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Deze jaarbrochure is ook verkrijgbaar in het Nederlands
op www.zenitel.com (investor relations > financial reports)
Annual Report 2007

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Annual Report 2007 - Financial Statements
The financial statements are available in the pocket of the back cover of this document or on www.zenitel.com (investor relations > financial reports)
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 are defined primarily by a number of factors, the most important of which are described below. These elements cause uncertainty with regard to the trend that will be followed by the value of Zenitel shares. Additional risks and uncertainties, which 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.

Technological Evolutions in the Market for Secure Communications
In the market for secure communications, Zenitel encounters several competitors, some of which use other technologies to offer similar products and services as Zenitel.

For the network business and the radio business in System Integration, the push-to-talk GSM technology is a potential competing alternative. This new technology is currently being promoted by GSM operators, but is only seen as a threat by Zenitel in the lower segment of the industrial market such as building sites, supermarkets, etc., where the availability and reliability of the networks is less critical because these are not life-threatening communication needs. GPRS, UMTS, WiMax, DMS, satellite communication and other future technologies are possible competing alternatives to the Zenitel range, particularly for customers operating in the private road transport sector, where costs are important and accessibility and reliability are less critical.

The developing technologies require Zenitel to continuously investigate the potential benefits and drawbacks of existing and emerging technologies and take strategic choices between them. At the same time, technological (r)evolutions might cause important impairments of assets.

Evolution of the TETRA Market
The TETRA market in the public sector in Belgium and the Netherlands is approaching maturity. This is likely to result in continued lower sales of TETRA products and system integration services in that segment in Belgium and the Netherlands in 2008 and further in the years after 2008.

However, by building its own TETRA networks and offering TETRA products and services to non-public and semi-public customers, Zenitel tries to counter this trend.

Evolution of the Market for Intercom Systems
The traditional competitor to Zenitel’s products in the intercom segment in the onshore market is the conventional telephone exchange, the PABX. More recently, the Voice over Internet Protocol is being increasingly used as a technology in several markets for communication products, including the market for intercom systems. Therefore, Zenitel launched its own VoIP platform on 1 June 2006 and continues to develop applications on this platform. The first indications are that the market is welcoming the product with enthusiasm. However, the longer term impact of the advent of this new technology on the market for intercom systems cannot yet be estimated. Zenitel is working closely with potential partners, in order to position the new product in certain niches.

Uncertainty as Regards the Outlook
This reference document sets out certain prospects that involve risks and uncertainties, such as the information relating to the development of the supply and demand for products and services, and the price trends on the markets. This information is based on estimates prepared by the management using their knowledge of the market, available studies, and information from organizations in the sector. There is no certainty that these forecasts will materialize.

Based on the business outlook, Zenitel’s management will try to adapt its strategy appropriately and will strive to make the most of the opportunities that arise. It is not certain that the strategy chosen and the subsequent opportunities that appear will ultimately lead to the desired result.

Risks Related to the Operation of Communication Networks and Related Services
In view of the growing importance of secure communications for an increasing number of organizations, Zenitel has developed a new offering over the last few years, which consists of operating its own national or regional networks for secure communications. The services offered to the customers for these operations include airtime and sometimes also the rental and service of communication equipment.
Zenitel expects that this new offering will contribute substantially to the future growth and predictability of revenues and cash flows, it also entails certain risks. Zenitel guarantees to its customers a certain minimum level of (regional or national, depending on the contract) coverage and availability, which it might in certain cases, not be able to maintain. A reduced coverage or outages of the network might be due to unexpected weather conditions (storm, floods, etc) or electricity interruptions. To take into account the latter, Zenitel has foreseen electricity back-up systems that provide electricity supply to its network for at least four hours after interruption of the general electricity supply. Moreover, Zenitel has contracted an insurance contract for professional and public liability which also covers its network operating activities.

One of the main obligations in the operation of communication networks is that requirements, as stipulated in the licenses (such as capacity, geographic area, maximum radiation), need to be fulfilled. Changes in the landscape, legislations, regulations, available cashflows or environmental considerations could prevent Zenitel from meeting such obligations.

**Project Risks and Guarantees Given**

In the business of System Integration, guarantees regarding performance, radio coverage and the duration of projects are often requested from Zenitel, mainly by customers in the public authorities segment. If these projects are undertaken by subsidiaries, Zenitel SA/NV is often asked to put up a guarantee for these subsidiaries. The related risks are partly covered by negotiations with the customer, by ‘back-to-back’ arrangements with equipment suppliers and above all by attempting to estimate the related risks on the basis of the experience and technical knowledge available at Zenitel. There is no certainty that Zenitel will always succeed in estimating and managing these project risks adequately. The Notes to the Financial Statements contain more details on both the technical on-balance sheet guarantees and warranties as on the bank guarantees issued on this behalf (off-balance sheet).

**Dependence on Major Suppliers**

Despite a clear multi-supplier strategy, Zenitel’s business remains heavily dependent on its relationship with Motorola and EADS, which are still the leading suppliers of terminals and networks in the market for professional radio communications. As a result of digitalization, a number of other major suppliers such as Chinese manufacturers have now also entered this market. Zenitel’s strategy is to conclude agreements with these new players as well, choosing in each case the supplier that offers the best value for money in the long term. Despite this strategy, there has been good and constant communication at senior management level with Motorola and EADS over the past few years, resulting in good cooperation to date.

**Dependence on Major Customers**

Although the end customers for the intercom products are typically major companies in a relatively powerful economic position, Zenitel is, generally speaking, to a lesser degree dependent on a limited number of major customers and only to a relatively limited degree dependent on sales per customer. Local distributors and partners are of higher importance to the intercom business, so that a loss of a relationship with one of these parties forms a more important risk. In 2007, the three main intercom customers accounted respectively for 11,6%, 9% and 9% of total intercom sales.

In some markets, the System Integration business is dependent on a limited number of large projects. Therefore, the group has decided to expand its activities to Network operation, in order to focus on more recurrent activities.

**Uncertainty as Regards Regulations**

Zenitel operates all over the world. The company’s activities in certain countries may be influenced to a considerable extent by national regulations, such as, but not limited to:

- The regulations and provisions relating to communication for the various market segments that Zenitel serves;
- Obtaining and retaining approvals, licenses, permits and concessions;
- The legal and administrative rules relating to export of foreign currencies to countries outside the euro zone;
- The taxation system applicable to import and export of products and services;
- The rules on exporting products and services;
- The upgrading of employment conditions as a result of changing economic and social circumstances.

Zenitel tries its best, given the means available, to comply with the applicable regulations and is assisted in this by experts in the relevant areas. In view of the diverse and worldwide presence of Zenitel, the possibility of infringements when carrying out its activities can never be ruled out, and these in turn could have financial consequences.
It is also important to draw the attention to the fact that these regulations sometimes change very quickly, even during the period covered by certain projects or contracts. This may mean that certain parts of contracts have to be renegotiated.

**International Projects**

Zenitel is currently executing several international projects in different regions of the world, such as Asia, Africa and South America. Such installation projects always carry an inherent risk of delay and errors which can not be included in the pre-calculation of a project. These delays or errors could impact the results of the group significantly. At the same time, administrative processes in several countries could also result in delays, either in delivery or payment. Zenitel focuses on obtaining letters of credit in order to ensure timely and correct payment and proper insurance, for different potential calamities, but such letters of credit cannot always be obtained.

**The Extent to which Zenitel can Attract and Retain Good Staff**

Given the complexity and high degree of specialization of its activities, Zenitel needs highly trained staff with in-depth technological and market knowledge. Zenitel operates in an extremely competitive market, and this applies to employment as well. Zenitel’s success depends largely on the extent to which it can retain its highly qualified staff and attract new ones.

**Profitability and Operational Cash Flows**

Zenitel’s profitability and operational cash flows are determined by the extent to which revenues and costs tally.

Zenitel’s revenues are determined by the volumes and selling prices it is able to record for its products and services on the market. Both the volumes and the selling prices are determined by actual or supposed fluctuations in supply and demand, but sometimes they can also be substantially affected by other factors, such as technological progress, government regulations, the availability and price of equipment and parts and exchange rates.

Zenitel’s costs are partly variable and evolve with sales, and partly fixed and therefore independent of sales. In 2005, 2006 and 2007, Zenitel’s fixed costs amounted respectively to 39%, 44% and 45% of operating costs. These fixed costs, excluding depreciation, mean that one of the major challenges facing Zenitel is to achieve sufficient critical mass, particularly as its activities are spread over various countries. There is no certainty that Zenitel will achieve an adequate critical mass in sales to cover the fixed and variable costs in each country separately and for all countries together.

**Financial Situation**

Zenitel’s operating results, excluding extraordinary items, have been negative for the past few years, and this has lead to decreases in solvency and liquidity levels. The solvency ratio (defined as ‘capital and reserves/balance sheet total’ in %) decreased from 24.3% per 31 December 2005, to 20.8% per 31 December 2006 and then increased to 28.7% per 31 December 2007. The liquidity ratio (defined as ‘current assets/current liabilities’) first decreased from 1.07 to 1.01 from 31 December 2005 to 31 December 2006 and then increased 1.22 per 31 December 2007. At the same time, the net debt position rose slightly EUR 9.7 million on 31 December 2005 to EUR 10.6 million on 31 December 2007.

2007 has been an important year. Financial stability has been restored, thanks to the successful capital increase. The Intercom product offering has shown to be very successful thanks to the investments in R&D. The network business is still in a start-up phase. The System Integration offering remains difficult. Therefore restructuring efforts continue to burden the profitability and cash flows of the company. Overall, there is no certainty regarding this profitability and operational cash flow.

In accordance with Article 96, 6° of the Belgian Companies Code, the board of directors has to justify the application of the principle of continuity if the balance sheet shows a loss carried forward. In 2007, the company has been able to successfully conclude a EUR 19.8 million capital increase and obtained a EUR 5 million long term loan. These financing cash flows, have enabled Zenitel to substantially strengthen its balance sheet. At the same time, investments in both tangible and intangible non-current assets are now to a large extent financed by shareholders’ equity and long term financing. At the same time, the company further relies on the continued support from its credit institutions.

The Board believes in the chosen strategy, with continued focus on critical communication through 3 Key Offerings: Secure Communication Services (mainly Intercom), Networks and System Integration. The Secure Communication Services area has started to show its full potential in 2007, where intercom sales further increased both in the onshore market as in the marine segment. The market for TETRA Networks services is
reacting slower than expected, however, the Board believes in its potential with Zenitel Caribbean (ChuChubi) as an example. At the same time, and after the capital increase, substantial investments in the MCCN TETRA network have been done, delivering coverage in the important industrial areas in both the Netherlands and Belgium. The System Integration business however is a quickly altering segment, moving away from a mere third party product distributor to a full value-added services business. This change is happening faster than expected, after the roll-out of the public TETRA networks in both the Netherlands and Belgium and has forced the Board to take additional restructuring measures. The Board believes that the new restructuring efforts should allow this business to slowly redefine itself, allowing higher margins on sales.

Continued focus on profitable activities, efforts to constantly better align the different subsidiaries to their market size and share, and the implements of adequate procedures will further allow mitigation of the risks that are linked to the different types of businesses.

**Currency Exchange Rates**

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 and Norway, changes in the exchange rate of the USD and NOK against the EUR may affect the company’s consolidated accounts. Moreover, the group operates internationally and is exposed to foreign exchange risks as a result of the foreign currency transactions entered into by its different subsidiaries in currencies other than their functional currency, primarily with respect to USD, ANG, NOK, SGD, DKK, AUD, and SEK. Zenitel hedges the main currency transactions, within approved group policy parameters. However, there is no guarantee that these hedging measures can provide sufficient protection for the operating results against exchange rate fluctuations.

**Product and General Liabilities**

The products supplied by Zenitel are subject to various forms of legislation on product liability or professional liability in the countries in which Zenitel develops its activities directly or indirectly. Zenitel has an extensive insurance program which, amongst other things, covers this liability. The total amount insured has been determined after balancing, on the one hand, the amounts that are customary for similar companies and/or sectors and, on the other hand, the cost (premium). Zenitel has not had any problems in the past that have made it necessary to call upon this insurance. There is no guarantee that this insurance program will be sufficient for every possible claim that could arise.

**Litigations**

The company has certain pending files that can be qualified as contingent liabilities according to the definition of IFRS. Please refer to note 32 to the consolidated financial statements for more information on this aspect.

**Risk of Tax Disputes**

The companies in the group are regularly subjected to tax inspections for direct and indirect taxation. During 2003, the AOIF/AFER (Administratie van de Ondernemings- en Inkomens Fiscaliteit/Administration de la Fiscalité des Entreprises et des Revenus) tax inspection carried out a thorough inspection of the Belgian companies. During 2007, a new tax audit was carried out relating to Zenitel Belgium. These inspections resulted in an amicable arrangement, the financial impact of which cannot be considered significant. There are no material tax disputes between companies in the group and the tax authorities at the moment, with the exception of Zenitel Norway, where a provision is made of EUR 0.3 million.

**Company History**

The Company has existed for over a hundred years. The group used to have a complex structure consisting of a conglomerate of companies and branches. The group structure has been streamlined as a result of the restructuring program set up in 1999 which has involved mergers, closures and targeted divestments. However, the possibility that claims may arise relating to the group’s past can never be ruled out. There have also been occasions in the past when, following a change of management, the existence of certain sub-branches set up for historic reasons (for the purpose of specific projects, for instance) was unknown to the new management. In principle, such non-operational sub-branches are then closed down.
Mission Statement

“Some people work in a world where security has a pre- eminent meaning. For them, security is about staying alive. They cannot rely on means of communication that ‘almost always’ work, but deserve the best solution to deal with the - sometimes unpredictable - circumstances they encounter.

These people are police officers, firemen, security officers, doctors, prison-guards, ship crew and all the other men and women who rely on the best communication means available. These people are our clients. It is for them we do our utmost. We work to help them make that one vital call.”

Zenitel is a leading player in instant audio and data communication. Communication products, communication networks and system integration services that are so reliable, so fast and so secure, 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 a listed company (Euronext). The headquarters of Zenitel are in Belgium.

Company Values

Zenitel’s company values are the foundations upon which the company is built. Zenitel uses its values to guide the business and strives to meet and exceed these values at all times, ensuring customers, employees, shareholders and other stakeholders can feel confident about the company.

Zenitel’s values motto is ‘We care about respect’ and in doing so embraces the following fundamental principles of the business:

We care about respect:

- So we value the importance of finding, keeping & developing good people PEOPLE
- So we value our installed base CUSTOMERS
- So we value our results and will act on ideas to achieve our goals RESULTS / SHAREHOLDER VALUE
- So we value a strong philosophy and management guidelines LEADERSHIP
- So we value operational integrity and team work TEAM EFFORT

"The most important factor defining the security market is the speed at which people feel unsafe. A second factor is the availability of generic technology standards and the ability of companies to apply or adapt to them."

Simon Mak Jensen
Business & Partnership Manager, Zenitel Group
Consolidated Key Figures

THOUSANDS OF EUR

Year ended 31 December

From income statement

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<tbody>
<tr>
<td>Turnover (including WIP)</td>
<td>95,264</td>
<td>115,313</td>
<td>125,038</td>
<td>116,951</td>
<td>109,189</td>
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<tr>
<td>Recurrent EBITDA</td>
<td>(249)</td>
<td>2,320</td>
<td>(1,800)</td>
<td>356</td>
<td>(4,393)</td>
</tr>
<tr>
<td>Profit from operating activities</td>
<td>(10,646)</td>
<td>(1,604)</td>
<td>(8,508)</td>
<td>(14,315)</td>
<td>1,980</td>
</tr>
<tr>
<td>Net result for the period</td>
<td>(12,465)</td>
<td>(3,851)</td>
<td>(10,945)</td>
<td>(12,885)</td>
<td>54</td>
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From balance sheet

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<tbody>
<tr>
<td>Total balance sheet</td>
<td>84,127</td>
<td>87,114</td>
<td>89,638</td>
<td>80,684</td>
<td>93,277</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>24,133</td>
<td>18,129</td>
<td>21,783</td>
<td>18,046</td>
<td>30,649</td>
</tr>
<tr>
<td>Working capital</td>
<td>5,253</td>
<td>7,652</td>
<td>3,984</td>
<td>5,151</td>
<td>4,919</td>
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From cash flow statement

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<tbody>
<tr>
<td>Total cash flow</td>
<td>7,353</td>
<td>(2,848)</td>
<td>3,518</td>
<td>(3,809)</td>
<td>7,597</td>
</tr>
<tr>
<td>Cashflow from operations</td>
<td>(4,447)</td>
<td>(2,015)</td>
<td>(4,852)</td>
<td>(3,090)</td>
<td>(5,517)</td>
</tr>
<tr>
<td>Debt (excluding leasing and short term installments)</td>
<td>10,604</td>
<td>16,900</td>
<td>9,680</td>
<td>9,684</td>
<td>5,986</td>
</tr>
<tr>
<td>Total debt</td>
<td>15,067</td>
<td>21,600</td>
<td>14,903</td>
<td>15,279</td>
<td>12,938</td>
</tr>
<tr>
<td>Net cash positions</td>
<td>4,591</td>
<td>(2,762)</td>
<td>38</td>
<td>(3,380)</td>
<td>471</td>
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Ratios

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</thead>
<tbody>
<tr>
<td>Equity ratio</td>
<td>28.7%</td>
<td>20.8%</td>
<td>24.3%</td>
<td>22.4%</td>
<td>32.9%</td>
</tr>
<tr>
<td>Debt/equity</td>
<td>43.9%</td>
<td>93.2%</td>
<td>44.4%</td>
<td>53.7%</td>
<td>19.5%</td>
</tr>
<tr>
<td>Total debt/equity</td>
<td>62.4%</td>
<td>119.1%</td>
<td>68.4%</td>
<td>84.7%</td>
<td>42.2%</td>
</tr>
<tr>
<td>Debt/recurrent EBITDA</td>
<td>(42.59)</td>
<td>7.28</td>
<td>(5.38)</td>
<td>27.20</td>
<td>(1.36)</td>
</tr>
<tr>
<td>Cashflow from operations/turnover</td>
<td>(4.7%)</td>
<td>(3.6%)</td>
<td>(3.9%)</td>
<td>(2.6%)</td>
<td>(5.0%)</td>
</tr>
<tr>
<td>Working capital/turnover</td>
<td>5.5%</td>
<td>6.6%</td>
<td>3.2%</td>
<td>4.4%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Weighted average number of shares (in thousands)</td>
<td>13,984</td>
<td>9,727</td>
<td>8,874</td>
<td>5,328</td>
<td>5,328</td>
</tr>
<tr>
<td>Equity/share (EUR)</td>
<td>1.7</td>
<td>1.9</td>
<td>2.5</td>
<td>3.4</td>
<td>5.8</td>
</tr>
<tr>
<td>Earnings/share (EUR)</td>
<td>(0.89)</td>
<td>(0.38)</td>
<td>(1.23)</td>
<td>(2.42)</td>
<td>0.01</td>
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<tr>
<td>ROCE</td>
<td>(28.5%)</td>
<td>(5.25%)</td>
<td>(24.50%)</td>
<td>(47.40%)</td>
<td>4.30%</td>
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Personnel

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</thead>
<tbody>
<tr>
<td>Operations</td>
<td>433</td>
<td>595</td>
<td>638</td>
<td>641</td>
<td>671</td>
</tr>
<tr>
<td>Corporate</td>
<td>8</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>604</td>
<td>647</td>
<td>650</td>
<td>682</td>
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</tbody>
</table>

Other

<table>
<thead>
<tr>
<th>RGU’s (Revenue Generating Units/Users)</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
<th>N/A</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>RGU’s (Revenue Generating Units/Users)</td>
<td>7,639</td>
<td>6,781</td>
<td>1,950</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

N/A - not applicable
2007 has been an important year for Zenitel. In the beginning of the year, Zenitel prepared a principal capital increase of EUR 19.8 million. This capital increase will nurture the further development of Zenitel's IP intercom platform and the roll-out of the TETRA networks in Belgium and the Netherlands.

Since January 1, 2008, Zenitel is organized to deliver these products and services through its 3 key offerings: Secure Communication Systems (mainly intercom), Networks, and System Integration. This organization fully reflects Zenitel's long term strategic aim - to provide secure, critical communications - helping people to communicate when it is really necessary. We help police officers to communicate in buildings or on the road, we allow emergency services to communicate underground (Confined Areas) and we facilitate subway companies to communicate between the metro and the control rooms. We also supply intercom systems both on-shore and for marine.

Since 2005, important investments have been made in the area of Secure Communication Systems. These investments relate mainly to the development of the new STENTOFON AlphaCom E intercom platform. This platform is IP enabled, and uses open standards such as SIP and Web 2.0 services. Therefore, the system connects to many security systems like radio, Public Address, telephony, camera’s and control rooms. A lot of attention has been paid to making sure both new and existing customers can take advantage of IP. Also thanks to IP, the total cost of ownership of an intercom system has decreased, since installation can occur on existing networks. At the same time, the open source technology has opened up the number of solutions in which an intercom system can be used. The ‘talking camera’ example is just one of the many examples where voice has been added. A guard sitting in a control room can now address the public at the time he spots an event on his screens, instead of having to alert someone at a distance to intervene some minutes later.

