loss of the issuer and the companies included within its consolidation
- The interim management's discussion and analysis provide a fair overview of the important events and major transactions between contracting parties which occurred during the first six months of the financial year, and their impact on the set of condensed financial statement, and a description of the main risks and uncertainties for the remaining months of the financial year.

Kenneth Dastol
CEO

Glenn Wiig
CFO



5. LIMITED REVIEW REPORT ON THE CONSOLIDATED HALF-YEAR FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

To the Board of Directors of Zenitel NV

Statutory auditor's report on review of consolidated financial information for the period ended June 30, 2010

Introduction

We have reviewed the accompanying consolidated balance sheet of Zenitel NV and its subsidiaries as of June 30, 2010 and the related consolidated statements of income, changes in equity and cash flows for the six-month period then ended, as well as the explanatory notes. The board of directors is responsible for the preparation and presentation of this consolidated financial information in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated condensed financial information based on our review.

Scope of Review

Our review has been conducted in accordance with the recommendation of the Institute of Registered Auditors (Institut des Réviseurs d'Entreprises / Instituut der Bedrijfsrevisoren) with regard to review procedures. A review of interim financial information consists principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied, and making enquiries of management responsible for financial and accounting matters. It is substantially less in scope than an audit performed in accordance with Auditing Standards applicable in Belgium, as issued by the Institute of Registered Auditors (Institut des Réviseurs d'Entreprises / Instituut der Bedrijfsrevisoren) and accordingly we do not express an audit opinion on the interim financial information.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed financial information is not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Matter of Emphasis

The company has incurred significant losses that fundamentally affect the financial position. Without modifying the above conclusion, we would like to draw your attention to the going concern paragraph in the notes, in which the Board of Directors justifies the application of the valuation rules under the going concern assumption. The assumption to continue as a going concern is only valid in the case the company continues to have access to short and medium term financing. The company is dependent on the continued financial support of the shareholders and other financing sources. No adaptations have been made to the half year financial information as to the valuation or the classification of certain balance sheet items which would be necessary if the company is no longer able to continue its activities.

Page intentionally left blank

Merelbeke, August 26, 2010

BDO Bedrijfsrevisoren Burg. Ven. CVBA
Statutory Auditor
Represented by Veerle Catry