Following maturity of the main platform, the current focus of the development department has been on new IP stations and substations. Application software and connectivity software are also on the list. With the introduction of the IP series, Zenitel now offers a replacement for some of the previous hardware products with licensed software. In the near future, buying software upgrades on existing platforms will open up functionalities to the customers.

The above strategy and investments have proven to be successful for the intercom segment. Sales have increased by more than 10% during 2007, for certain areas in both on-shore and marine. Also profitability has again been restored.

A second important area of investment has been in the TETRA Networks. After a successful roll-out and migration from analogue to digital radio communication in the Caribbean, the introduction of a privately owned TETRA network in the Netherlands started in 2005. As from January 1, 2006, the first user was connected to the network. In 2007, Zenitel launched its TETRA network in Belgium.

The complementarities of TETRA versus GSM are significant as a greater number of people discover that in emergency situations, GSM simply can not ‘do the trick’. TETRA is a command driven technology, which features ‘priority calling’ (emergency call, man down alarms get through the network first), group calling (addressing multiple people at the same time) and very short call set-up time. At the same time, TETRA offers more than the traditional (analogue) radio systems, with its enhanced data capacity and GPS location possibilities. For example, it is argued in terms of frequency usage, TETRA is four times more efficient than GSM.

In the last couple of years, traditional radio users, such as public transport companies, have tried to switch to GSM, for cost saving advantages. However, with increasing violence on busses and trains, and public and mass transport being target number one for terrorist attacks, public transport companies simply cannot ignore public and staff safety. Transport staff have experienced that their SMS messages sent in times of distress or emergency, did not arrive or arrived minutes or even hours after the facts. Worse still, at times of mass demonstrations, in major incidents and even when in traffic jams, GSM networks can become congested or are even switched off. It is Zenitel’s strong belief that TETRA is the best technology standard to offer critical communication. Even though the market in the past couple of years has been reluctant, slowly but surely, additional applications and devices on TETRA become available.

Today, all existing customers on Zenitel’s TETRA networks are extremely happy with the quality of the communication services rendered. Following the capital increase, Zenitel has been able to speed-up the roll-out of the network and now offers TETRA network capabilities in the whole Randstad Area and in every province in the Netherlands. In Belgium, the Antwerp harbour and important parts of Antwerp city are also covered. Going forward, gradually the network will be further rolled-out as opportunities arise. Zenitel will allow this start-up business to reach maturity over the next years. Today, this business (both MCCN in Belgium and the Netherlands, and Chuchubi in the Caribbean) reaches a break-even EBITDA, including EUR 1.5 million operational expenses to commercially and technically develop the new networks.

In 2007, the revenues and profitability in the System Integration business have been affected by the weaker than expected demand for 3rd party end-user products (such as PRC radio
equipment, mobiles, other radio devices and accessories). However, at the same time, Zenitel also experiences a growing need for System Integration services. Individually operating security systems are no longer good enough. Integration of the different systems is key to create a safe environment. A good example of this integration requirement is a project Zenitel is currently executing, where the evacuation and broadcast system will be linked to the digital TETRA communication system, thus ensuring redundancy in case one of the systems fails, at times of crisis. This type of integration also implies that systems tend to get more and more complex, so that customers are demanding ongoing support from specialists, with 24/7 monitoring capabilities. It is in this segment that Zenitel wishes to offer its System Integration services.

In order to realize these types of integrations and services and in view of the weaker than expected revenues in the ‘traditional’ product distribution area, Zenitel will reorganize the System Integration business, by right-sizing certain segments. At the same time, there is also a growing need for people with different skill sets, such as software knowledge and IT/IP expertise. It is in this respect that the Board of Directors asked management in December 2007 to continue its restructuring efforts which started in September 2007. Therefore, a total restructuring cost of 5.4 million EUR has been accounted for in the second semester 2007.

After the reorganization in the System Integration business, focusing on integrating and servicing different systems, and through the above mentioned investments, it is Zenitel’s belief to increase its market share and to restore its profitability by creating value-added services for its customers. Zenitel will, in this way, remain an important security partner for both authorities and industries, as security spending continues to increase.

In 2008, Zenitel will still face some challenging months. It will be a year in which Zenitel needs to continue to grow and develop the Intercom segment, add additional users on the existing Networks and redefine its System Integration business, by acting as a value added service partner and integrator. Zenitel’s strategy is to continue building the group around these three key offerings.

Per January 1, 2008, Erik Hoving has been succeeded by Eugeen Beckers as CEO of the Zenitel Group. Erik continues at the request of the board his involvement within Zenitel as a non executive director. Zenitel would like to thank Erik for his dedication and insight as managing director, which enabled Zenitel to define its long term strategy.

Finally, a special word of gratitude for the Zenitel employees is appropriate. Zenitel could not make the changes and investments without their continuous efforts.

Zenitel will remain an important security partner for both authorities and industries, as security spending continues to increase.
January
During the First Half of 2007, Zenitel Released for Tender its New IP Substations
Maersk Supply Orders 10 Anchor Handling Tug Supply Vessels with the VINGTOR AlphaCom-E Solution

February
Zenitel Communication Specified for Belgium Critical Control Room

March
Success at Shanghai Pudong International Airport

April
Zenitel Becomes the Official, Certified EADS Repair Centre

May
Show Time Achievements

June
Marine Products and Integration Unveiled

July
Zenitel Conducts Roadshow under the Slogan of 'We are all ears'
AUGUST
Zenitel Listed 13th in Top 50 Ranking of Security Vendors Worldwide

SEPTEMBER
Zenite - the Only Audio Communications Company to get Short Listed for the Best Security Manufacturer Award

OCTOBER
MCCN Network Expansion
Anne Frank House, Amsterdam Signs onto the MCCN Network

NOVEMBER
New RM-AC Interface Between STENTOFON AlphaCom E and Ring-Master CB901
Zenitel Denmark Wins two new Contracts

DECEMBER
Zenitel Showcases new IP Master Stations

JANUARY/FEBRUARY 2008
Zenitel sells its Highest Number of AlphaCom Platforms at the Start of a Year
January

During the First Half of 2007, Zenitel Released for Tender its New IP Substations
The stations enable installation of an intercom system, without proprietary cabling, thus reducing the total cost of ownership of a system. Designed to deliver CCoIP® (Critical Communication over IP) features, the system includes an integrated firewall, call priority and call over-ride for delivering instant and secure voice and data services.

Maersk Supply Orders 10 Anchor Handling Tug Supply Vessels with the VINGTOR AlphaCom-E Solution
Maersk Supply is among the five biggest Supply Vessel operators in the world, and Zenitel Marine has for years been delivering the standard VINGTOR communication package for these types of vessels. The Supply Vessel segment in general is fast growing with a huge number of newbuild contracts, especially in Norway, the Far East, Brazil and the USA. Supply Vessels are becoming increasingly sophisticated and larger too.

February

Zenitel Communication Specified for Belgium Critical Control Room
Fire Brigade of Liège and neighbouring cities decided to modernize the Command and Control centre by introducing computer-aided dispatching in a new, fully equipped, ergonomic control room. The new system will reduce time-to-intervention by facilitating the decision-making process. This is done by introducing flexible and powerful scenarios for intervention, coupled with real-time multi-channelled communication, to be used to launch, follow and manage interventions. The solution is designed to function 24/7 with automatic backup server and supply. It is also equipped with logical and physical protection to prevent any intrusion of the system.

The CHPF Tahiti Hospital Center for French Polynesia Installs AlphaCom-E
The CHPF, a new hospital complex in Tahiti, the Pacific, chose STENTOFON because their research proved it to be the most reliable and evolutionary system on the market. The hospital complex is equipped with nine AlphaCom E7’s connected to a data-processing network VDI. The intercom system manages the security communications between the 210 stations located at doors and entrances, reception, control rooms and departments. The system will manage its own fault monitoring and supervision and allow hospital security and communication even if the IT network fails.
March
Success at Shanghai Pudong International Airport
Shanghai Pudong International Airport (SPIA) is currently the sixth busiest air freight hub and a major international gateway into China and East Asia. The airport employs STENTOFON standard VoIP protocols for audio encoding and control, and utilizes standard TCP/IP protocols for video and data transmissions, providing an area-wide network for broadcast and communication system at key locations.

April
Zenitel Becomes the Official, Certified EADS Repair Centre
In Quarter 2, Zenitel was appointed as the repair centre for EADS TETRA handhelds and mobiles in the Netherlands. Every EADS distributor in the Netherlands now sends their equipment to Zenitel for 1st and 2nd line repairs. The new activity adds value and profit to the service organization of Zenitel Netherlands.

May
Show Time Achievements
Zenitel had a busy May attending two of the world’s leading security and TETRA events: IFSEC and The TWC. At IFSEC the company took a large space in the new IP Networked Solutions area, demonstrating an AlphaCom E with a VoIP link to Oslo. Zenitel also presented a Wall of Opportunities with PDA’s and touch screens, application based displays, segment orientated stations and IP stations.

The TWC, the event for anyone with an interest in TETRA, provided a unique opportunity to present Critical Communication over IP (CCoIP), Confined Areas solutions, including Zenitel Radioteknik’s state of the art TETRA repeaters and Zenitel’s TETRA Networks - MCCN & ChuChubi.

June
Marine Products and Integration Unveiled
Zenitel held its annual Marine Partner Meeting in Lofoten in the run up to what proved to be a successful Nor Shipping exhibition. A Viking feast of entertainment and insights into the latest new developments was enjoyed by all. At the show, a number of factors stood Zenitel apart, including the fact Zenitel is the first in the marine industry to offer solutions for both data and communications in the same cable. The key showpiece was Zenitel Marine’s new modular concept VINGTOR ACM-E.
July
Zenitel Conducts Roadshow under the Slogan of ‘We are all ears’
In July, Zenitel Netherlands visited customers and prospects in 24 of the 26 security regions in the Netherlands using a futuristic looking trailer to show the latest trends in the field of TETRA radio.

In August and September, Zenitel Denmark visited the doorsteps of the Blue Lights segment right across Denmark. The 8m Roadshow trailer informed customers about Zenitel’s wide product range, total solutions, TETRA technology and the expected roll out of the new Danish TETRA network called SINE. Zenitel Denmark aimed to show potential SINE users its unique capabilities to offer total care solutions, including the programming and maintenance of end-user devices and the development of applications - skills that cannot be offered by traditional product manufacturers.

August
Zenitel Listed 13th in Top 50 Ranking of Security Vendors Worldwide
Last year we reported on Zenitel’s new entry into the Security 50 List - a unique ranking of the world’s top 50 security companies. The 2007 report placed Zenitel at number 13, ranking Zenitel among the worlds’ largest security companies. Zenitel is highlighted in the report a number of times and was invited to comment on its marketing activities, educating users and engineering hurdles.

September
Zenitel - the Only Audio Communications Company to get Short Listed for the Best Security Manufacturer Award
Members of the security industry were honoured for their professionalism in September at the industry’s most prestigious awards event, the Security Excellence Awards. Zenitel was runner-up for The Best Security Manufacturer award demonstrating outstanding business performance, quality production and a strong commitment to service and customers.

October
MCCN Network Expansion
Zenitel is proud to announce that it has now gained customers in the Antwerp Diamond area, Belgium. In the Netherlands almost the whole of the Randstad Area will be covered and TETRA coverage in all provinces in the Netherlands has started.

Anne Frank House, Amsterdam Signs onto the MCCN Network
Zenitel announces a contract with the Anne Frank House to deliver critical communication via the MCCN TETRA network for a period of seven years. The digital system will integrate to current and new security measures the museum may choose to install, and places no restrictions on the number of users which can be incorporated. Zenitel already delivers TETRA networks and critical communications to a number of large museums in Amsterdam.
November

New RM-AC Interface Between STENTOFON AlphaCom E and Ring-Master CB901
The integration offers Ring-Master users a migration path to advanced IP technology, even using a system purchased many or several years ago. In this way they can assure continuity of critical communications. The migration of the analogue platforms is part of Zenitel’s strategy to simplify its product portfolio in the intercom business.

Zenitel Denmark Wins two new Contracts
Zenitel Denmark has won a new radio infrastructure and service contract with the Danish Railways Infrastructure Operator BaneDanmark (Danish Rail Net) and a contract to deliver TETRA systems to Maersk drilling rigs. The Danish Rail Net contract is worth 44 million Danish Kroners and will last for four years. Zenitel Denmark will gain experience and speed in its offering of a nationwide service which other Zenitel customers will also benefit from.

December

Zenitel Showcases new IP Master Stations
In December, Zenitel released for tender a new range of IP Master Stations consisting of a CRM V Master with advanced call handling features intended for control room environments, an IP CRM V Handset, an advanced IP Operating Room (OR) Master Station and an IP Master Station Kit PCB. The range is available in desktop, wall mount or flush mount format, they have large displays with backlight and soft keys, and offer support for the same protocols and codecs as the current IP Substation range.

January/February 2008

Zenitel sells its Highest Number of AlphaCom Platforms at the start of a year.
During January and February 2008, 270 end-to-end VoIP (Voice over IP) AlphaCom E switches were sold. The increase of additional VoIP switches compared to previous years demonstrates the success of the new product portfolio based on IP.
EU1: Netherlands, Caribbean, Denmark, UK
EU2: Belgium, France
NAUI: Norway, Sweden, Finland, China, Singapore, USA, Germany, Italy, Mediterranean
Zenitel holds minority shares in the following companies:

**Zenitel UK (15%)** – British distribution activities for the intercom business. 85% of the shares were sold through a management buy-out in July 2006, the activities were loss-making under the Zenitel Group. To date, Zenitel UK still sells intercom products from Zenitel Norway. Zenitel UK also continues to use the Zenitel name. Therefore, a board position and 15% of the shares are held.

**TetraNet (Denmark) (0.6%)** – Danish private TETRA network company, in which Zenitel participated together with Motorola. As a result of the capital increases by Motorola related to the investments in the network, Zenitel’s share diluted from 13.8% to 0.6%. TetraNet (Denmark) holds a license to operate a digital TETRA network in the band 380 – 400 Mhz in Denmark.

**Beijing Nera Stentofon Communication Equipment (China) (14%)** – Chinese distributor of intercom and other security equipment. BNSC provides Zenitel with a strategic foothold in the Chinese onshore intercom market, with access to important customers, such as Beijing Airport, Beijing TV Center, etc.
Everyone needs to learn to have a basic responsibility for increasing the safety of an environment. Yes, communication is required, but it’s involving everybody that will increase safety, not just the technology.

Roel Zwanikken
Sales Manager,
Zenitel Netherlands
Financial consolidation and reporting;
Defining and implementing standard procedures;
Setting up and monitoring required change processes;
Checking and monitoring the achievement of targets;
Taking investment/divestment decisions and the coordination thereof;
Investor relations.

The Important Events in the Development of Zenitel’s Business

Over 100 year’s Heritage, a Presence in more than 75 Countries and more than one Million Users World-wide

The history of Zenitel dates back to 1901, when a group of Belgian entrepreneurs founded C.T.S.F. – Compagnie Générale de Télégraphie sans Fil. They were supported by none less than King Leopold II and Guglielmo Marconi, the inventor of the wireless telegraph. Following World War II, the company, known at the time as SAIT Electronics - Société Anonyme Internationale de Télégraphie - entered into various cooperation agreements with other companies, including Radio Holland NV and Norsk Marconikompagnie A/S. Many decades later, that successful partnership with Radio Holland would lead to a takeover and SAIT Electronics trading under the name SAIT-RadioHolland.

The next milestone came in the 90’s when the company, focusing on core activities, made a number of divestments and targeted acquisitions. Significantly, in May 2000 the company merged with the Norwegian company Stento ASA. This group provided internal communication systems worldwide. It began in 1946 as a supplier of radio communication systems for ships and fishing boats under the name Stentor Radiofabrik AS. Afterwards the company expanded its range to include intercom systems for businesses and public services under the brand name STENTOFON. This was later officially adopted as the company name. Previously, in 1997, STENTOFON AS had merged with another Norwegian communication systems supplier and PMR systems provider, RingCom AS, which in turn was the result of a merger between RingMaster and Noracom. The merged company was named Stento ASA. Both organizations had close business relations with Motorola and Stento later became the main Motorola distributor in all Scandinavian countries. Stento quickly expanded by means of a number of acquisitions, including Philips Intercom and Nursecall.

With now a complex structure consisting of a conglomerate of companies and branches, the group set up a restructuring program to streamline the business. In 2001, the year in which the company celebrated its centenary, SAIT-STENTO with an emphasis on corporate identity and communication, moved the company headquarters to Belgium and changed the company name to Zenitel. The newly named Zenitel continued to focus on its core activities in the following years, reducing its debts substantially and maintaining a stronger management focus on the core activities in the two remaining business units: Wireless Solutions and Communication & Security Systems.

The last few years have seen tremendous change for Zenitel. The changes, although not always obvious, have been profound. In October 2005, Zenitel reorganized the company from two former detached business units into one company serving all needs. Many initiatives now emanate from the company that drive towards integration, either because combined offerings are asked for by the customer or because Zenitel has offered the expertise and products from across the group to ensure the best possible solution for the customer. One aspect however hasn’t changed: since 1901, Zenitel has been providing the means for people in trouble to talk. Zenitel has no intention of changing its course; indeed, the business of security communication is due to become one of the most relevant businesses in the near future. That is because it relates to the safety of people.
A. Divestments

By divesting these activities, the group was able to reduce its debt burden substantially and maintain a stronger management focus on the core activities.

At the same time, these core activities were reinforced by means of a number of investments and takeovers, as indicated in the table below.

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2000</td>
<td>Defense projects</td>
<td>Non-core activities</td>
</tr>
<tr>
<td>March 2000</td>
<td>Information Display Systems</td>
<td>Non-core activities</td>
</tr>
<tr>
<td>Dec. 2000</td>
<td>Debitel BE (32% holding)</td>
<td>Minority holding in mobile communication services retailer sold to Mobistar NV; non-core activities</td>
</tr>
<tr>
<td>Dec. 2000</td>
<td>Airtime Service</td>
<td>Supplier of telecommunication services via satellite connections sold to the Norwegian Telenor; non-core activities</td>
</tr>
<tr>
<td>May 2001</td>
<td>Sirius (24% holding)</td>
<td>Minority holding in specialist in chip technology for satellite communication, sold to Agilent Technologies; non-core activities</td>
</tr>
<tr>
<td>July 2001</td>
<td>Debitel NL (40% Holding)</td>
<td>Minority holding in mobile communication services retailer sold to Debitel AG; non-core activities</td>
</tr>
<tr>
<td>Sept. 2002</td>
<td>CSS Germany</td>
<td>German distribution activities for the CSS business unit sold to the main German partner and distributor Scanvest Ring GmbH; loss-making</td>
</tr>
<tr>
<td>March 2003</td>
<td>Remaining 50% in Euromarine Electronics</td>
<td>Remaining part of divestment of EuroMarine sold to the joint venture partner, the Rheinmetall Group; non-core activities</td>
</tr>
<tr>
<td>June 2003</td>
<td>TetraNet AS (13.8%)</td>
<td>Investment held by Zenitel Denmark AS. Joint project with Motorola in Denmark, to invest in a TETRA network</td>
</tr>
<tr>
<td>June 2004</td>
<td>Servoteknikk</td>
<td>Active in the fire alarm sector for ships; sold to the Swedish firm Consilium AB; non-core activities</td>
</tr>
<tr>
<td>July 2006</td>
<td>Zenitel UK (85%)</td>
<td>British distribution activities for the intercom business, 85% of the shares sold through a management buy-out; loss-making</td>
</tr>
<tr>
<td>April 2007</td>
<td>Colsys (CZ)</td>
<td>Supplier of security, weak- and heavy-current installations, measurement, and regulation systems in the Czech Republic; non-core activities</td>
</tr>
</tbody>
</table>
**B. Acquisitions**

All acquisitions have been financed either by bank financing or by internal financing (after divesting other activities).

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2000</td>
<td>INES and Ramacom (B)</td>
<td>Buyout of competitor and access to the Kenwood product range</td>
</tr>
<tr>
<td>June 2000</td>
<td>RadioTeknik (SE)</td>
<td>Expansion of the portfolio with an interesting product in Confined Areas, with a view to create synergies with the business unit WS</td>
</tr>
<tr>
<td>Jan 2001</td>
<td>Halberthal (FR)</td>
<td>Strengthening of the geographic presence in France</td>
</tr>
<tr>
<td>Jan 2001</td>
<td>Telpro Plus (NL)</td>
<td>Expansion of the offering of mobile applications products, software and knowledge, because of the rising importance of applications</td>
</tr>
<tr>
<td>April 2001</td>
<td>Scana Servoteknikk (N)</td>
<td>Alarm and fire detection systems (divested in June 2004), with a view to create synergies with the intercom systems</td>
</tr>
<tr>
<td>May 2001</td>
<td>Atcom (FR)</td>
<td>Acquisition of PMR activities based in Paris to strengthen the geographical presence in France</td>
</tr>
<tr>
<td>April 2003</td>
<td>Colsys (33%) (CZ)</td>
<td>Supplier of security, weak- and heavy-current installations, measurement, and regulation systems in the Czech Republic; in accordance with terms of purchase upon acquisition of Colsys in 1999 – assets held for sale per 31/12/2006</td>
</tr>
</tbody>
</table>

**C. Investment in Networks**

Further to these activities, the company has invested significantly in the past three years in tangible assets for the network business. For this purpose, two new legal entities have been founded in the Netherlands and in Belgium – MCCN BV and MCCN Belgium NV (MCCN: Mission Critical Communication Networks). In the Caribbean, the investments were made by existing legal entities.

Net book value per 31 December 2007 of the investments in the Network business in these entities amount to:
- Caribbean (group of branches/legal entities) – EUR 4.9 Million;
- MCCN BV – EUR 3.7 Million;
- MCCN Belgium NV – EUR 0.5 Million.

These divestments and investments also went hand in hand with a restructuring of the shareholding constellation in March 2003, through the sale of the shares held by Cobema NV (32.48%) to two new investors, 3D NV and De Wilg GCV, together with five company managers of that time and the delisting of the shares from the Oslo Stock Exchange in April 2003.

Zenitel history dates back to 1901, at the time where the first radio links and telegram was sent between coast stations and vessels.
Corporate Information

Share Capital

General

The subscribed capital amounts to EUR 25,274,722.95. It is represented by 16,554,422 shares without nominal value and is fully paid up. The par value is EUR 1.5267.

Zenitel Wireless Norway AS holds 113,113 shares of ZENITEL. The face value, at the rate of EUR 2.49, on 31 December 2007, was at that date EUR 281,651.

The company has not issued any non-voting shares nor any other securities than shares and warrants.

Authorized Capital

The board of directors is authorized, for a period of five years starting from the publication of the decision of the extraordinary shareholders meeting of 14th of December in the Annexes to the Belgian Official Gazette, to increase the subscribed capital in one or more times with a maximum of EUR 25,274,722.95. This authorization of the board of directors is also valid for incorporation of reserves.

Stock Option Programmes for Employees

In the context of and within the limits of the authorized capital, and with a view to increasing motivation, the board of directors decided to issue two warrant plans, in the years 2000 and 2004 respectively, intended for directors and employees in the year 2000 and for employees in 2004. At the end of 2007 475,731 warrants were outstanding.

The warrants had an initial duration of five years as of the date on which they were offered, but in 2003 the duration of the then outstanding warrants was increased by three years. Warrant holders can only exercise their warrants after the expiry of a twelve month period after the date on which the warrants were offered to them. As of the second year, warrant holders can exercise a third of their warrants during the following three consecutive years.

History of Share Capital with Information about Changes for the last Three Years

The table below provides an overview of the history of the company’s share capital since 2005.

<table>
<thead>
<tr>
<th>Date of operation</th>
<th>Transaction</th>
<th>Number of shares issued</th>
<th>Issue price per share increase (EUR)</th>
<th>Amount of capital (EUR)</th>
<th>Issue premium (EUR)</th>
<th>Share capital after the transaction (EUR)</th>
<th>Aggregate number of shares after the transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Situation prior to 17 February 2005</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,630,768.73</td>
<td>5,441,122</td>
</tr>
<tr>
<td>17 February 2005</td>
<td>Capital Increase</td>
<td>4,285,714</td>
<td>0.67</td>
<td>2,871,428.38</td>
<td>2.83</td>
<td>6,502,197.11</td>
<td>9,726,836</td>
</tr>
<tr>
<td>28 April 2005</td>
<td>Incorporation of issue premiums</td>
<td>None</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>81,502,197.11</td>
<td>9,726,836</td>
</tr>
<tr>
<td>28 April 2005</td>
<td>Capital Decrease (loss compensation)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14,850,364.64</td>
<td>9,726,836</td>
</tr>
<tr>
<td>9 May 2007</td>
<td>Capital increase</td>
<td>6,206,897</td>
<td>1.52</td>
<td>9,476,690.34</td>
<td>1.38</td>
<td>24,327,054.98</td>
<td>15,933,733</td>
</tr>
<tr>
<td>4 June 2007</td>
<td>Capital increase</td>
<td>620,689</td>
<td>1.52</td>
<td>947,667.97</td>
<td>1.38</td>
<td>25,274,722.95</td>
<td>16,554,422</td>
</tr>
</tbody>
</table>
**Articles of Association**

**Zenitel’s Corporate Purpose**

Article 3 of the articles of association reads as follows:

‘The purpose of the company is to exercise activities, in Belgium and abroad, in any manner whatsoever, in the sector of telecommunications, both at sea, on land and in space, and to provide services in the sector of communication, radio and/ or television.

The company may acquire and hire out all material, machines, equipment or means of transport or facilitate the use or hiring thereof by third parties in any form whatsoever.

It can participate, in any form, in any company or business whose purpose is similar or related to the purpose of the company or whose purpose is likely to facilitate the achievement of the company purpose, even indirectly.

It may enter into agreements on collaboration, rationalization or cooperation or other agreements with these companies or businesses. More specifically, the company may, by means of purchase, exchange, contribution, subscription, fixed takeover, purchase option or by any other means, obtain all titles, securities, debts and intangible rights; take part in all associations and mergers, manage and enhance the value of its share and holdings portfolio, including by means of management, supervision, auditing, documentation, financial or other support to companies and businesses in which it has a holding, realize or liquidate these securities by means of transfer, sale or by any other means.

The company may, both on its own behalf and on behalf of others, in all places and by any means, undertake all financial, commercial industrial and real estate deeds or transactions related directly or indirectly to its company purpose or which are likely to contribute towards achieving this purpose.’

**Zenitel’s Provisions with Respect to the Board Members**

Article 11 of the articles of association reads as follows:

‘The company shall be managed by a board of directors, consisting of minimum three and maximum twelve members, whether shareholders or not, who shall be appointed for a maximum of six years by the general shareholders’ meeting, who may dismiss them at any time. The resigning directors may be re-elected. The mandate of the resigning directors who are not re-elected shall end immediately after the annual meeting.

The general shareholders’ meeting shall decide whether or not and to what extent the mandate shall be remunerated with a fixed or variable pay. If a directorship becomes vacant due to decease, dismissal or for another reason, the remaining members of the board of directors may temporarily fill such vacancy until the next general shareholders’ meeting that will proceed to the final appointment.’

Article 12 of the articles of association reads as follows:

‘The board of directors shall elect a chairman and meet after being convened by him at the designated place, in Belgium or abroad, whenever the interests of the company so require. It must be convened at the request of two directors. The notices shall be given by letter, telecopy or email and shall include the agenda. Moreover, the directors staying abroad will be informed of the meeting by telegram, telex or telecopy, sent together with the notices, no proof must be given that this formality was fulfilled.’

Article 13 of the articles of association reads as follows:

‘The board of directors may only validly deliberate on the items listed on the agenda and when at least half of its members are present or represented. Each director who is unable to attend may authorize another member of the board, even by ordinary letter, telegram, telex or telecopy, to represent him and to vote on his behalf. Nevertheless, a director may not represent more than two other directors. If a legal entity is appointed as a director, a natural person must be assigned by it as proxy-holder for the exercise of this mandate.

The decisions shall be taken by a majority of the votes. In the event of a tie vote, the vote of the chairman of the meeting shall be decisive. In exceptional cases, when required by urgency and the interests of the company, the decisions of the board may be taken by the unanimous written consent of the directors. This procedure may not be applied for the approval of the annual accounts and for the use of the authorized capital.’

Article 14 of the articles of association reads as follows:

‘The decisions of the board of directors shall be recorded in minutes drawn up by the chairman of the meeting and the secretary and shall be signed by them and by any director who so requests. Copies or extracts of these minutes shall be signed either by the chairman of the board, or by a managing director, or by two directors.’

Article 15 of the articles of association reads as follows:

‘The board of directors holds the broadest competences to perform all operations being necessary or useful for the accomplishment of the company’s objects, except those competences reserved by the law to the general shareholders’ meeting.’

* Died of Incorporation and latest by-laws of Zenitel.
Article 18 of the articles of association reads as follows:

‘Without prejudice to the special delegation of powers granted by the board of directors, the company shall be validly represented towards third parties and in law, i.e. for all deeds to be drawn up before a civil servant or a public servant, including the powers of attorney, by two directors, without a proof has to be given of a prior decision of the board of directors. The company may be represented abroad either by one of its directors, a manager or by any other person specially mandated for that purpose by the board of directors.

Under the guidance and supervision of the board of directors, this representative is in charge of representing the interests of the company with the public authorities and implementing all decisions of the board of directors that have to be implemented abroad. The representative has to be holder of a power of attorney or a delegation of powers proving that he is a representative of the company. The board of directors is entitled to put an end to the delegation of powers without prior notice, even if the third party is an employee of the company and is in that capacity entitled to a notice period.’

Rights Attached to the Shares
Each share gives the right to one vote. There is only one class of share.

Provisions with Regard to Actions Necessary to Change the Right of Holders’ Shares
The articles of association do not provide any specific provisions in this respect.

Provisions with Regard to the General Shareholders Meeting
Article 19 of the articles of association reads as follows:

‘The duly composed general shareholders’ meeting duly composed according to the law represents all shareholders. It disposes of the powers determined by the law and by the present articles of association. Its decisions are binding on all shareholders, even those who are absent, incompetent or dissenting.’

Article 20 of the articles of association reads as follows:

‘Each year on the 28th of April an ordinary general meeting shall be held at the registered office of the company or at any other place in Belgium. If this day is a public holiday, or a Saturday or a Sunday, the meeting shall be held on the next working day at the same time. Moreover the general shareholders’ meeting may be convened in an extraordinary meeting at the request of shareholders representing at least one fifth of the existing shares.’

Article 21 of the articles of association reads as follows:

‘The general shareholders’ meeting is convened at the request of the board of directors or by the auditor(s), if any. The notices include the agenda and will be given according to the applicable legal requirements in this respect.’

Article 22 of the articles of association reads as follows:

‘Each shareholder may be represented at the general shareholders’ meeting by a third party who does not need to be a shareholder, holder of a special proxy, which may be given by ordinary letter, telegram, telex or telecopy.'
Subsequently to a special decision of the board of directors, referred to in the notices, the shareholders can vote by way of letter using a form prepared and put at the disposal of the shareholders by the company. The form contains the following statements:

- The names, company or corporate name of the shareholder;
- His/her/its registered office or domicile;
- The number and form of the shares with which the shareholder wants to participate at the vote;
- The proof that the formalities necessary for the admission to the shareholders’ meeting have been fulfilled;
- The agenda of the meeting;
- The vote or abstention concerning each item on the agenda;
- If applicable the grant of authorization to the president of the meeting to vote on behalf of the respective shareholder on amendments or new decisions submitted to the meeting of shareholders.

In order to be admitted to the meeting, the owners of bearer shares shall deposit their securities at least five days before the meeting at the registered office of the company or at any other place specified in the notices. The registered shareholders shall be admitted to the meeting on production of their certificate of registration in the register of shareholders, provided that they are registered at least five days before the meeting.

At least five days before the meeting, the owners of dematerialized shares shall deposit a certificate at the registered office of the company or at any other place specified in the notices that has been issued by the certified account holder or the clearing institution, indicating that the shares are registered and unavailable till the date of the shareholder’s meeting. The board of directors shall draw up an attendance list that shall be signed by each shareholder or his proxy before joining into the meeting.

Article 23 of the articles of association reads as follows:
‘The general shareholder’s meeting shall be presided over by the chairman of the board of directors, or in his absence, by any other director. The chairman shall appoint the secretary, who does not need to be a shareholder, and the meeting elects two vote counters from the shareholders present.’

Article 24 of the articles of association reads as follows:
‘The general shareholders’ meeting may only deliberate on the items mentioned in the agenda, even if it concerns the dismissal of directors or auditors. Without prejudice to the cases provided for by the law or by the present articles of association, the shareholders’ meeting may validly deliberate by an ordinary majority of votes irrespective of the number of shares represented, each share giving right to one vote.

The minutes of the general shareholders’ meeting shall be signed by the members of the presiding committee and by the shareholders who so request. Copies or excerpts of these minutes shall be signed by the chairman of the board of directors, a chief executive officer or by two directors.’
Zenitel’s Provisions Having an effect on Delaying, Deferring or Preventing a Change of Control in Zenitel

Article 7, last paragraph of the articles of association reads as follows:

‘The general shareholders’ meeting of fourteen December two thousand seven has explicitly granted authority to the board of directors to increase the issued capital one or more times, from the date the Company receives notice by the Banking, Finance and Insurance Commission of a public takeover bid on the securities of the Company, by way of contribution in cash with restriction or exclusion of the pre-emption rights granted to the existing shareholders or by way of contribution in kind in accordance with article 607 of the Company Code. Such authority has been granted for a period of three years from the publication of this decision in the Annexes to the Belgian Official Gazette and may be renewed.’

Article 10 bis of the articles of association reads as follows:

‘The board of directors is authorized to acquire its own shares or to dispose thereof in accordance with article 620 et seq. of the Company Code. The board of directors is authorized, in accordance with article 622, §2, first and second paragraph, 1° of the Company Code, to dispose of shares of the Company that are listed on the first market of Euronext Brussels as well as dispose of VVPR-strips without prior consent of the general shareholders’ meeting.

The general shareholders’ meeting of fourteen December two thousand seven has explicitly granted authority to the board of directors to acquire own shares, warrants, bonus shares and VVPR-strips by way of purchase or exchange or to transfer them, in accordance with the provisions of article 620 et seq. of the Company Code, without prior decision by the general shareholders’ meeting being required, directly or through a person acting in its own name but on behalf of the company, or through a subsidiary as specified in article 627 of the Company Code, if the acquisition or transfer is necessary to avoid imminent serious harm to the company. This authority is valid for a period of three years from the publication of the decision in the Annexes to the Belgian Official Gazette and may be renewed.

Furthermore, the general shareholders’ meeting of fourteen December two thousand seven has granted authority to the board of directors to, in accordance with articles 620, first paragraph and 622, second paragraph of the Company Code, acquire the maximum number of shares or VVPR-strips by way of purchase or exchange or to transfer them, directly or through a person acting in its own name but on behalf of the company, or through a subsidiary as specified in article 627 of the Company Code, for a minimum price not lower than twenty percent (20%) and a maximum price not higher than twenty percent (20%) of the average exchange rate of the share or VVPR-strip on Euronext during five exchange days prior to the purchase or exchange. This authority is valid for a period of 18 months from the publication of the decision in the Annexes to the Belgian Official Gazette and may be renewed.’

Zenitel’s Provisions Governing the Ownership Threshold above which Shareholder Ownership must be Disclosed

There are no specific regulations, other than those provided by law, governing the ownership threshold above which shareholder ownership must be disclosed, other than provided by law.

Zenitel’s Provisions Governing Changes in Capital

There are no specific conditions imposed in the statutes of Zenitel, nor in any other document, governing changes in the capital more stringent than is required by law.

Shares and Listing

Shareholders Structure

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Number of shares</th>
<th>% of total</th>
<th>Number of warrants</th>
<th>% of total incl. warrants</th>
</tr>
</thead>
<tbody>
<tr>
<td>De Wilg GCV*</td>
<td>2,000,000</td>
<td>12.08%</td>
<td></td>
<td>11.74%</td>
</tr>
<tr>
<td>3D NV*</td>
<td>5,002,000</td>
<td>30.22%</td>
<td></td>
<td>29.37%</td>
</tr>
<tr>
<td>The company (Zenitel Wireless Norway AS)</td>
<td>113,113</td>
<td>0.68%</td>
<td></td>
<td>0.66%</td>
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<tr>
<td>QuaeroQ CVBA</td>
<td>882,749</td>
<td>5.33%</td>
<td></td>
<td>5.18%</td>
</tr>
<tr>
<td>Freelfloat</td>
<td>8,556,560</td>
<td>51.69%</td>
<td></td>
<td>50.24%</td>
</tr>
<tr>
<td>Warrants</td>
<td>-</td>
<td></td>
<td>475,731</td>
<td>2.79%</td>
</tr>
<tr>
<td>Total</td>
<td>16,654,422</td>
<td>100.00%</td>
<td>475,731</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

* Acting in concert

Based on the latest transparency notification on 19 February 2008.
Major Shareholders
In so far as known to Zenitel, there are no other persons who directly or indirectly have an interest in Zenitel’s capital or voting rights which is notifiable under Belgian law.

Zenitel’s major shareholders have no different voting rights.

To the extent known to Zenitel, Zenitel is not owned or controlled by other parties than the major shareholders, with the exception of the above mentioned shareholders ‘acting in concert’. There are no contracts known to Zenitel, which may result in a change of control of Zenitel.

Financial Calendar

2008
31/03/2008 Results 2007
28/04/2008 Annual General Shareholders’ Meeting (11:00 am)
12/05/2008 Q1 Trading update
29/08/2008 Half-year Results 2008
12/11/2008 Q3 Trading update

2009
31/03/2009 Results 2008
28/04/2009 Annual General Shareholders’ Meeting (11:00 am)

Share Price History of the Zenitel Share
The graph below shows the development of the share price of the Zenitel shares since 17 January 2007 (see also Euronext website, www.euronext.com). The closing price on 17 March 2008 was EUR 1.81 per share.

Development of the Zenitel Share Price during the Period 2000 – 2007

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Closing price 31/12</td>
<td>2.49</td>
<td>3.13</td>
<td>3.15</td>
<td>4.51</td>
<td>5.8</td>
<td>5.63</td>
<td>13.19</td>
<td>14.4</td>
</tr>
<tr>
<td>Lowest price</td>
<td>2.00</td>
<td>2.91</td>
<td>3.05</td>
<td>4.47</td>
<td>4.8</td>
<td>5.45</td>
<td>10.2</td>
<td>12.9</td>
</tr>
<tr>
<td>Highest price</td>
<td>4.65</td>
<td>3.79</td>
<td>4.51</td>
<td>6.65</td>
<td>6.85</td>
<td>15.4</td>
<td>17.9</td>
<td>36.35</td>
</tr>
<tr>
<td>Total number of shares</td>
<td>16,554,422</td>
<td>9,726,836</td>
<td>9,726,836</td>
<td>5,441,122</td>
<td>5,441,122</td>
<td>5,441,122</td>
<td>5,441,122</td>
<td>5,441,122</td>
</tr>
<tr>
<td>Stock market capitalisation (EUR in million closing)</td>
<td>41.22</td>
<td>30.44</td>
<td>30.64</td>
<td>24.54</td>
<td>31.56</td>
<td>30.63</td>
<td>71.77</td>
<td>78.35</td>
</tr>
<tr>
<td>Average volume per day</td>
<td>15,483</td>
<td>5,370</td>
<td>8,548</td>
<td>6,459</td>
<td>7,324</td>
<td>3,130</td>
<td>3,488</td>
<td>1,306</td>
</tr>
</tbody>
</table>

Source: Euronext.
Our Business

The mission statement of Zenitel is "Some people work in a world where security has a pre-eminent meaning. For them, security is about staying alive. They cannot rely on means of communication that 'almost always' work, but deserve the best solution to deal with the - sometimes unpredictable - circumstances they encounter. These people are police officers, firemen, security officers, doctors, prison-guards, ship crew and all the other men and women who rely on the best communication means available. These people are our clients. It is for them we do our outmost. We work to help them make that one vital call."

Business Overview

Introduction

Zenitel’s offerings are targeted to very specific customer and user segments, being those for whom communication is critical because their work involves protecting human lives or managing vital activities. Zenitel believes that through its historic ties and its deep understanding of the relevant technologies, it can create a differentiated market positioning for these customers and users.

Zenitel is organized into three regions, each of which has a focus on, but is not exclusively dedicated to, one of Zenitel’s key principle offerings:

- NAUI, consisting of the Nordics, Asia, USA and Italy, is strong in own and third party products and some system integration;
- Europe 1, consisting of the Netherlands, the UK, the Caribbean and Denmark, is Zenitel’s primary network territory;
- Europe 2, consisting of Belgium and France, with a focus on system integration and product sales.

As announced in its Q3 trading update, Zenitel will, as from January 1, 2008, work and organize its business around its 3 key offerings: System Integration, Networks and Secure Communication Systems (mainly Intercom). However, for the purpose of this report, the regional set-up has been maintained, given the organization throughout 2007.

Principal Offerings

Own Products

Zenitel develops, sells and distributes intercom systems for secure communications in buildings, airports and other sites (on-shore) and on board ships (marine). It also develops and markets repeaters for TETRA communication signals, used in Confined Area solutions. Zenitel considers the market for these products to be a growing market and wants to focus on increasing sales volume through, increasingly, the involvement of distributors and key account management.

System Integration

Zenitel is also an independent System Integrator, offering integrated solutions that may include hardware and software products for data, voice and video communications. As part of this activity, Zenitel also distributes communication products developed and produced by third parties such as mobile and portable radio communication terminals.
Nowadays, most of us are driven by the need to exchange information. Communication is King you could say! Communication is now faster, easier and more reliable than ever before - at Zenitel we are making use of the new opportunities brought to us by technical developments.

Heidi Svendsrud
Quality Manager,
Zenitel Norway

Network Services
Zenitel operates its own TETRA networks in a number of geographical markets to be able to provide mobile ‘critical communications’. These services are delivered as ‘airtime’ only or as part of a total solution which may include airtime, (rental) equipment, and ongoing support and maintenance.

Zenitel considers this to be a growing market and seeks to maximize the number of revenue generating users (RGU’s) on its networks.

Significant New Products or Services
Zenitel intends to remain at the forefront of technological developments and takes pride in being ahead of its competitors when it comes to developing and launching new communication products and service solutions.

Over the last few years, Zenitel has invested in two crucial areas to extend its offering:
• VoIP intercom technologies including an end-to-end VoIP platform ‘AlphaCom E’;
• Its own TETRA networks and licenses in an expanding number of areas.

Driving Forces Behind the Market
Zenitel is focused on the markets that are involved in activities for which communication is of critical importance. This critical importance is caused by the fact that human lives, substantial amounts of money or expensive assets are at stake. This implies that these customers will in many cases be prepared to pay a kind of ‘insurance premium’ to guarantee the constant availability and/or quality of communications.

Closer consideration reveals that the security market is increasingly influenced by a number of important environmental factors:

Globalization
Globalization is leading to an increased need to communicate and to travel and transport people and goods. The growing travel industry is giving rise to increased demand for passenger safety and cross-border communication, the growing transport activity leads to increased demand for safety of the transported goods. In both cases, professional users (the airline industry, the shipping industry, the rail transport industry, etc.) are prepared to pay the above-mentioned insurance premium.
At the same time, the globalization of financial markets leads to more need for real-time secure communications and transparency.

**Legislation**
Over the past few years, the focus all over the world has increasingly been on security. Since 9/11, the demand for efficient communication and security systems has grown steadily. In addition, the legislator is also playing a bigger role with stringent standards, also with regard to environmental protection. Better and more stringent standards for communication and security systems make it possible to avoid environmental disasters, such as those involving ships, more effectively.

At the same time, legislators in Belgium and the Netherlands are considering and implementing new rules, determining that emergency communication, as provided by the public TETRA networks, has to be extended indoor. This needs to enable police and fire brigade men to communicate inside buildings and parking lots in case of emergency. This new legislation will be applicable for large buildings and places where a lot of people are together, such as event halls and stadiums.

National, regional and local authorities and governments often impose regulations relating to the technologies that may or must be used for critical communication. This is the case for the ship-to-shore market and also on the ships where systems delivered must largely meet the classification societies. The term 'government regulations' may also cover the increasing privatization of public transport companies. This privatization alters the purchasing behaviour of these companies as they wish to limit their possible liability of passenger safety by investing in reliable and secure communication.

Another major trend in the context of government regulations is that radio networks for public services have traditionally been for local use only (for instance, municipal police networks), whereas TETRA technology has given rise to national networks. This increases the scope of a network installation contract, but reduces the number of available contracts, causing competition to increase.

**Privatization**
Although in general, protecting human lives and assets is a matter for the public authorities or at least for their regulation, the liberalization and privatization of industries results in greater responsibility for the private sector, which will try to 'insure/ensure' that communication in critical situations remains possible.

**Technology**
The increasing focus on technology is also important. Simple functionality no longer satisfies demand; it's the ability to network and integrate with other systems which is today's focus and rapidly gaining significance. Technological progress is also determining alternative ways to establish communication. Important trends in this respect are the shift from analogue to digital communication, and the trend towards standardization, rendering communication easier and cheaper.

Advances in technology and improved data networks have created multiple business applications that rely on IP (Internet Protocol). IP is a technology of choice for the distribution of electronic data. Businesses can use IP networks to improve communications between individuals and systems, and to manage the administration of equipment, devices and personnel more efficiently. Increasingly, businesses are recognizing the value of IP as a cost-effective tool to communicate and manage information.

In the radio market, TETRA systems, the new open digital radio standard based on trunking technology, are being set up all over the world. The main advantages of these modern digital networks include the possibility of transmitting both voice and data, as well as a higher level of integration with other information technology solutions.

The advantages outlined above mean that digital TETRA systems such as the ASTRID network in Belgium, the C2000 network in the Netherlands, the VIRVE network in Finland and TetraNet in Denmark are being set up all over the world. The market in these countries is growing sharply at the moment, due to the expansion of these new networks and the need to equip users with new terminals. However, in the years before and
during the development of these networks, customers are trying to retain their existing infrastructure without making major investments in new analogue radio equipment. This period offers Zenitel the opportunity to develop new market applications and define the building blocks that will consolidate Zenitel’s leadership position in this market segment.

Competition
The increasing importance of data communication and its integration with voice communication, as well as the emergence of new technologies that can offer similar solutions from a different angle, are bringing newcomers, such as IT integrators and software development companies onto the market and increases the competition. Competition from the public networks based on GSM and other technologies has also increased in a number of market segments. Technological progress means that new applications can now be offered on the public networks as well. Zenitel has therefore decided to continue to focus only on those market segments for which the ‘speed-reliability-security’ motto is crucially important.

It needs to be mentioned in this respect that operators of public (safety) telecommunication networks are not only competitors but can also be customers of Zenitel.

The Intercom segment faces competition from the IPABX and PABX suppliers, claiming to offer easy-to-use communication services that are completely integrated with a customer’s total telecom system. However, customers soon find out that Intercom is more than communication. Intercom also offers security and safety, and provides unrivalled audio quality, enabling communication through different channels and in difficult environments.

Economic Outlook
There is no doubt that the economic environment also has an important impact on the market in which Zenitel is active. The high growth in Asia contrasts with the relative economic stability and limited growth in Europe and the United States. Nevertheless, in both areas security budgets are increasing. The growing importance of Asia for the production and development of telecommunication equipment is a key element in Zenitel’s growth strategy.

These external factors mean that Zenitel’s customers are paying increasing attention to safety and security, in reaction to rising crime and the fear of terrorism. The increasing realisations that the potential liability for failing to provide adequate safety and security can be considerable, as can the financial and human consequences. Consequently, external specialists are increasingly being brought in leading to the outsourcing of non-core activities such as communication. Customers no longer invest in the development of the know-how needed to set up, maintain and keep up-to-date their own communications network. For these tasks, they seek a partner who can offer an appropriate solution for their critical communication needs at the lowest possible price.

Many years from now, Zenitel expects their customers to fully outsource most of their security management requirements. Like many other industries, for example IT, Zenitel will agree service level agreements and the whole will become outsourced to complete management companies. Zenitel is already inside this integrated solution and will provide the service level agreements they need, focusing on the critical communication part. Zenitel’s long term vision is based on audio, to talk.

Today, following this shift in customer strategy, Zenitel is experiencing a growing demand for communication for or during critical processes. The company is also witnessing an ever higher customer expectation with regards to its technological know-how and its knowledge of its customers’ requirements. This follows through to the level of service provided.

Meeting this demand, one of the main spear heads for Zenitel’s innovation is to work as close as possible to the partners and customers. Zenitel’s R&D people are out in the market to guarantee the company develops and innovates earlier and in tune to customer needs. Zenitel will also work to achieve a faster time to market.
Evolution of the Industry

Bringing together these external factors, a number of key market and technology security trends are coming to light. Firstly, companies are moving from one or few locations to multi-sites. Zenitel, by offering VoIP networking between these new sites, is benefiting from the investment being made into the data networks and the companies in turn are enjoying a big jump in network capacities and the opportunity to add more services to the existing net with no extra infrastructure cost.

A second common theme in 2007 is the increasing integration of security systems like telecom, security management and IT. Connecting PBX, DECT, public address, radio (TETRA) and intercom, Zenitel offers the advantages of seamless integration to its customers so they can see who is calling for example, security management can use one consistent user interface for all security functions (tailored to their needs) and IT can function from a centralized IT operation at a reduced cost with improved security.

In 2008 a renewed focus on the aesthetics and style of intercom products is also becoming increasingly obvious and being driven by the residential market providers. Nevertheless, STENTOFON will never compromise its audio quality.

Remote control and surveillance of access control, CCTV, emergency alarms and micro-zone PA from the control room, is another market trend, with a move away from existing private cables towards IP. Supported by new technologies, open standards and cost efficient infrastructure like the Ethernet and broadband, IP growth is irreversible.

Zenitel’s Principal Markets and Growth Potential

On-shore Intercom Products

Zenitel offers on-shore intercom products all over the world, serving a number of niche markets where the customers have a need for fast, reliable and secure communication. These markets include hospitals, prisons, building security, airports, infrastructure, industry, parking sites, and banks & finance.

Building Security

In a market where integration is undeniably the number one trend, Zenitel is well placed as a provider of total solutions in which communication systems are integrated with building management systems, access control, video communication, alarm systems and other security systems. Even before the current integration focus, this segment constituted Zenitel’s largest single addressable market for on-shore intercom.

The North American market, where Zenitel has a good market position, is particularly attractive. The newly formed USA Department of Homeland Security has designed new regulations to reduce the impact of terrorist and other threats on buildings, its occupants and emergency services. As these regulations are standard, Zenitel USA Inc. has been approaching this market by offering modular systems and solutions. A similar trend has also led to opportunities in Europe and Asia.

IP technology is used for communication systems as well as for security systems, with wired and wireless technology being combined to provide a high degree of mobility for voice and data communication devices, allowing further growth in this market. Especially tall buildings are continuing to experience a high demand for security, and efficient communication systems utilizing IP is becoming a mandatory requirement.

Healthcare

In the healthcare market, Zenitel offers fully integrated solutions for internal communication, Public Address announcements, alarm distribution and security communication. The products and applications are installed for use on wards, in treatment facilities, stores, administration areas, halls, lifts etc.

Zenitel’s position in the building security market has enhanced Zenitel’s position in the healthcare sector. Zenitel has installed many communication and security systems in hospitals throughout the world and the market is still growing. Presently, a considerable number of hospital care and financial resources have shifted away from inpatient settings to ambulatory clinics. The hospital sector is being modernized and more emphasis is being placed on security communication and building security installations.
At the same time, with patient care dispersing away from the general hospital, the potential arises for Zenitel to offer remote communication, enabling users to activate alarms and actions from a distance.

**Prisons and Police**
Zenitel provides intercom solutions for police forces and prisons all over the world. Zenitel is supplying cell call systems, controlling lighting, doors and alarms, to an increasing number of custody suites and prisons across Europe. Looking back over the last 25 years, there appears to have been a general increase in crime within all European countries. The market grows when there is demand for increased capacity and improved communication and security.

Most prisons require a communication system to support staff efficiency and security, as well as prisoner surveillance and comfort, pushing up Zenitel’s growth estimates. Both wired communication systems and wireless mobile units are now integrated with prison security and building security management systems, often to the prisoner databases too.

**Industry and Infrastructure**
Zenitel provides communication and security systems for industry, power stations, airports, railways and other infrastructure operators. These solutions range from traditional intercom systems to large-scale integrated systems that also incorporate mobile radio systems, video monitors and alarm systems. Reports predicted the European airport security market is set to quadruple between 2005-2010.

Intercom fits well in the airport environment where there are high demands for staff efficiency, and timely and critical communication in combination with public services and information. The infrastructure industry tends to focus on simplicity in operation and high security, combined with full integration with other security systems, and in particular wireless mobile communication. Applications may be tailored to various users of the facility such as the airlines, police and customs, airport infrastructure, security and logistics personnel.

The combination of PMR, wired intercom and Public Address is now often asked for, to combine staff communication with public services and information. IP technology is gradually being introduced mainly to reduce cabling costs for wide area communication, but also to support new services enhancing efficiency. Zenitel estimates the market will increase steadily.

**Banks & Finance**
In the bank & finance world some of the largest intercom systems are in place serving critical communication needs.

The bank & finance companies have traditionally been driving the communication industry in terms of technology and quality. Large global structures of the international banking industry and the need for fast and reliable communication, has enabled the development of dedicated communication systems for dealer boards.

The critical communication market for bank & finance has been shifting according to the global economical trends and is at present estimated by Zenitel to slightly increase.

**Marine Intercom Products**
With communication equipment on board over 12,000 vessels, Zenitel is one of the major suppliers of maritime communication systems. Zenitel Marine supplies integrated marine data and communication systems covering the communication needs on many vessels. The systems are distributed all over the world through a network of professional partners and distributors.

Customers include mainly shipyards that build all kinds of ships, from small, specialized ships like patrol vessels to huge tankers, container ships, pipe laying barges and ocean liners.

In the maritime sector, the number of ships built in a year gives the best picture of the size of the market and the geographic growth markets. Since the year 2000, shipyards world-wide have had an around 2,200 vessel per year capacity for annual deliveries of commercial vessels.

Geographically, over the last 50 years a great deal of effort has been made in Europe to stimulate the shipbuilding industry, but since the mid-1980s the countries of Asia have come out on top.

Zenitel Marine has a number of new possibilities for integrating ship data and communication including its new modular concept VINGTOR ACM-E.
Since 1980, South Korea has been developing strongly and winning an ever-increasing market share. Although China has always been present in the sector, it is only since the mid-1990s that it has offered a commercial alternative. Until the end of the 1990s, it was mainly non-Japanese shipyards that felt the greatest impact of the expansion of China and South Korea, although since then Japanese shipyards have also felt the effects of fierce competition. By 2015 it is expected that China will represent the largest market share.

System Integration
Zenitel targets its System Integration offering through two markets:
- The Benelux and Nordic market segments for projects in professional radio communications for public safety and security, industry and private businesses, public transport and authorities;
- The worldwide market for large projects in professional radio communications for airport authorities, maritime authorities, metro system operators and road authorities.

The entities in the Benelux and Nordic countries operate locally, while the international project business runs out of Belgium and France. Different customer segments can be distinguished in all of these markets.

Public Safety and Security (PS&S)
This market segment covers police, fire brigades and emergency services. In many European countries the government rolled out TETRA networks - in the Netherlands C2000 and in Belgium ASTRID - to serve the high requirement for secured and guaranteed radio communication of these segments. After the networks are rolled out, the individual regional PS&S forces need to be equipped with end-user devices.

The next phase is to extend coverage of these networks to inside buildings, parking lots, tunnels, etc., in order to allow fire brigade and emergency servicemen also to communicate in these Confined Areas.

In this customer segment, Zenitel offers a range of solutions: Private Radio Communications end user devices (handheld and mobile radio terminals, including ATEX equipment), the radio communication networks infrastructure or parts of it, Confined Areas to extend coverage of these networks, Command and Control centers, applications and all formulas of after sales service. Zenitel is an official provider for ASTRID and LARA / EARS (C2000 terminal equipment).

The TETRA and IP-Digitization allows for new customer applications, like ANPR (Automatic Number Plate Recognition), vehicle tracking and standardized data messages from command and control centre to remote units.

Industry and Private Business
This segment includes large industrial plants (like steel, chemical plants and the harbour industry), oil rigs, banks, private security companies and aviation. The companies’ own security and emergency services have very similar needs as the customers from the Public Safety and Security segment. Next to that, mobile radio is used in the production processes for efficiency reasons. Zenitel offers the same portfolio as for Public Safety and Security.

Changes in these markets are driven by: the increasingly stringent security requirements/regulations of industry and private businesses and by the market move from analogue towards digital communication. A lot of old installations will be replaced in the years to come.
Public Transport
This segment includes railways, buses, subways and tramway companies.

It is becoming a necessity for public transport vehicles and their drivers to have reliable voice communications with the central command and control centers, so they can communicate in an emergency and maintain the security of the passengers, the vehicle and themselves. Passenger stations need monitoring, Public Address, automatic announcement of arrival times (through vehicle tracking systems) and other kinds of applications. Applications like remote inside vehicle camera monitoring, remote stopping of the vehicle in case of physical problems with the driver, remote signalling and vehicle tracking and tracing are emerging more and more.

The increase in traffic congestion is leading to more metro infrastructure, especially in South America and Asia. Also, the transport security regulations are tightening. The London bombing report of 7 July, highlighted the lack of communication in the underground during emergency situations. Although many train and bus companies operate their own analogue networks or have tried to use the cheaper, mass-market alternatives, such as GSM and GPRS, the trend here is towards increasingly secure networks for secure communication and the need for Confined Area application solutions.

Thanks to the increasing need for additional security and unhappiness with mass-market systems currently used, this market is expected to grow gradually.

Authorities
The communication needs related to infrastructure, (traffic) management systems and buildings managed by authorities, range from Confined Area solutions to long distance radio communication, both of these offerings provided by Zenitel.

Confined Areas are areas in which radio signal propagation is hindered due to natural terrain variation or man-made structures. The Repeaters literally repeat the wireless mission-critical communications signals deployed by the related operational and emergency services, so that communication can continue within these Confined Areas.

Now that the government owned TETRA networks in the Netherlands and Belgium have been rolled out, increased demand of solutions for so-called Special Coverage Locations (SCL) is expected. Whereas at the moment coverage on street level is available, coverage inside buildings, parkings, shopping centres, stadiums, prisons, theatres and churches is often not available. Zenitel expects that a number of these locations will have to be covered as legislation is reviewed.

Road authorities need in-tunnel coverage for radio networks such as public safety radio networks, mobile telephony operators and public broadcast radio stations. These are often combined with facilities like the ability to interrupt all FM frequencies, to transmit an emergency message or instruction, and the ability to Publicly Address all persons present in the tunnels in case of emergency.

Airport, Ports and Maritime Authorities need, apart from communication on the ground, radio security communication between shore and the ships. Ports and Maritime communication is ruled by international conventions to which the countries need to comply. Required applications include Global Maritime Distress and Security System (GMDSS), Navigational Telex Automatic Identification Systems and others. These mandatory applications are often completed with Vessel Tracking Systems, Vessel Traffic Management Systems and more. For long distance ground-to-airplane and shore-to-ship data and voice communication, Zenitel offers its high power transmitter range.

A number of regulations drive growth in the Authorities segments, including the international regulation in terms of GMDSS, new regulation requirements also applying to airport authorities and ports, and in a number of countries, regulation is imminent obliging indoor coverage of the Public Safety Network for large public and private buildings.
Network Services
Zenitel offers mobile communication services for critical communications and situations through its TETRA networks in The Caribbean, The Netherlands and Belgium. Customers with a smaller user base or customers wanting to outsource this critical part of their business process, are offered access to the same technology and services as deployed by the national safety and security services (police, firemen, ambulance), without the need to invest in large infrastructure. It also allows larger users of Private Mobile Radio (PMR) to outsource its solutions and benefit from Zenitel’s expertise and the investments that are shared with other users. The segments include industry, fire brigades, buildings and professional security services, hospitality organizations, utilities, local authorities and public transport companies. In the Caribbean, the addressed segments also include the Public Safety and Security services (police, firemen, ambulance) due to the lack of a government owned network (except for Aruba where Zenitel competes with the government owned network).

IMS Research predicts in a 2006 report that in the year 2007-2009 cumulative sales of 110,000 TETRA terminal shipments will take place in the Benelux area alone. Within this number, 61% will be assigned to the PS&S (Public Safety and Security) segment – however some segments will not be allowed on the public safety networks (e.g. C2000).

In general, the key developments in the Netherlands and Belgium relevant to Zenitel comprise: the end of long-term service contracts, the migration from analogue to digital, and the increasing need to plan communication during emergencies. Recent feedback from reports analyzing recent disasters or large system failures, all mention that lack of communication delays the resolvement of problems.

Zenitel estimates that over the next three to five years in the Benelux, about 50,000 PMR users will change contract or search for a new solution, of which about 50% will have a national or multi-regional character.

Zenitel’s Position in the Market
Significant Assets
Zenitel recognizes five important assets to its business.

Installed Base (Users & Distribution Network)
Zenitel has a significant installed base which has been built up over many years: over 12,000 vessels in marine, more than 1,300,000 Zenitel intercom points, about 25,000 users of TETRA terminals supplied by Zenitel and a System Integration customer base of more than 7,000 government or private bodies.

Intercom is being served by a number of own subsidiaries (Norway, France, Italy, Finland, Singapore and the USA) and a joint venture in China and the UK. In addition to the other countries of the world, Zenitel also uses a long established network of partners for intercom distribution. System Integration is done through its own offices in the Nordics and the Benelux. For the international business of System Integration, Zenitel uses a network of local agents.

Brands
Zenitel owns two important brands in the security world: STENTOFON and VINGTOR.

Other brands that Zenitel owns comprise: STEENHANS, Ring-Master, M100, ASACOM, MCCN, ChuChubi Trunking and Radioteknik.

Zenitel was the first to introduce TETRA technology in the Caribbean, under the name ChuChubi Trunking.
Licenses and Networks
Zenitel holds the following licenses to operate TETRA networks for P(A)MR:
- For the Islands of the Netherlands Antilles Saint-Martin and Aruba (in the 380–400 MHz band);
- Nationwide in the Netherlands (in the 410-430 MHz band);
- For the Antwerp Harbour (in the 410-430 MHz band).

These licenses allow Zenitel to operate the networks and sell the services, packaged as total solutions.

The network business typically brings contracts with durations of five years and sometimes longer. Also the already strong user base of over 7,000 allows the expansion of solutions and the development and introduction of new safety and security concepts – further increasing the safety of Zenitel’s customers, their employees and their assets.

The named networks all comprise a reasonable number of sites, with corresponding site lease agreements and infrastructure to serve even larger network operations.

Voice Quality Technology
An important factor in critical communication is to have excellent quality of voice. The STENTOFON AlphaCom E platform inherits this voice quality.

Voice is carried within the system at Hi-Fi bandwidth (18kHz) and is much clearer than any telephone. Also when telephone trunks (E1/T1) or IP connections link exchanges (between buildings or even countries), Zenitel’s G.722 codec option enables a far-better-than-telephone quality to be maintained.

Zenitel’s People
Zenitel believes the progress and success of the company is dependent upon the competence, enthusiasm and dedication of the people working in the organization. Zenitel has a long history and has therefore built up in-depth knowledge carried on by the experience of those individuals.

Given the complexity and high degree of specialization of its activities, Zenitel uses trained technicians and engineers with important technological and market knowledge. Building on their capabilities, Zenitel is moving from the traditional analogue business into the IT/IP and TETRA world, embracing the audio and radio elements.

Zenitel operates in a competitive market, and this applies to employment as well.

Zenitel’s Offering
Zenitel delivers its critical communication solutions to the market through three key offerings: Own Intercom products, System Integration services and Network services.

Own Products
When it comes to delivering products, Zenitel’s offering is in anticipation and in response to the current trends and themes (see page 33 Driving Forces behind the Market). In 2007, Zenitel recognised the following themes:
- Companies are moving from one or few locations to multi-sites;
- The increased integration of security systems;
- Remote control, surveillance and regular maintenance;
- All IP and talking cameras.

STENTOFON AlphaCom E
Launched in 2006, Zenitel’s most important product, AlphaCom E, the STENTOFON and VINGTOR intercom and marine communication system based on IP, is now the backbone of Zenitel’s major product portfolio. The full IP range comprises IP exchanges, IP sub-stations, IP master stations and IT/IP standards compliance, and constitutes an integral part of a total security management solution, with security maintained through the in-built firewall and redundant network.

Using open standards such as SIP and Web 2.0 services, AlphaCom E connects many security audio systems like intercom, radio, Public Address, telephony and control rooms, to create a cohesive integrated solution. AlphaCom E caters for sites that require half a dozen stations in a single location, to systems with several thousand users spread around multiple international sites.

In line with Zenitel’s message of ‘We give Security a Voice’ STENTOFON has created a three minute, animated gif to bring a little light heartedness to the subject of surveynace and the important part Zenitel plays. You can check it out on www.zenitel.com.
Both new and existing customers can use AlphaCom E for its networking capabilities as well as integration to the IT operation, with no extra infrastructure cost. Standard compliance meanwhile reduces integration time, cost and risk for the organisation but, more importantly provides additional building blocks.

VINGTOR ACM-E & ACM-M-A
In the Maritime business, AlphaCom is promoted as VINGTOR ACM-E, combining data and voice communication into one IP solution. VINGTOR ACM-E is tested according to IEC 60945, IEC 60533 and IACS among other standards, and provides shared cabling which allows for lower installation cost and reduced cabling between fire zones. The system can even be split into smaller sub-systems, allowing unlimited expansion of the system with each cluster operating independently in case of local failure.

VINGTOR ACM-M-A meanwhile is Zenitel’s Marine PABX analogue telephone exchange. Despite being a cost effective solution, it features the latest developments such as high capacity line cards, remote management and maintenance using IP and Web technologies. Optional VoIP gateways provide flexible interfaces to analogue telephone trunks with 4 and 8 channels.

Ring-Master: Expansion for Interaction
For many years Zenitel has worked towards a smooth transition for offering customers new technology, improved products and at the same time being able to serve the current Ring-Master installed base. In 2007, Zenitel was ready to launch its RM-AC interface between STENTOFON AlphaCom E and Ring-Master CB901.

The integration offers Ring-Master users a migration path to advanced IP technology, even using a system purchased many or several years ago. Since the introduction of the interface Zenitel has worked with several projects, amongst them an upgrade and expansion of Melrose Arch and Oliver Tambo Airport in Johannesburg. John McConnaghy, Zenitel’s partner in South Africa, is currently working on these projects together with his staff.

Zenitel is confident that it can serve its customers with the best solutions on the market, and is therefore taking the next natural step which is to offer a last time buy of Ring-Master equipment and a five year service period.

Licensed Software
With the introduction of the AlphaCom E series, Zenitel now offers a replacement for some of the previous hardware products, like AGA and AE1 boards, with licensed software. The license will operate on all STENTOFON AlphaCom E systems and also on upgraded AlphaCom systems. License types, based on selected software functions, include AlphaNet and Multi-Module VoIP licenses (for linking of exchanges), SIP Licenses (for using SIP telephones or PC/PDA clients), SIP Trunking (for connecting an AlphaCom E to a telephone network) and the IP Station License (for connecting own VoIP stations).

Zenitel is currently investigating its next offering which will be sold as software upgrades on existing systems. In 2007 Zenitel also introduced a new scheme for support, warranty handling and product and license replacement, using the AMC-IP card as a pilot.

Newly Designed Station Range
Zenitel aims to give all its STENTOFON stations a design which is instantly recognisable and consistent in the market place. In 2007, Zenitel introduced a new look for a number of its specialist stations and terminals. The first stations which were designed according to the STENTOFON design guide were the IP Substations, released earlier in the year, followed by three of the popular flush mount master stations.

The key change can be seen in the pattern on the speaker grid and the look of the keyboard; the keyboard is now made out of silicone, which compliments the rugged front plate in anodized brushed aluminium.

The same design theme is now being applied to the IP Master range and kit, released for tender in Quarter 4, 2007.

Zenitel Marine fulfilled the order for the largest vessel of OM Ships International, a global training and outreach movement.
Zenitel has noted a number of public service industry reports indicating a need to improve productivity and cut costs; otherwise price erosion will lead to losses and reduce the services room for manoeuvre. Zenitel’s integrated solution with more centralized command and control is one of the remedy actions that e.g. railroads can undertake.

Another is with PA over IP. This new opportunity gives the customer both increased service and security in remote places, but these unmanned sites are also easy to connect to an IP network, and it is easy to monitor and upgrade from one central point.

With the introduction of IP networking and Zenitel’s Micro-zone PA solution, control rooms can now cover much larger areas than what was ever financially possible with private cabling. And in contrast to the past, networks can be created with any number of cameras in any location and with Zenitel a zone can even comprise just one speaker. With the possibility of several thousands zones, it is now possible to approach individual people and give announcements in local areas.

In 2007, Zenitel produced White Papers describing Zenitel’s concept on Talking Cameras and Rail Communication in order to be involved in special customer projects. Undertaking projects of this nature prove useful from both a design and development perspective.

Zenitel Radioteknik
Zenitel Radioteknik in Sweden assembles own repeaters. These repeaters are used to assure coverage in confined areas. Zenitel Radioteknik’s own in-house developed repeater amplifier series comprises three basic repeater versions: Off-air, Fibre-fed and In-line, all available in low and high power configurations.

System Integration
To serve the segments Public Safety & Security, private industry, authorities and public transport, Zenitel offers the following suite of System Integration services:

- PRC (Professional Radio Communication): Zenitel designs, installs and commissions professional radio communication networks or parts of it, for users like public safety and security officers, public transport companies, industry and airports. Zenitel possesses extensive knowledge on both analogue and digital technologies;

- Zenitel also operates as a PRC distributor, selling, programming and installing end user equipment for professional radio communications networks;

- Mobile applications: applications that run over a radio communication network are also offered by Zenitel. These may include command and control centers for police or fire brigades, vehicle tracking applications, automatic license plate recognition systems and airport management systems. Zenitel also delivers metro management systems worldwide for communication between the control center and the trains, and for remote signalling;

- Confined Areas: assuring radio coverage in areas which are difficult to cover, like inside tunnels, buildings, underground constructions and large covered or underground parking areas, is a Zenitel specialty. Zenitel undertakes the design, installation and commissioning of the passive components (cables, antennas) as well as of the active components (repeaters) which capture radio signals - like GSM, public safety radio and public broadcast - and which inject these signals into the radiating cables or antennas. Zenitel uses repeaters from Zenitel Radioteknik as well as from other manufacturers.

- Coastal stations/Ground stations: Zenitel provides complete solutions for safety radio communication ship to shore, according to international standards and conventions, as well as Global Maritime Distress and Safety Systems (GMDSSs) and total solutions for vessel tracking and monitoring using radio, GPS and radar. The high power MF/HF transmitters used for these applications are also used for long haul voice and data communication from ground to airplanes.

Talking cameras are the new breed of surveillance cameras and providing a valuable deterrent against crime.
Network Services
As mentioned in previous chapters, and in addition to its Network Services in the Caribbean, Zenitel also started to offer Network Services in the Netherlands (since 1 January 2006) and Belgium (since 1 January 2007). The network services proposition is to have the assurance that communication is available when it is really needed, without the need to worry or in-source the specialized radio/TETRA knowledge but using the experience of an operator like Zenitel’s MCCN or ChuChubi Trunking networks. Customers can then focus on the safety of their people and assets, and improve the efficiency of their most critical processes.

The network services are offered in flat-fee subscription format as four products:
- Voice only - allowing customers to have critical voice communication through a wireless network;
- Data and GPS only - allowing critical data to be sent at any moment, with the same reliability as with voice, and immediate delivery without delays;
- Fallback or sleeper - for those customers that only need their critical communication services very occasionally, but want the assurance that it is available to them when it is required;
- All-in voice, data and GPS.

These are often offered in combined packages including end-user devices and service.

Zenitel’s Go-to-Market Strategy
Zenitel’s strategy takes account of its strong position in a number of attractive niches. Owing to the need for ever greater specialization and internationalization, Zenitel has decided to focus on three core offerings:
- Own products/intercom products: developing and selling its own product range for secure, reliable, fast and high quality communication, including Zenitel’s security audio intercom platform AlphaCom E and Zenitel Radioteknik’s repeater;
- System Integration: supplying, installing, maintaining and operating total solutions for wireless and wired voice and data communication for professional users who need fast, reliable and secure communication solutions;
- Network Services: building out and operating local, regional or national TETRA networks and offering airtime and total care contracts to professional users who need fast, reliable and secure communication services.

In all three areas, Zenitel works to the following strategy and philosophy: 1) to apply the latest technology to maintain and improve the products or service offering and 2) to offer migration concepts to protect previous investments and create healthy business possibilities for its distributors, partners and the end users.

The focus remains on the market segments of interest to Zenitel, comprising customers who need fast, reliable and secure communication. This focus means that Zenitel does not set its sights on the broad market served by the larger telecommunications equipment manufacturers, system integrators or telecom operators. Zenitel’s historically in-depth knowledge of and experience with these niches enable the company to respond quickly and efficiently to market developments.

During 2007, Zenitel’s organization was split into three regions, each of which has a focus on, but is not exclusively dedicated to, one of Zenitel’s key offerings. Each specialist region enjoys a high level of independence, enabling them to react promptly to changes in technology, customer requirements and other market forces. Knowledge of technological progress, market developments and specific customer segments is exchanged at group level. In addition, the investment policy and long-term strategy are also discussed at group level.

When drawing up its strategy, Zenitel always takes account of changes in market circumstances. Consequently, strategy adjustments cannot be ruled out if promising business opportunities were to arise. See also Report of the board - where Zenitel’s strategy and priorities are further elaborated on.
Research & Development

Zenitel values its highly qualified staff, employing some of the best engineers in the field. These engineers combine innovation with technology to deliver critical communication solutions in a constantly changing world. This allows customers to reap the benefits of products and services, and the associated training and support, which undergo constant improvement.

In 2006 and 2007, Zenitel’s expenditure in the area of Research and Development continued to increase substantially, specifically in the Voice of IP area, which made a major contribution towards strengthening the market positions for the STENTOFON and VINGTOR brands.

Total R&D costs in 2005, 2006 and 2007 amounted to EUR 1.4 million, EUR 1.9 million and EUR 1.6 million respectively. In addition, EUR 0.9 million, EUR 0.4 million and EUR 0.8 million has been capitalized over these years. The most important areas for Zenitel’s Research and Development efforts are described below.

VoIP Intercom Products and IP Technology

The IP platform, launched in 2006 and the further development of applications and equipment on the IP platform have boosted intercom sales in 2007, especially in the Asian segment (both Marine and Airport segment) and in the third party distribution channel. IP technology is therefore scheduled to continue playing a vital part in Zenitel’s product development.

In 2007, Zenitel gave general availability to its IP Substations and released for tender its RM-AC interface to facilitate existing Ring Master systems to be upgraded and expanded, and simplify integration by using IP technology. The system can now incorporate the most advanced communication services and become a networked system, combining powerful surveillance and communication technologies. As well as benefiting from the applications and features of AlphaCom E, Ring-Master can now also be interfaced to Zenitel’s AlphaNet, allowing services to be available across a network of intercom exchanges. Calls via IP infrastructure can be made to remote locations, Cisco telephones, even door station calls received by PDA’s.

Zenitel has also made it possible for external analogue equipment and telephony services to connect to the AlphaCom E with its new telephony gateway solution. The new gateway has multiple advantages over the previous PNCI gateway. It connects simply through the use of an Ethernet / IP connection, using its simple built-in web-interface for configuration, and it does not use up resources from any of the AlphaCom add-on boards, providing total flexibility as to where the connection is made.

2007 was also the year that the IP Master Station range was released for tender. Comprising a CRM V Master with advanced call handling features intended for control room environments, a CRM V Handset, an advanced IP Operating Room (OR) Master, display and an IP Master Station Kit, designed to produce custom IP stations to the highest specifications. All provide full access to all features in the AlphaCom E exchange and connect directly to the IP network making them easy to deploy anywhere and at any distance.
Recognizing the challenges of managing equipment connected to dynamic IP networks, in 2007 Zenitel additionally developed management tools and services made especially for IT and IP environments, supporting easy integration with the IT operation system and routines. AlphaCom E support a variety of management tools from an easy-to-use (basic) web administration tool to integration with large-scale network management tools.

On top of these advances, Zenitel reinforces its commitment to support both IP and traditional systems in order to provide the best possible solution to the customer. AlphaNet for example, provides not just IP links between the secure audio nodes, but analogue and/or E1/T1 too.

Marine Advances
In Marine, Zenitel is raising the standard for more flexible and competitive ships by combining data and communication into one solution. Zenitel’s new modular concept VINGTOR ACM-E is an integrated solution and is user friendly, cost efficient and future proof, allowing for shared cabling and therefore lower installation cost. The Marine company’s 2007 analogue PBX system, ACM-M-A, has extensive and programmable features supporting all key PABX functions, Public Address calls via an interface to the PA systems, and remote management and maintenance using IP and Web technologies.

TETRA Implementation and Application Expertise
As an active member of the TETRA MoU Technical Forum and Operator and User Forum (the industry association defining and developing the TETRA standard), as well as the Motorola Dimetra IP User Forum, Zenitel actively and continuously contributes to the development of the TETRA standard and its own expertise. This expertise has been further developed in the design and fine tuning of its own networks. In the Caribbean this is done on an IP connected cross island integrated Rohill network, which is continuously expanded and upgraded and rich in features. In the Netherlands and Belgium, the network is designed and built on Motorola’s Dimetra IP technology.

Zenitel is also developing customer applications, fit to work on a TETRA network, to meet changing customer demands in a flexible way. An example is the TETRA modem application. During 2006, Zenitel Netherlands started developing a TETRA modem application supporting the interfacing and handling of a number of Input/Output ports. The application facilitates the automatic generation and dispatch of an SDS message via the TETRA network, informing a command & control center and/or a user, about the status and (GPS) location related to a certain event. Applications where this modem could be applied include telemetry solutions, monitoring/alarm and access control.

Next to the application developments, Zenitel is investigating and testing new technologies like MESH and DMR as potential replacements and additions to its own portfolio and for its customers.

Fixed-Wireless Integration of Critical Communication
The need for critical communication is expanding across the different technologies used. In emergencies, individuals need to communicate easily with users of other systems, and outside its own ‘communication user groups’. One specific area that the System Integration development team looks at is the potential link between TETRA, Intercom and PABX.

For its own network in the Netherlands and Belgium, the interface has been developed to easily connect PABX and intercom customers to the MCCN closed user group. This will deliver a fully transparent feature set – meaning that all functionality of TETRA, including priority call, group calls, etc. will be made transparent to the PABX user, therefore truly mixing the fixed and mobile user sets.
Confined Areas
With a need to communicate everywhere, Confined Area (such as in tunnels, parking lots, on bridges and in subways) solutions are an important part of Zenitel’s portfolio. As such, the development of Zenitel’s own repeater portfolio, under the brand name Radioteknik continues. Deploying Radioteknik’s line of sophisticated bi-directional repeater amplifier solutions, an own-brand portfolio comprising multi-frequency repeater building blocks has been created.

In 2005, a new band selective TETRA repeater was launched. During 2006, the first Zenitel Radioteknik TETRA repeater amplifier series was developed further. Through encompassing three basic repeater versions: off-air, fibre-fed and in-line, Zenitel is able to meet and match many solution requirements in a flexible and competitive manner.

Customers
2007 References
Zenitel has a long history and during that time has built up a strong reputation for quality and reliability. The following case studies present a selection of long-term customers where in recent years, new value-added solutions have been delivered.

On-shore Intercom Products
Zenitel Supplies Communications to Federal Reserve Bank, USA
Thirty two of the thirty five Federal Reserve Banks (FRB’s) in the USA use STENTOFON security communications, including Federal Reserve Georgia and Federal Reserve Michigan. The Federal Reserve System, created in 1913, is a quasi-governmental/ quasi-private banking system with banks located in major cities throughout the nation acting as fiscal agents for the US Treasury.

The Federal Reserve in Cleveland, Ohio has used STENTOFON for its security communications for many years, originally using Zenitel’s TouchLine system which is now replaced with AlphaCom. The system is integrated with the access control system with stations located at door entrances and passage- ways. Cleveland is headquarters of the Fourth Federal Reserve District, which comprises Ohio, western Pennsylvania, eastern Kentucky, and the northern panhandle of West Virginia.

Federal Reserve Bank Houston is another contented user of a large AlphaCom system, at this branch integrated to the CCTV system, the access control system and DVR’s. In 2007, another branch in Texas migrated to STENTOFON’s new IP platform and Zenitel is working closely with a number of other service providers to provide IP migration paths to a further four FRB’s. Since all of the Banks have their own network, in the future it will be possible to connect all branches via IP for communication from intercom to intercom, on one common intercom platform across the US.

Marine Intercom Products
Tenth Croatian Car Carrier Vessel Delivered
Global provider of Ro/Ro vehicle transportation services, Höegh Autoliners, built and delivered two car carriers in 2007 with VINGTOR equipment. The company operates 67 PCTCs (Pure Car Truck Carriers) in worldwide trade systems with an annual transportation volume of close to 1.9 million CEUs (Car Equivalent Units).

Höegh has now contracted 16 vessels at Uljanik Shipyard in Croatia and delivered ten vessels with Zenitel communication. The fleet is designed for maximum flexibility to cater for the variety of rolling stock carried in the various trades.

Zenitel has for each vessel delivered a complete communication package including VSP, ACM, SPA (Public Address), DECT, Master Clock and TV antenna systems with a net value of EUR 95,000 per vessel. Zenitel’s systems are inherently flexible to allow the configuration of a small or more complex system.

Like Zenitel, the Höegh organisation has global reach, with 30 subsidiary and representative offices around the world.

Zenitel Marine is always looking to present new integrated data and communication solutions. Zenitel’s latest VINGTOR installation is another step towards raising the standard for more flexible and competitive ships worldwide.

Because Zenitel’s marine solutions are flexible and available in different rack sizes, they cover all communication needs on any vessel.
System Integration

Zenitel Denmark wins Danish Rail Net Contract worth 44 million Danish Kroners

In Quarter 4 of 2007, Zenitel Denmark AS announced it will provide operations and maintenance services for Danish Rail Net’s traffic information systems located on railway stations nationwide. The four year contract with BaneDanmark services traffic information systems, monitors, loudspeakers, and clocks (except S-train and local trains), and the connected IT-systems and back-up thereof.

BaneDanmark commented that “Zenitel Denmark’s proposal differentiated significantly from the tender’s other participants. It was influenced by innovative solutions and was also the tender that fulfilled the tender qualification requirements best”. The radio infrastructure solution Zenitel has defined supports Danish Rail Net’s desire to supply high quality traffic information to train passengers nationwide.

Zenitel Denmark recruited twelve additional candidates to strengthen the service department further. Zenitel must solve problems nationwide within two hours from receiving a request.

It is not the first time Danish Rail Net has placed an order with Zenitel Denmark. Since 1 January 2006 the company has maintained Danish Rail Net’s radio infrastructure and in the continuous performance and quality measurements process which is part of this work, Zenitel has achieved a very high score.

This contract demonstrates the growing customer need to outsource critical services relating to communication systems, requiring high service levels and standards. These services, on top of 24/7 monitoring of Networks, can be offered by the Zenitel System Integration unit.

Network Services

Anne Frank House, Amsterdam signs onto the MCCN Network

Sixty years after Anne Frank’s diary was first published; nearly one million people from around the world annually visit Anne Frank House, located in the centre of Amsterdam, The Netherlands. With Anne Frank’s diary among the original objects on display, and such large visitor numbers in a relatively small place, safety and security is of paramount importance to the museum. Already delivering TETRA networks and critical communication to a number of the largest museums in Amsterdam with two others under serious review, Zenitel’s MCCN (Mission Critical Communication Networks) company will deliver its TETRA network and critical communications to the museum for a period of seven years.

A Zenitel manufactured repeater in connection with an antenna will be placed on the roof of the House, and from the repeater, coax cable and small antennas will be placed within the buildings. Eleven radios and one central station are being supplied and a Zenitel i/o expander for connection with the fire alarm system. The digital system will also integrate to current and new security measures the museum may choose to install, and places no restrictions on the number of users which can be incorporated. Anne Frank House can therefore allow security staff to keep their radios on person 24/7. At night for example, staff away from the museum can receive a SDS (short data service) when the fire alarm is triggered or if there is a request for access.

In the future, museums in Amsterdam will have the opportunity of working together because they are all using the same MCCN network. They could share for example, security staff or assist each other in a critical situation.
Customer References
Non-exhaustive lists of important customer references for whom Zenitel has performed one-off projects and with whom Zenitel has long-term relations.

On-shore Intercom Products

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Security</td>
<td>CNN Center, USA; Capitol Hill, USA; The Petronas Twin Towers, Malaysia; BMW, Germany; Musée du Louvre, France; The Getty Center, USA; The Smithsonian, USA</td>
</tr>
<tr>
<td>Healthcare</td>
<td>Cisanello Hospital, Italy; Loyola University Medical Center, USA; Hackensack University Medical Center, Australia; Rikshospitalet, Norway</td>
</tr>
<tr>
<td>Prisons and Police</td>
<td>Wiltshire Constabulary Headquarters, UK; Polizeipräsidium, Germany; Zuidoost Politie Cellencomplex, Netherlands; Oslo Police, Norway; Rheinbach, Germany; SuperMax Correctional Facility, USA</td>
</tr>
<tr>
<td>Industry and Infrastructure</td>
<td>Shanghai Pudong International Airport, China; Beijing Capital International Airport, China; Incheon International Airport, Korea; JFK Airport, USA; Toronto Pearson International Airport, Canada; Frankfurt International Airport, Germany; Charles de Gaulle, France; Taipei underground, Taiwan; SANEF highways, France; Shell, Brunei; Honeywell, Australia; Phillips Petroleum, China; Ford Motor Company, USA; Mobil &amp; Chandon, France</td>
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<tr>
<td>Banks &amp; Finance</td>
<td>Société Générale, France; BNP-Paribas, France; Crédit Lyonnais, France; Norwegian State Bank, Norway</td>
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</table>

Marine Intercom Products

<table>
<thead>
<tr>
<th>Market Segment</th>
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<tr>
<td>Maritime</td>
<td>Stena Line; Queen Mary II; A.P. Møller; P &amp; O Nedlloyd; Leonhard &amp; Blumberg; Brostrom Tankers; Kuwait Oil Tankers; Odfjell Tankers; Kuwait Navy</td>
</tr>
</tbody>
</table>

System Integration

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<tr>
<th>Market Segment</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Safety &amp; Security</td>
<td>Belgian Federal Police; Belgian Fire Brigade</td>
</tr>
<tr>
<td>Industry &amp; Private Business</td>
<td>All Arcelor Steel Plants, Belgium; Statoil Oil Platforms, Norway; Disneyland, Paris</td>
</tr>
<tr>
<td>Authorities</td>
<td>Confinement Areas for ASTRID Network; Øresund Bridge; Södra Lanken</td>
</tr>
<tr>
<td>Public Transport</td>
<td>Banedanmark, Denmark; Belgian Railways; RATP (Paris Metro), France; MIVB, Brussels</td>
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</tbody>
</table>

Network Services

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<thead>
<tr>
<th>Market Segment</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Authorities</td>
<td>Stadstoezicht Amsterdam; Ambulance Curacao</td>
</tr>
<tr>
<td>Industry</td>
<td>Ertsoverslagbedrijf Europoort (EECV); Rotterdam</td>
</tr>
<tr>
<td>Private security</td>
<td>Checkmate, St. Maarten; Sheriff Security, St. Maarten; A.V.D, Curacao; Securitas, Curacao</td>
</tr>
<tr>
<td>Utilities</td>
<td>Aqualectra, Curacao</td>
</tr>
</tbody>
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Suppliers, Partners & Strategic Alliances

Zenitel believes in working closely with its suppliers and partners and is keen to identify new innovative suppliers where there is an opportunity to broaden and improve the product range or service and deliver added value to the customer. Zenitel also appreciates that its success depends on the success of others and believes it has a responsibility to encourage suppliers to embrace standards similar to its own.

Through the Zenitel Quality Management Audit, Zenitel aims to maintain supplier standards, fulfilling the demands and intentions according to the ISO 9001:2000 and SA8000:2001 standards plus its own standards. Working with its suppliers to stimulate improved performance where it is required, Zenitel also examines areas like monitoring, working environment, resource management and handling, all according to the Zenitel Guideline for Suppliers. In 2007, site audits took place in Lithuania, Singapore and Norway. As main suppliers are audited alternate years, a number of key suppliers will be visited during 2008.

Furthermore, Zenitel is working with its suppliers to re-design the products in order to remove components containing harmful materials.

Zenitel has a clear multi-supplier strategy to ensure availability to its customers and offer the best possible selection and offering to its customers. Zenitel remains committed to partners on a strategic level, like Motorola and EADS. At the same time, Zenitel is constantly discussing options and opportunities with new suppliers in the critical communication industry. On larger projects, Zenitel partners with large integrators to offer specialist communication solutions as part of a larger offering.

Zenitel is in regular discussion with its manufacturing partners with a view to improving its own product range, and in terms of delivery times and the reduction of component, product and environmental cost.

Competition

As technology is changing and the company moves into new areas, Zenitel faces two types of competitors: direct competitors, offering similar systems or solutions, and indirect competitors, offering substitute solutions that address the same customer needs. Indirect competitors often also address the non-critical communication needs of customers and can be partners.

The main traditional competitors for the intercom products are Commend, world-wide, and Aiphone, mainly in the USA. Zenitel is also facing increasing competition from companies like Jacques, Digital Acoustics and Austco as well as IPABX and PABX manufacturers, and wireless communication competitors. Direct competitors for intercom in the marine sector include Phontech and Gitiesse.

Competing offerings for Zenitel’s System Integration are provided by different system integrators in each country. In Belgium it is AEG Tranzcom, Koning & Hartman and Flash, in the Netherlands Koning & Hartman, KPN and Flash, in Denmark Hardy Mortensen and Danimex, and in Norway T-Connect and DATAMATIK.

The direct competitors to Zenitel Radioteknik’s TETRA Repeaters are AFL and Miros. Direct competitors to the Ground and Coastal Stations consist of Frequentis (Austria), JRC (Japan), Harris (USA), Nautel (Canada) and ICS (UK).

TETRA networks are rather new and unique in its current setting. In the Caribbean, the Netherlands and Belgium, Zenitel is the only company to operate a commercially available TETRA network. Therefore the networks compete mostly on technology (analogue, TETRA or GSM). The direct competitor in the Netherlands and Belgium is Entropia, running an analogue network. Indirect competitors are the GSM operators in the Netherlands and Belgium - mostly KPN, Vodafone in the Netherlands and Proximus, Mobistar and Base in Belgium - and the GSM and analogue trunking operators in the Netherland Antilles.
Also, the public safety network can sometimes act as a potential competitor, as non-safety related authority users may request access to public safety networks.

Zenitel’s Environmental Policy

Zenitel is developing a program of company wide environmental improvements to maintain Zenitel’s compliance with all relevant environmental legislation. A Zenitel environmental team reviews environmental objectives and targets, and Zenitel’s policy on an annual basis.

Zenitel contributes and is committed to the protection of the environment in the way it designs, manufactures, distributes, maintains and disposes of its products. Zenitel contributes to the improvement of the environment and the prosperity of the local communities where the company is operating.

Through the employment of a wide range of advanced technologies, such as Voice over IP, Zenitel is working to reduce harmful impacts, whilst maintaining historic and renowned quality standards to produce products that are relied upon to last. STENTOFON products have a reputation as the most reliable, quality communications for the world’s most demanding environments, and this is a reputation Zenitel will maintain. Zenitel also works hard to ensure the inherent reliability and longevity of its products to keep the environmental and baseline costs to a minimum. Through a proficient service network, Zenitel ensures its critical communication remains in proper working order throughout its useful life. By using the expertise that exists within the company (in over seventy countries worldwide) and with the possibility of remote programming and system diagnostics over IP, traveling and maintenance impacts are reduced. It all adds up to a solution from a company which once installed, is going to stay in service with very little attention for a long time.

Products are intrinsically designed so that in the unlikely eventuality of repair, product parts can be easily disassembled for easy maintenance and ultimate recycling. Here Zenitel complies with the European WEEE (Waste Electrical and Electronic Equipment) directive for environmental conservation, ensuring that Zenitel discarded equipment is recycled in an effective way.

The fact that Zenitel products are backwards compatible or that old platforms can be migrated to new platforms avoids unnecessary replacement.

Contributing towards a better environment, Zenitel is committed to the goals of the RoHS (Restriction on use of Hazardous Substances) directive and will ensure all products meet the requirements which are applicable to them. Where legal requirements define Zenitel’s environmental obligations, it is always the company’s policy to strictly comply. In areas that remain unregulated, Zenitel’s commitment to improve environmental performance applies no less. For this reason, and in line with Zenitel’s long-standing dedication to environmental stewardship, it is the company’s intention to remove all hazardous substances listed in the RoHS Directive from Zenitel company products or to phase potentially uncompliant products out.

The very stringent rules governing waste limitation are becoming more and more numerous, at both European and national level. In Belgium, Zenitel is affiliated to Val-I-Pac; an institution on the subject of packaging material and the recycling of it. Val-I-Pac mentors Zenitel in meeting the Cooperation Agreement on the Prevention and Management of Packaging Waste. In meeting the strict Belgian Agreement, Zenitel exceeds the levels set by European legislation and meets three important criteria’s: Zenitel periodically submits a prevention plan containing proposals to reduce the volume that is produced; Zenitel only uses packaging that is recycled or recovered, and every year Zenitel provides figures and proof to the Interregional Packaging Commission.

Furthermore, Zenitel Belgium and Zenitel Netherlands already hold the VCA certificate which relates to the SCC (Safety, Health and the Environment Checklist Contractors) comprehensive program for the assessment of companies’ safety, health and environmental management systems. Meeting their requirements, Zenitel has a company procedure for the recycling of a vast number of surplus materials.
Zenitel is additionally putting the environment in front of its marketing desires. Packaging is not oversized nor overly complicated and considerable thought is given into its eventual recycling. Internal communication and traditional print is being moved towards electronic formats to reduce paper waste and the company Intranet site sets out the company initiatives and requests that all employees help to achieve targets. Electronic data exchange and communication is always a priority and where official travel is required and recognised, a best use of time policy is adopted.

Zenitel is moving forward to meet the challenges not only in its own business, but throughout the supply chain. Following Zenitel’s lead, suppliers, customers and distributors are being encouraged to perform and conduct business in an environmentally friendly way. A Zenitel supplier audit involves managers of the business carrying out periodic assessments based on a vendor rating principle. However, Zenitel recognises there are many small and medium sized enterprises that depend upon the company but who lack the resource to be able to focus on environmental issues as it would like. Zenitel is committed to assist these companies to ensure that everyone is driving towards the same ultimate goal, regardless of the short-term commercial cost. Moving forward, Zenitel will select suppliers who are just as committed in working together towards environmental improvements.

Using dialogue, efficiency, transparency and professionalism, Zenitel will adapt to environmental reforms, find solutions to environmental and safety concerns and meet critical communication demands.

Zenitel Quality Assurance

Internal Quality Assurance

Quality has been adopted as a fully grown management discipline throughout the entire Zenitel organization in line with, and even exceeding the scope of the ISO9001:2000 standard.

A clear quality policy has been established linked with Zenitel’s mission and values. Quality objectives, sustained by Key Performance Indicators per management discipline have been defined and communicated in all parts of the organisation. Further integration of the various management systems is planned for the coming year.

Zenitel’s Quality Management System, conforming to the ISO 9001:2000 standard, is in the various countries verified and audited on a regular basis by independent accreditation organizations. In conjunction with the quality management system, most country offices have been awarded, or are in the process of obtaining a certificate for health and security at work. In most cases, the environmental topics are also covered by this certificate.

- The Belgian part of the organization was awarded the ISO9001:2000 certificate back in 2001. As a result of an intensive internal audit program, the quality management system has been improved and further reshaped. Zenitel internal auditors have received training and now provide valuable information on conformity and efficiency issues. Safety and security at work is becoming a mandatory requirement to obtain orders from the government and various other industrial sectors, such as petrochemical and chemical plants. The injury frequency has further dropped significantly, thanks to preventive measures that have been implemented;
- Zenitel in the Netherlands has also successfully passed the combined surveillance audits and now enjoys a common quality management system with Zenitel Belgium;
- Zenitel Wireless France, now under direct supervision of Zenitel Belgium, will adopt the same system. 2007 is hence an important year as the ISO9001:2000 and VCA (Security, Health & Environment) system will pass the recertification audit;
- Zenitel’s Singapore office, Zenitel Marine Asia successfully gained ISO 9001:2000 certification in 2006;
- In the Caribbean, the company is near to completing the documentation for the same quality management system. The implementation phase has thus started and regular internal audits took place during 2007;
Zenitel Norway, now integrated into one organization, is applying one common Quality Management General Policy to both former business units. In accordance with the requirements of ISO 9001:2000 found elsewhere in the group, Zenitel Norway also passed the recertification audit of the ATEX notification in December 2006 concerning equipment and protective systems intended for use in potentially explosive atmospheres. In 2007, Zenitel Norway achieved ISO 18001 (OHSAS) certification in order to fulfill the integration requirements of quality, environmental and occupational health and safety management. The company also has a separate system, established in 2004, for safety & health and environmental issues. This system describes planned activities for the year, responsibilities for these activities, training plans and other activities related to safety & health;

During 2007, Zenitel Denmark underwent external audits of the ISO9001:2000 certification, with no remarks from the external auditor. As an ongoing process the company also updated its business descriptions to make sure it correctly reflect its processes.

People Focused
Zenitel has for many years recognized the importance of customer and employee satisfaction, and not only because it is a requirement in the ISO9001:2000. Zenitel conducts Customer Satisfaction Surveys to measure the satisfaction of the delivered products and services towards customers. The feedback from the survey has generated information and data which the management are using to improve quality, customer focus and efficiency.

Meanwhile, using the same employee satisfaction survey across the whole Zenitel group, reveals the most important improvement areas Zenitel is facing today as one integrated company. Zenitel’s policy is to share the results among all employees so any necessary changes can be embraced and worked upon together to implement change.

Next to direct feedback received via these surveys, other channels are used to gauge information about the customers, such as meeting and service reports, unsolicited testimonials, and as a result of local and international events. In 2007, Zenitel held two nationwide customer road shows – in July Zenitel Netherlands visited customers and prospects with a futuristic looking trailer to show the latest trends in the field of TETRA radio, and in August and September Zenitel Denmark visited the doorsteps of the Blue Lights segment right across Denmark. The 8m Roadshow trailer informed customers about Zenitel’s wide product range, total solutions, TETRA technology and the expected roll out of the new Danish TETRA network called SINE. In the Onshore Intercom part of the business, Zenitel’s annual International Partner Meeting was attended by over 50 STENTOFON dealers from around the globe. With many new IP product releases having taken place or about to take place, STENTOFON dealers know these events are a good place to find out more. Previous meetings have shown Zenitel events are particularly valuable for information sharing and networking with the rest of the attendees, technical staff and sales teams.

The installation at The University of Texas at San Antonio has increased student’s safety and security with the utilization of STENTOFON Emergency/Security Stanchions located around dorms and other buildings.
**Social Responsibility**

Zenitel’s solutions are particularly crucial in situations when 'normal communication means' fail. At those moments proven solutions are required, especially when life is at stake. This is perhaps the company’s most important contribution to a positive and peaceful development of society.

As a responsible company, Zenitel maintains an efficient service organization to enable its customers to protect life, property and activities.

In addition, the company wants to be a good corporate citizen, contributing to the improvement of the environment and to the prosperity of local communities where the company is operating. Zenitel is also playing an active part in international relief work, and in 2007 the company chose to support local initiatives for homeless people, Bellona - working to achieve sustainable solutions to the world’s most pressing environmental problems - and the Red Cross.

The well-being of its employees is also crucial for Zenitel so the company makes a solid effort to create an attractive working environment for staff. In most subsidiaries there are consulting platforms dealing with any issues in which representatives from both the employer and employees take part. Another important initiative in this area is the employee satisfaction survey which is held every two years.

Zenitel actively seeks to be involved in:
- Fair trade initiatives;
- Developing environmentally friendly solutions;
- Business dedicated to environmental stewardship;
- Recycling and sustainable waste management.

Zenitel has supplied to many prestigious customers including the vessel AIDA-Diva build in Germany at the Meyer Yard in Papenburg.
This Section summarizes the rules and principles by which the corporate governance of Zenitel is organized pursuant to Belgian company law and Zenitel’s articles of association. It is based on Zenitel’s articles of association and on Zenitel’s corporate governance charter.

Zenitel’s corporate governance charter has been construed in accordance with the recommendations set out in the Belgian Code for Corporate Governance issued on 9 December 2004 by the Belgian Corporate Governance Committee. Corporate governance has been defined in the Code as a set of rules and behaviours according to which companies are managed and controlled. The Code is based on a ‘comply or explain’ system: Belgian listed companies should follow the Code, but may deviate from its provisions and guidelines (though not from the principles) provided they disclose the justification for such deviation.

Zenitel’s board of directors intends to comply with the Belgian Code for Corporate Governance and complies with all nine principles of the corporate governance code, but it believes that certain deviations from its provisions are justified in view of Zenitel’s particular situation and size. These deviations are further explained below.

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.

As for our customers communication is critical, our aim is to deliver to them, from simple products to complex solutions, the highest reliability they can get in the market. For us, this means operational excellence in everything we do. Satisfied customers, that is what we strive for.

Dirk Deveugle
VP Operations, System Integration
Zenitel Belgium, The Netherlands and France
Administrative, Management and Supervisory Bodies and Senior Management

Board of Directors, Committees and Senior Management of Zenitel

The Board of Directors

General Provisions

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

The board of directors of the company is composed of a minimum of three and maximum 12 members. Today, there are seven board members, of which six members are non-executive directors. Three directors are independent directors within the meaning of article 524 of the Belgian Company Code and herewith Zenitel complies with the principle 2.2 of the Belgian Code on Corporate Governance pursuant, to which three independent directors must be appointed. One new director will be proposed in the general shareholder’s meeting of April 28, 2008, he will be executive. After April 28, 2008, the board of directors will be composed of eight board members.

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

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

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

The chairman of the board of directors has a voting right on matters submitted to the board of directors.

The board of directors accounts to the general meeting of shareholders. The responsibility for the supervision of the management of Zenitel rests with the board of directors as a collegial body. The board of directors ensures that (i) Zenitel’s obligations to its stakeholders are met (stakeholder means, any party having an interest in Zenitel) and that (ii) there is an adequate representation of the board of directors at the general meeting of shareholders. The chairman leads the meeting and in principle all board members or a majority are present. The role of the board should evolve taking into account any changing necessities of Zenitel.

The first priority of the board of directors is to protect the interests of Zenitel. Independence of judgment is required in the decisions of all directors.

To the extent permitted by law and within the limits of the articles of Association, the board of directors is authorized to decide on:

1. Zenitel’s general strategy (‘algemeen beleid’), its risk appetite and key policies regarding the most important assets and offerings;
2. the exclusive powers of the board of directors (such as drawing up of annual accounts and reports, proposals of decisions to the General Meeting of Shareholders);
3. actions reserved to the Board in accordance with the articles of association and the Corporate Governance code;
4. any actions which may lead to the application of articles 523 and 524 of the Belgian Company Code;
5. any merger, acquisition or joint venture of Zenitel, initiated by an external party;
6. any merger, acquisition or joint venture by Zenitel, which would have an impact for Zenitel, calculated at more than a certain amount;
7. all final year and capex budgets;
8. the necessary financial and human resources for Zenitel to meet its objectives;
9. all financial transactions (i) influencing the equity of Zenitel, (ii) instituting financial covenants, (iii) transforming long term debts into short term debts;
10. any sale of a branch of Zenitel, real estate, trade marks or
to-know-how, having an impact for Zenitel at more than a
certain amount;
11. any large contracts with customers, where the offer exceed
a certain amount;
12. the strategy on Investor Relations and communication;
13. the strategy on dividends or on share issues;
14. a modification of the accounting rules;
15. the appointment and dismissal of the Managing Director
(“Gedelegeerde tot het dagelijks Bestuur”) after advice of
the Nomination and Remuneration Committee;
16. the appointment and dismissal of the members of the Core
Team (as defined on page 61 and the modification regarding
their employment agreements (including promotions, salary
and benefits), after advice of the Nomination and
Remuneration Committee;
17. the review of the existence and functioning of the internal
control system, after advice of the Audit Committee,
including ensuring the adequate identification and
management of risks (including those relating to compliance
with existing legislation and regulations);
18. the powers, duties and performance reviews of the
Managing Director should have sufficient latitude to propose
and implement corporate strategy;
19. the quality and completeness of the disclosed financial
notices and in particular ensuring the integrity of the
financial statements, after advice of the Audit Committee;
20. the selection of the External Auditor and the supervision of
his performance, after advice of the Audit Committee;
21. the implementation of an Internal Audit function and the
approval of a whistleblower procedure, after advice of the
Audit Committee;
22. the Corporate Governance structure of Zenitel and
compliance with the Corporate Governance Code provisions;
23. the appointment of a Company Secretary and a Compliance
Officer and the set up of an Insider Trading Policy for
Directors and designates other persons to which the policy
applies and determines duties and responsibilities of the
Compliance Officer;
24. the content, format and periodicity of the reporting by the
management to the Board members.

Independent Directors

A director can only be considered an independent director if he
or she meets the criteria set out in article 524 of the Belgian
Company Code, which can be summarized as follows:
• An independent director may not have held a position as a
director, a member of the management committee or a higher
management position in Zenitel or an affiliate during the two-
year period preceding his or her election to the board of
directors;
• An independent director may not own shares representing
10% or more of the total share capital of Zenitel or of a
particular class of shares. If he or she owns less than 10%: (i)
such shares, together with other company shares held by
companies controlled by the director concerned may not
equal or exceed 10% or (ii) the disposal of such shares or the
exercise of the rights attached thereto may not be subject to
any contractual arrangement or unilateral undertaking from the
independent directors;
• An independent director may not have a close family member,
meaning a spouse or partner or relative up to the second
generation, holding a key position or a financial interest as
described above; and
• An independent director may not maintain any relationship
with a company which would jeopardize his or her
independent judgment.

The board of directors of the company will consider a director
independent for the purpose of the last criterion, if he is free
from any business, close family or other relationship with the
company, its controlling shareholders (if any), or the
management of either, that creates a conflict of interest such as
to affect that director’s independent judgment. The corporate
governance charter contains further explanation on this matter,
under the chapter ‘Investor Relations’, and can be found on the
website of www.zenitel.com in the chapter ‘Investor Relations’.

In considering a director’s independence, the criteria set out in
the Belgian Code on Corporate Governance are also taken into
consideration. The board of directors discloses in its annual
report which directors it considers to be independent directors.
If a director does not meet the criteria set out in the Belgian
Code on Corporate Governance, the board of directors will set
out its reasons for nevertheless considering this director as an
independent director within the meaning of the Belgian Code on
Corporate Governance. An independent director who ceases to
satisfy the requirements of independence must immediately
inform the board of directors.
The 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 the leading of 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 and perpetuate 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 Executive Management in particular.

The Chairman ensures that new members of the board of directors receive an appropriate guidance programme and that the training needs of individual board members are identified and satisfied.

The Managing Director (Chief Executive Officer)

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

The managing director (and CEO) has the power to resolve on any issue of daily management and reports to the board of directors. The managing director can individually represent Zenitel towards third parties. 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 on the strategic initiatives and all relevant matters of daily management and to determine in dialogue the agenda for the board.

Composition of the Board of Directors

Zenitel’s board of directors consists of seven members. At the general shareholders’ meeting of April 28, 2008, the nomination as dependent, executive director of Beckers Consulting BVBA, represented by Mr Eugeen Beckers, will be asked for approval. After this nomination, Zenitel’s board of directors will consist of eight members. Mr Beckers has been acting as CEO of the company since January 1, 2008. The division between dependent and independent is set out on the next page.
Board of Directors

1. Eugeen Beckers
2. Duco Sickinge
3. Dirk Van Tricht
4. Frank Donck
5. Ferry Houterman
6. Eric Van Zele

Absent at the time of the photograph: Erik Hoving and Rudy Broeckaert.
The board members are:

<table>
<thead>
<tr>
<th>Name and position</th>
<th>Independent/ dependent</th>
<th>Executive/ non-executive</th>
<th>Professional address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frank Donck</td>
<td>Dependent</td>
<td>Executive till 31st of December 2007, Non-executive as from January 1, 2008</td>
<td>Z1 Research Park 110, Pontbeek 63, B-1713 Zellik</td>
</tr>
<tr>
<td>Duco Sickinghe</td>
<td>Independent</td>
<td>Non-executive</td>
<td>Heilige Dominicuslaan 5, B-1950 Kraainem</td>
</tr>
<tr>
<td>Eric Van Zele</td>
<td>Independent from January 1, 2008</td>
<td>Non-executive</td>
<td>Hertenlaan 9, B-1560 Hoegaarden</td>
</tr>
<tr>
<td>Beckers Consulting BVBA, represented by Eugenie Beckers*</td>
<td>Dependent</td>
<td>Executive as from January 1, 2008</td>
<td>Nieuwstraat 23/3, 2880 Bornem</td>
</tr>
</tbody>
</table>

* Proposal to the general shareholder’s meeting of April 28, 2008.

- Houterman Management Consultancy BV (Ferry I.M. Houterman), Duco Sickinghe and VZH NV (Eric Van Zele) are independent directors.
- Erik Hoving is managing director and CEO till December 31, 2007. As from January 1, 2008, Erik Hoving will take up a mandate as non-executive, dependent member of the Board of Directors.
- As from January 1, 2008, Beckers Consulting BVBA, represented by Mr Eugenie Beckers is acting as CEO of Zenitel. His nomination of board member will be requested at the next general shareholders’ meeting of April 28, 2008.
- De Wilg GCV (Dirk Van Tricht), BRECI BVBA (Rudy Broeckaert) and Frank Donck are dependent directors.
- Frank Donck acts as chairman of the board of directors of Zenitel.

There is no family relationship between any of those persons.

The principal activities outside Zenitel performed by the members of the board of directors or their permanent representatives (in the event the director is a legal person), where these are significant with respect to Zenitel, set out below:

- **Frank Donck** - Mr Donck was appointed as director and chairman of Zenitel in 2003. Since 1998, he manages the family owned investment companies 3D NV and Ibervest NV. He is chairman of Telenet Group Holding NV and Afinia Plastics NV and holds mandates as director in Atenor NV, KBC Group Holding NV, KBC Lease NV and several privately owned companies. He started his career as investment manager for Investco NV (now KBC Private Equity NV), Mr Donck received a Master in Finance, from the Vlerick School for Management, University of Ghent and graduated, from the Law School of the University of Gent.

- **Dirk Van Tricht (representing De Wilg GCV)** - Besides an independent wealth manager, Mr Van Tricht is also investment manager of De Wilg GCV and was appointed director of Zenitel in 2003. Previously he was investment manager of Ibel, the Flemish quoted holding company within the Cobepa-Group. He obtained a Master in Economics at the Brussels’ Solvay Business School-VUB.
Erik Hoving - Mr Erik Hoving has been working for Zenitel since 2005. Previously he was senior partner within the Monitor Group (Amsterdam, 2002-2004) and director of Arthur D. Little (Rotterdam, 1991-2001). He is a member of the board of the Foundation “Lezen en Schrijven” and he has a Master degree in Science Electrical Engineering at the University of Delft and a Master of Business Administration at the Erasmus University Rotterdam.

Rudy Broeckaert (representing BRECI BVBA) - Mr Broeckaert is chairman of the board of directors of 3D NV, NV Kattendijkdock, VZW Idewe, VZW Ibeve, NV Astrasweets. Furthermore he is a member of the board of directors of NV Kempar, VZW Acerta, NV LA Lorraine, VZW KMDA and NV Emerson & Cumming. He studied Economic sciences and until 2002, he was a member of the board of directors of KBC Bank and Insurance Group as managing director. He was responsible for organisation, human resource management, private banking and the Belgian subsidiaries of KBC.

Ferry I.M. Houterman (representing Houterman Management Consultancy NV) - Mr Houterman is supervisory board member of Philip Morris – RAI – Holland Casino and member of the advisory board of PricewaterhouseCoopers, Microsoft and Kardan/GTC. He is president of ‘MBK Amsterdam’, vice-president of ‘Bedrijfsfonds voor de Pers’, board member of ‘Kamer van Koophandel’ Amsterdam, supervisory board member of ‘Open Universiteit’ and ‘Amsterdam Tourist Congres Board/VVV’. Previously, he was division director of Knorr (now Unilever) and has a Master degree in economics.

Duco Sickinghe - Mr Duco Sickinghe is the CEO and managing director of Telenet. Mr Sickinghe has worked for almost 20 years in the technology and media industry. He holds a Dutch Master’s degree in Law and a Master’s degree in Business Administration from Columbia University. Mr Sickinghe started his career in finance with Hewlett-Packard (HP) in its European headquarters in Switzerland. He then moved to Germany to head up the LaserJet product line for Europe. He served at NeXt Computer as vice president marketing, then as general manager for France. He was Co-Founder and chief executive officer of Software Direct, which later became a joint venture with Hachette in Paris. Mr Sickinghe joined Wolters Kluwer in 1996 and, as general manager of Kluwer Publishing in the Netherlands, oversaw its transition to electronic media, reengineering the company’s traditional business. In early 2001 he joined Cable Partners Europe and was appointed as chief executive officer of Telenet in the summer of 2001.

Eric Van Zele (representing VZH NV) - Since 2004, Mr Eric Van Zele is the president & chief executive officer of the Pauwels Group in Mechelen. He is also chairman of Ganz Transselektro Villamossági Zrt (GTV) in Budapest, Hungary. The Pauwels Group NV and Ganz Transselektro Villamossági Zrt. are both wholly-owned subsidiaries of Crompton Greaves Ltd. (India). He further serves as managing director of Omniform SA in Wavre. Additionally Mr Van Zele serves as chairman of the board of directors of Reynaers Aluminium in Duffel and Intergarden NV in Aalst, and as a director of Barco NV in Kortrijk. Prior to his current responsibilities, Mr Van Zele was the president and chief executive officer of Telindus NV in Leuven (2000-2003) and vice president of Raychem Corporation (Menlo Park, CA, USA - 1972-1999). Eric Van Zele holds a Master degree in Mechanical Engineering (KUL Leuven 1972) and Postgraduate degrees in Management from Stanford University (1980 & 1992).

Eugene Beckers (representing Beckers Consulting BVBA) - From the end 2003 until the beginning of 2007 Eugene was CEO of Telecom Malagasy, the privatized telecom provider of Madagascar. Before that Mr Beckers hold for more then 10 years senior positions in the BT Group. Amongst others he was VP Operations BT Ignite, Managing Director Cegetel Entreprises in France, Director Sales and Service BT Europe and Country Manager BT Belgium Ltd.

Litigation Statement Concerning Directors
At the date of this Annual Report, none of the directors of Zenitel for at least the previous five years:

- has any conviction in relation to fraudulent offences;
- has held an executive function in the form of a senior manager or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation; or has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body); or
- has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.
Activity Report of the Board of Directors 2007

The board of directors met 9 times during 2007 and held 3 conference calls. Following significant matters were discussed at the meetings of the board of directors during 2007:

- Decisions on the capital increase;
- Decision and go-ahead of the sale ofColsys;
- Approval figures, trading updates, annual report and agenda of the general shareholders meeting;
- Approval of investment proposals for the MCCN network;
- Approval for the additional hiring of R&D personnel for the Intercom Key Offering;
- Information and decision on important projects;
- Various strategic discussions;
- Approval budget 2008.

Senior Management

During 2007, the senior management of Zenitel operated as a ‘core team’ of five persons (hereinafter the ‘Core Team’). This Core Team consisted of the CEO, the CFO and three executive vice presidents for the three regions, NAUI, EU1 and EU2. Each of these regions has a focus on Zenitel’s key offerings: Products and Distribution (mainly in NAUI), System Integration Services (mainly in EU2 and partly in EU1) and Network Services (in EU1). However, the Core Team does not act as a management committee as referred to in the Act of 2 August 2002 amending the Company Code and the Act of March 2nd 1989 on the disclosure of substantial holdings in public-quoted companies and on the regulation of public take-over bids. It consists of:

- Erik Hoving, CEO until December 31, 2007: Mr Erik Hoving has been working for Zenitel since 2005. Previously he was senior partner within the Monitor Group (Amsterdam, 2002-2004) and director of Arthur D. Little (Rotterdam, 1991-2001). He has a Master degree in Science Electrical Engineering at the University of Delft and a Master of Business Administration at the Erasmus University Rotterdam;

- Eugeen Beckers, CEO as from January 1, 2008: Mr Beckers joined Zenitel on December 12, 2008. From the end 2003 until the beginning of 2007 Eugene was CEO of Telecom Malagasy, the privatized telecom provider of Madagascar. Before that Mr Beckers hold for more then 10 years senior positions in the BT Group. Amongst others he was VP Operations BT Ignite, Managing Director Cegel Et Entreprises in France, Director Sales and Service BT Europe and Country Manager BT Belgium Ltd.;

- Rika Coppens, CFO: Mrs Coppens joined Zenitel in 2005. Previously she was CFO of Bureau van Dijk Computer Services NV (2002-2005) and audit manager at PricewaterhouseCoopers BCVBA (1996-2002). She holds a Master degree in Commercial Engineering at the K.U.Leuven and graduated as a certified public accountant (‘bedrijfsrevisor/reviseur d’entreprise’) in 2001;

- Wim van den Berg, Executive Vice President EUROPE 1 (EU1 – Netherlands, Denmark, Dutch Antilles and Czech Republic): Mr van den Berg has been working for Zenitel since July 2005. Previously he worked as international director business development of Arcadis NV (2003-2005), as international director telecom (2001-2002) of Arcadis NV, as director group operations of KPN Mobile NV (2000-2001), as COO KPN-Mobile (1998-2000) and as CEO of PTT Telecom and PTT Post IT department (1996-1998). He has a degree in Electrical Engineering and ICT;

- Kenneth Dastol, Executive Vice President NAUI (Nordics, Asia, USA and Italy): Mr Dastol has been working for Zenitel since 2002. Previously, he was Managing Director of Crane Telecommunication NV (2000-2002), Director Servers Division of Bull Benelux S.A.(1998-2000) and Managing director of Tulip Computers Belgium NV (1994-1998). He holds a Master degree in Commercial Engineering and a Master degree in Applied Economics at the UFSIA University in Antwerp;

- Psyman BVBA represented by Hugo Ketels, Executive Vice President EUROPE 2 (EU2- France and Belgium): Mr Hugo Ketels has been working for Zenitel since 2002. Previously, he was Managing Director of Crane Telecommunication NV (2000-2002), Director Servers Division of Bull Benelux S.A.(1998-2000) and Managing director of Tulip Computers Belgium NV (1994-1998). He holds a Master degree in Commercial Engineering and a Master degree in Applied Economics at the UFSIA University in Antwerp;

Starting as from January 1, 2008, the Core Team has been extended with the following persons:


- Mario Schouten, Vice President Networks: Mr Schouten joined Zenitel in 1988. He also was Country Manager in the Caribbean, responsible for the roll-out of the Chuchubi Network from 2002 to 2007.
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.

According to article 523, §1 of the Belgian Company Code, the director having a direct or indirect conflicting interest of a patrimonial nature shall notify the other directors thereof prior to a decision of the board of directors relating to such conflicting interest. His or her statement and the grounds justifying the aforementioned conflict of interest must be recorded in the minutes of the board of directors meeting at which such decision is taken.

With a view to its publication in the annual report, the board of directors must describe in the minutes the nature of the contemplated decision or the transaction and shall account for the decision taken. The minutes shall also mention the patrimonial consequences thereof for the company. The annual report must contain the aforementioned minutes in their entirety.

If the company has appointed one or more statutory auditors, the director concerned shall also inform such auditor of his or her conflicting interest. The report of the statutory auditors must contain a separate description of the patrimonial consequences for the company of the decisions of the board of directors in respect of which there is a conflicting interest.

If the company makes or has made a public offer, the director concerned may not participate in the deliberations or voting of the board of directors on such decisions or transactions in respect of which there is a conflicting interest.

In case of non-compliance with the foregoing, the company may request the annulment of the decision or the transactions which have taken place in breach of these provisions if the counterparty to the decision or the transaction was, or should have been, aware of such breach (article 523, §2 Belgian Company Code).

Article 523, §1 of the Belgian Company Code does not apply:

• If the decision or transaction within the authority of the board of directors relates to decisions or transactions between companies of which one holds, directly or indirectly, at least 95% of the voting securities issued by the other or between companies of which one holds, directly or indirectly, at least 95% of the voting securities issued by each of them are held by another company (article 523, §3, al. 1, Belgian Company Code); or

• If the decision of the board of directors relates to customary transactions which take place on conditions and with collaterals customary for similar market transactions (article 523, §3, al. 2, Belgian Company Code).

Article 524ter of the Belgian Company Code contains similar provisions, which, mutatis mutandis, must be complied with.


**Tove Nordberg**, Corporate Marketing: Mrs Nordberg joined Zenitel in 2000 and has had her current position since 2005. Previously, she worked for Philips Norway AS and Ford Credit branch of Ford Credit Europe plc in the fields of sales and marketing. She holds a Master degree in International Marketing from Germany and a Bachelor of Science in economics from USA.

**Wouter Stevens** (as from February 12, 2008), Corporate HR: Mr Stevens joined Zenitel on February 12, 2008. Previously, he was active at Ariane Group (ICT group) and in the public sector in HR change management projects. He holds a Master degree in Modern History (University of Ghent), a post graduate degree in HRM (EHSAL, Brussels) and was laureate of the Public Management Programme (KU Leuven).

**CPBD cvba represented by Dirk Deveugle**, Vice President Operations System Integration. Mr Deveugle has been working for Zenitel since 2007. Before Zenitel, he was International Sales & Marketing Director at Barco NV, General Manager at Philips Medical Systems NV, BU Director at Philips Weighing in Hamburg and Sales Manager at Siemens NV. He holds a Master Degree in Engineering Sciences and a Master Degree in Business Administration.

**Thomas Haegh**, responsible for Development in the key offering Secure Communication Systems, started working for Zenitel in 2004. Previously Thomas worked as manager for system design at Ericsson Data Networks in Santa Barbara, USA and as development manager at Ericsson IP telephony product unit in Sweden and Norway. He holds a Master of Science degree in electrical engineering from the Norwegian Institute of Technology, Norway.

In order to manage day-to-day operations, a smaller team (Zenitel Operations Management (ZOM) has been installed consisting of Mr Eugeen Beckers, Mrs Rika Coppens, Mr David Fleischer, Mr Mario Schouten, Mr Wim Van den Berg, Mr Hugo Ketels, Mr Kenneth Dastol.

**Director and Senior Management Conflicts of Interests**

Article 523 of the Belgian Company Code contains 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.
Whenever a member of the management committee has a direct or indirect conflicting interest of a patrimonial nature in a decision or transaction within the authority of the management committee.

In the year 2007, two members of the board of directors had a conflict of interest within the meaning of article 523 or 524ter of the Belgian Company Code. In annex, a copy of the minutes of the board meetings of 17 January 2007, of 16 April 2007 and of 22 April 2007 are attached.

Application of Article 74 § 1 of law 1st of April 2007

On 19 February 2008 the board of directors was informed by 3D NV and De Wilg Comm.VA that both companies together hold 42.3% of the shares of Zenitel NV. More specifically, 3D NV holds 30.22% and de Wilg comm.VA 12.08% of Zenitel’s shares. As mentioned in the transparency declaration filed with Zenitel NV and the CBFA on 19 February 2008 and as published on Zenitel’s website, 3D NV and De Wilg Comm.VA act in concert on the basis of a shareholders’ agreement entered into on 21 March 2003. Since the CBFA was also notified by 3D NV and De Wilg Comm.VA in accordance with Article 74 of the Act of 1 April 2007 on takeover-bids, both companies are exempted from the obligation to initiate a mandatory takeover-bid when they acquire additional securities of Zenitel NV, provided that they continue to hold more than 30% of the voting securities of Zenitel NV. In addition, the exemption from the obligation to initiate a bid is maintained where the 30% threshold is exceeded after a limited, temporary downward crossing. Such a downward crossing has to remain limited to 2% and must be terminated within 12 months.

Remuneration and Management

The Amount of Remuneration

Each non-executive director receives an annual remuneration of EUR 20,000. The chairman receives double the amount. The CEO is not remunerated for his work in the board of directors. Similarly, the members of the audit committee receive EUR 7,500 and their chairman EUR 15,000. No benefits in kind are granted to the members of the board of directors.

The remuneration of the senior management (Core Team) in 2007 can be summarized as follows:

<table>
<thead>
<tr>
<th>Fixed Salary</th>
<th>Pensions and fringe benefits</th>
<th>Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>IN THOUSANDS EUR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO</td>
<td>285</td>
<td>-</td>
</tr>
<tr>
<td>Core team including CEO</td>
<td>750</td>
<td>82</td>
</tr>
</tbody>
</table>

* This bonus includes a special bonus rewarded to the CEO and CFO for the success of the capital increase in 2007.

Other Benefits

No amounts have been set aside or accrued by Zenitel or its subsidiaries to provide pension, retirement or similar benefits for the directors. Furthermore, the contracts entered into between Zenitel (or any of its subsidiaries) and its directors do not provide for benefits upon termination of their office. Regarding members of senior management, the contracts do not provide for benefits upon termination, other than those that are legally required, or other than the compensation of eight months upon termination of the employment agreement of the CEO Erik Hoving.

Board Practices

Date of Expiration of Current Term of Office

The term of the mandates of the directors will end immediately after the annual shareholders’ meeting held in the year set out next to the director’s name. The annual shareholders’ meeting takes place on the 28 April or the next working day.

Name and Position | Term
---|---
Frank Donck | 2010
De Wilg GCV, represented by Dirk Van Tricht | 2010
Erik Hoving* | 2011
BRECI BVBA, represented by Rudy Broeckaert | 2009
Houterman Management Consultancy BV, represented by Ferry I.M. Houterman | 2009
Duco Sickinghe | 2009
VZH NV, represented by Eric Van Zele | 2009
Beckers Consulting BVBA, represented by Eugeen Beckers* | 2011

* Proposal to the general shareholder’s meeting of April 28, 2008.

Information about Board Members’ and Core Team Member’s Service Contracts with Zenitel or any of its Subsidiaries

There are no service contracts between board members and Core Team members, and Zenitel or any of its subsidiaries.

Audit Committee and Remuneration Committee

The board of directors may set up specialized committees to analyze specific issues and advise the board of directors on those issues. These committees merely have an advisory role and the actual decision making remains the responsibility of the board of directors. The board of directors determines the terms of reference of each committee with respect to the organization, procedures, policies and activities of the committee.

The board of directors has established an audit committee and a nomination and remuneration committee and does not
currently anticipate setting up any other committees as it deems that the size of Zenitel does not justify such additional committees.

Audit Committee

a) The powers of the Audit Committee

The audit committee of Zenitel consists of at least three members, all of which are non-executive directors and one of them is independent. The audit committee assists the board of directors in fulfilling its monitoring responsibilities in respect of control in the broadest sense.

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

The audit committee is entrusted with the development of a long-term audit program encompassing all activities of Zenitel and is, in particular, entrusted with the oversight of:

i) Financial Reporting

The audit committee monitors the integrity of the financial information provided by Zenitel: the audit committee ensures that the financial reporting provides a true, honest and clear picture of the situation and the prospects of Zenitel, both on an individual and on a consolidated basis. The audit committee assesses the correctness, completeness and consistency of the financial information.

This task also includes the review of periodic information before this information is made public and the review of the relevance and consistency of the accounting standards used, the impact of new accounting rules, the treatment of “balancing items” in the financial statements, prognoses, the work of the internal auditor, if appointed, and of the external auditor, etc.

The audit committee discusses significant financial reporting issues both with the executive management and with the external auditor.

ii) Internal Controls and Risk Management

At least once a year, the audit committee reviews the internal control and risk management systems set up by the executive management. It ensures that the main risks are properly identified, managed and disclosed.

Internal control also includes review and approval of the statements included in the annual report on internal control and risk management as well as the review of the specific arrangements made by which staff members of Zenitel may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The audit committee will then ensure that this arrangement is brought to the notice of all staff members of Zenitel and its subsidiaries. If deemed necessary, the audit committee must make arrangements for independent investigation and appropriate follow-up of these matters in proportion to their alleged seriousness.

iii) Internal Audit

The audit committee annually reviews the need for or the preservation of the internal audit function.

The audit committee ensures that the available resources and skills are adapted to Zenitel’s nature, size and complexity.

The audit committee approves the appointment and removal of the head of internal audit, as well as the work programme and the budget allocated to internal audit. It reviews the effectiveness of the internal audit function, having regard to the complementary role of the internal and external audit functions.

The audit committee is provided with internal audit reports or a periodic summary of such reports.

The audit committee discusses the performance of internal audit, the risk coverage and the quality of internal controls and risk management with the head of internal audit at least twice a year.

The chairman of the audit committee is available at all times to the head of the internal audit function to discuss issues relating to Zenitel’s internal audit.

iv) External Audit

The audit committee makes recommendations to the board of directors on the selection, appointment and reappointment of the external auditor and on the terms of his or her engagement. These recommendations must be submitted to the shareholders’ meeting.

The audit committee monitors the external auditor’s independence, in particular in view of the provisions of the Belgian Company Code and the Royal Decree of 4 April 2003. For that purpose, the external auditor provides the audit committee with a report describing all relationships between the independent external auditor and Zenitel. The audit committee must review the effectiveness of the external audit, taking into account the relevant legal and professional standards.
The audit committee monitors the external auditor’s work program and reviews the effectiveness of the external audit process and the responsiveness of the management to the recommendations made by the external auditor in his or her management letter. The audit committee ensures that the audit and the audit report cover the group as a whole. The audit committee determines the manner in which the external auditor is involved in the content and the publication of financial information on Zenitel other than the financial statements.

The audit committee assists the board of directors in the development of a specific policy for the engagement of the external auditor for non-audit services, taking into account the specific provisions of the Belgian Company Code and the application of this policy.

The audit committee investigates the issues giving rise to the resignation of the external auditor and makes recommendations as to any required action. The audit committee is the principal contact point for the head of the internal audit function and the external auditor.

b) Composition of the Audit Committee

The members of the audit committee are:

<table>
<thead>
<tr>
<th>Name and Position</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>De Wilg GCV, represented by Dirk Van Tricht</td>
<td>2010</td>
</tr>
<tr>
<td>BRECI BVBA, represented by Rudy Broeckaert</td>
<td>2009</td>
</tr>
<tr>
<td>VZH NV, represented by Eric Van Zele</td>
<td>2009</td>
</tr>
</tbody>
</table>

VZH NV, acts as chairman of the audit committee.

c) Activity Report of the Audit Committee 2007

The audit committee met three times during 2007. Following significant matters were discussed at the meetings of the audit committee:
- Presentation of the external auditor and financial statements of 2006;
- Financial statements per June 30th 2007, opinion limited review of the external auditor and forecast;
- Budget 2008;
- Presentation of the internal audit department of the internal audits performed during 2007.

Nomination and Remuneration Committee

a) The Powers of the Nomination and Remuneration Committee

The nomination and remuneration committee of Zenitel consists of at least three members, all of which are non executive directors and the majority of which are independent directors. 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.

Taking into account the size of the company, the board of directors has decided to install one single Nomination and Remuneration Committee, instead of two separate committees (Nomination Committee and Remuneration Committee).

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 applied, in this respect, is as objective as possible.

The nomination and remuneration committee consists of at least three non-executive directors, with at least one of them being independent. The chairman of the board of directors is also the chairman of the nomination and remuneration committee but should not chair when the committee is dealing with the designation of his successor. The CEO participates to the nomination and remuneration committee but leaves the meeting whenever he and/or his remuneration are being discussed.

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, CEO and senior management;
- The remuneration policy for the directors, committee members, CEO, and senior managers.
When carrying out its duties with regards to remuneration, the nomination and remuneration committee takes account of what is customary in Belgium 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 each time changes have to be made to the composition of the board of directors, the committees or senior management.

b) Composition of the Nomination and Remuneration Committee

The members of the nomination and remuneration committee are:

<table>
<thead>
<tr>
<th>Name and Position</th>
<th>Term*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duco Sickinghe</td>
<td>2009</td>
</tr>
<tr>
<td>De Wilg GCV, represented by Dirk Van Tricht</td>
<td>2010</td>
</tr>
<tr>
<td>Frank Donck</td>
<td>2010</td>
</tr>
</tbody>
</table>

* The term of the mandates of the directors will end immediately after the annual shareholder meeting held in the year set out next to the director’s name.

Frank Donck acts as chairman of the nomination and remuneration committee.

c) Activity report of the nomination and remuneration committee 2007

The nomination and remuneration committee met twice during 2007. Following significant matters were discussed at the meeting of the nomination and remuneration committee:

- Impact of the result on the overall bonus schedules;
- Remuneration of the core team, bonus evaluation 2006 and bonus targets 2007;
- Proposal of nomination of and renomination of directors;
- Special bonus relating to the capital increase for the CEO and CFO;
- Profiling, recruitment and decision on nomination of the new CEO.

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 part of the corporate governance charter.

Comply or Explain

Zenitel complies with all nine principles of the Code as well as with the majority of the provisions. Some of the provisions are not complied with but their objectives are reached by other measures. Hereafter is given an overview of the provisions that are not complied with, with an explanation and the measures that Zenitel has taken in order to reach their aims.

- Due to the size of the company, the board of directors has decided to combine the nomination committee and the remuneration committee and therefore does not follow the Belgian Code for Corporate Governance on these topics.
- Considering the size and characteristics of Zenitel in the composition of the audit committee, only one member is independent. However, all members are non-executive.
- For the same reasons, only one member is independent in the composition of the nomination and remuneration committee. However, all members are non-executive.
- According to the articles of association, the directors are elected by the shareholders’ meetings for a renewable term of six years maximum, which term ends at the relevant annual shareholders’ meeting. However, the board of directors recommends a maximum term of three years and all current directors are appointed for three years.

Statutory Auditors

The statutory auditor of Zenitel NV is BV o.v.v. e. CVBA Deloitte Bedrijfsrevisoren, represented by William Blomme, Berkenlaan 8b te 1831 Diegem. He was appointed for a period of three years on the general shareholders meeting of April 30th 2007. His remuneration is EUR 81,000 per year. The statutory auditor is a member of the ‘Instituut der bedrijfsrevisoren’. The total fee for Deloitte for the group audit amounts to EUR 252,000 per year.
Employee Overview

YEAR ENDED 31 DECEMBER

<table>
<thead>
<tr>
<th>IN FTE</th>
<th>2007</th>
<th>2006</th>
<th>2005*</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU1</td>
<td>144.5</td>
<td>312.5</td>
<td>346.4</td>
</tr>
<tr>
<td>EU2</td>
<td>120.4</td>
<td>123.7</td>
<td>127.9</td>
</tr>
<tr>
<td>NAUI</td>
<td>115.0</td>
<td>109.0</td>
<td>118.7</td>
</tr>
<tr>
<td>Overhead Operations **</td>
<td>27</td>
<td>27.0</td>
<td>45.3</td>
</tr>
<tr>
<td>Support Centers</td>
<td>34.1</td>
<td>32.4</td>
<td>9.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>441.0</td>
<td>604.6</td>
<td>647.0</td>
</tr>
</tbody>
</table>

* During the accounting years 2004 and 2005, Zenitel functioned as two business units. Therefore, the regional set-up of the HRM figures has been reconstructed based on the historical business unit structure.

** During the reorganization part of the overhead operations staff has been reallocated to support centers.

Each warrant entitles the holder to subscribe to one Zenitel share at a predetermined price, the strike price. The strike price is equal to the average closing price of the Zenitel share for the thirty calendar days prior to the offering. No warrants were exercised in 2007. The warrants may in principle only be exercised insofar as the professional relationship between Zenitel and the warrant holder is not terminated. The warrant plans stipulate a number of exceptions whereby warrants can still be exercised. The board of directors or the remuneration committee may grant additional exceptions.

The table below provides a summary of the number of outstanding warrants.

<table>
<thead>
<tr>
<th>OUTSTANDING WARRANTS AS AT 31 DECEMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start of the financial year</td>
</tr>
<tr>
<td>Granted</td>
</tr>
<tr>
<td>Exercised</td>
</tr>
<tr>
<td>Expired</td>
</tr>
<tr>
<td>End of the financial year</td>
</tr>
</tbody>
</table>

Staff Shareholding Plan

In the context of and within the limits of the authorized capital, and with a view to increasing motivation, the board of directors has decided to issue two warrant plans, in the years 2000 and 2004 respectively, intended for directors and employees in the year 2000 and for employees in 2004. At the end of 2007, 475,731 warrants were outstanding.

The warrants had an initial duration of five years as of the date on which they were offered, but in 2003 the duration of the then outstanding warrants was increased by three years. Warrant holders can only exercise their warrants after the expiry of a period of twelve months after the date on which the warrants were offered to them. As of the second year, warrant holders can exercise a third of their warrants during the following three consecutive years.

Warrants can only be exercised during the following periods:
- from 15 to 31 March,
- from 15 to 31 May,
- from 15 to 31 August,
- and from 15 to 30 November.
Our commitment to customers is to provide an efficient, fair and courteous service at all times. We endeavour to meet our customers’ needs and provide, develop, extend and improve our existing services.

Véronique Lutens
Service Desk & Planning, Zenitel Belgium

Our Annual Report for 2007 highlights our commitment to our customers.

**Shares and Warrants held by Management and Members of the Board**

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Indep/Dep</th>
<th>Shares</th>
<th>Warrants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breci BVBA, represented by Rudy Broeckaert</td>
<td>Dependent</td>
<td>25,406</td>
<td>None</td>
</tr>
<tr>
<td>De Wilg GCV, represented by Dirk Van Tricht</td>
<td>Dependent</td>
<td>2,000,000</td>
<td>None</td>
</tr>
<tr>
<td>Frank Donck, Chairman</td>
<td>Dependent</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Houterman Management Consultancy BV, represented by Ferry I.M. Houterman</td>
<td>Independent</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Erik Hoving, Managing Director</td>
<td>Dependent</td>
<td>12,243</td>
<td>54,842</td>
</tr>
<tr>
<td>Duco Sickinge</td>
<td>Independent</td>
<td>10,203</td>
<td>None</td>
</tr>
<tr>
<td>VZH NV, represented by Eric Van Zele</td>
<td>Independent</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

Information as to the shareownership and any options over such shares of the persons mentioned in the chapter Corporate Governance:

<table>
<thead>
<tr>
<th>Senior Management</th>
<th>Shares</th>
<th>Warrants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Erik Hoving</td>
<td>12,243</td>
<td>54,842</td>
</tr>
<tr>
<td>Rika Coppens</td>
<td>5,000</td>
<td>None</td>
</tr>
<tr>
<td>Wim Van Den Berg</td>
<td>7,000</td>
<td>None</td>
</tr>
<tr>
<td>Payman, represented by Hugo Ketels</td>
<td>5,705</td>
<td>None</td>
</tr>
<tr>
<td>Kenneth Dastol</td>
<td>None</td>
<td>3,000</td>
</tr>
</tbody>
</table>
2007 has been an important year for Zenitel. In the beginning of the year, Zenitel prepared a principal capital increase of EUR 19.8 million. At the same time, Zenitel negotiated a long term loan of EUR 5 million with a financial investor. During the first semester, Zenitel has also been able to sell Zenitel Colsys. This divestment enabled Zenitel to further focus on its three key offerings: Products and Distribution, System Integration and Network Services. During 2007, Zenitel continued to apply a regional management structure with three regions NAUI, EU1 and EU2. Each of these three regions has a focus on one of Zenitel’s key offerings as mentioned above. As from January 2008, Zenitel will report following its three key offerings.

Zenitel’s Strategy

Introduction

As from 2005 onwards, Zenitel implemented a new strategy, creating a focus around critical communication, further investing in a number of key assets.
As from 2008 onwards, Zenitel has slightly shifted the above market approach, in order to be able to better respond to market needs. A focus has been created around the development and marketing of own products, mainly the intercom product, in the key offering Secure Communication Systems. System Integration and 3rd party product distribution (such as sales of radio’s (PMR), accessories, ruggadized PC’s,...) have been combined, and will jointly be called System Integration. Products become more complicated and customers request expertise and knowledge from the supplier to integrate these products with existing systems. In 2005, Zenitel carefully set its first steps in the network operator business in the Netherlands. Promoting Networks to customers requires a different marketing strategy. For this purpose, the network business is now managed separately.

Taking into account the above, the new organization as from 2008, will look as follows:

For each key offering, the goals that have been set since 2005 remain, in order to improve profitability and shareholder value. These goals are there to serve Zenitel's main priorities:
1) Focus on profitable activities;
2) Increase sustainable top-line growth and backlog;
3) Further invest in new building blocks (mainly IP and TETRA networks) in order to be able to offer the best solutions for communication and safety.
Priorities

The first priority for Zenitel remains to focus on profitable activities.

During 2007, the distribution of 3rd party end-user products was much weaker than expected, both in Belgium and the Netherlands. Therefore, during June 2007, the Board of Directors decided that the rapidly altering market conditions in the System Integration business necessitated a closer look at the current level of employment in this business area. The decrease in the PMR (handsets/mobiles/…) distribution business and the requirement by customers to focus more on integration of their communication tools with security systems and IT platforms, require different skill sets. In this mindset, restructuring measures started during September 2007. The Board of Directors of December 2007 stressed the importance of continuing the restructuring measures, in order to further align the System Integration business and enable synergies between the Belgian and Dutch entities. The total restructuring charge, accounted for in the second semester, amounts to EUR 5.4 million.

At the same time, the Belgian, French and Dutch organization are now reporting to one management team. Zenitel will continue to explore the possibilities of such synergies, in this way further streamlining and integrating the organization to ensure efficient and successful operations across the world.

The second priority is to increase sustainable top line growth and backlog. Although revenue further decreased during 2007, the added value of the generated revenues continued to improve, since 3rd party product sales and Colsys revenues resulted in relatively low margins. Nevertheless, both businesses contributed positively to the results of Zenitel. Since the demand for these products was weaker than expected, in the next years, Zenitel will need to replace these revenues, for example by offering more integrated services and applications. Also focusing on license and maintenance revenues when selling own products will enable further profitable growth while getting closer to the customer.

The revenue decrease in 2007 is mainly due to:
- The sale of the Colsys (consolidated until March 31, 2007) and Zenitel UK activities (consolidated until June, 2006) (in total a decrease -9.9 million);
- The lower revenues realized in the Netherlands (EUR -7.6 million), in Belgium (EUR -2.5 million) and in Denmark (-1.9 million), offset by the higher revenues in the NAUI region (EUR +3.1 million), both mainly due to higher sales in the Marine segment and in the Distributor sales segment.

During 2005, 2006 and still in 2007, in Belgium large deliveries were made relating to equipment for the ASTRID network. The same occurred in the Netherlands, where in 2005 and still in 2006 more equipment for the police, fire brigades and emergency services on the Dutch public C2000 TETRA network were delivered. It was expected that the replacement tender would be applicable as from April 2007. However, the attribution of the EARS contract was postponed until November 2007. Today, we are proud to say that Zenitel was one of the parties retained.

Denmark noted a decrease in revenues, mainly due to the postponement of a number of projects. At the same time, Denmark is awaiting the introduction of the public TETRA network, for the police and fire brigades, better known as SINE.

Revenues in both the onshore and marine intercom business increased, thanks to the introduction of the new VoIP platform and the introduction of the first IP (sub)stations (EUR 4.0 million) and increased marine activity in general.

Total order backlog increased over the past year from EUR 61.0 million to EUR 67.6 million, per 31 December 2007. Please note that last year’s reported backlog amounted to EUR 70.1 million. This backlog included EUR 9.1 million backlog from Colsys.

The third priority is to continue to invest in new building blocks in order to be able to offer the best solutions for communication and safety. This also has to enable Zenitel to become the number one security partner for both authorities and industries. Main initiatives in this respect are to build and to operate communication networks based on TETRA technology and to become a successful international supplier of a new IP based communication and security system.

After a successful roll-out and migration from analogue to digital radio communication in the Caribbean, the introduction of a privately owned TETRA network in the Netherlands started in 2005. As from January 1, 2006, the first user was connected to
the network. In 2007, Zenitel launched its TETRA network in Belgium. Per December 31, 2007, a total of 7,639 users were contracted on the TETRA networks (ChuChubi: 6,302; MCCN: 1,337).

Today, all existing customers on Zenitel’s TETRA networks are extremely happy with the quality of the communication services rendered. Following the capital increase, Zenitel has been able to speed up the roll-out of the network and now offers TETRA network capabilities in the whole Randstad Area and in every province in the Netherlands. In Belgium, the Antwerp harbour and important parts of Antwerp city are also covered. Going forward, gradually the network will be further rolled-out as opportunities arise. Zenitel will allow this start-up business to reach maturity over the next years. Today, this business (both MCCN in Belgium and the Netherlands, and ChuChubi in the Caribbean) reaches a break-even EBITDA, including EUR 1.5 million operational expenses to commercially and technically develop the new networks.

The fully IP-based STENTOFON AlphaCom E intercom system was launched on 1 June, 2006. The commercial launch has been a success and sales picked up more rapidly than expected. During 2007, 1,376 platforms were sold, compared to 495 systems in 2006 (41 in 2005). The total IP platforms sold now amounts to 1,912 in 2007. The highest number of Alphacom platforms ever was sold in the last quarter of 2007, being 562. The combination of both the IP platform and the IP (sub) stations, will result in a substantial decrease of the total cost of ownership for Zenitel customers, because of the fact that there is no need for proprietary cabling. In 2008, Zenitel will continue to develop IP applications and equipment, in order to be able to serve different customer segments.

Following maturity of the main platform, the current focus of the development department has been on new IP stations and substations. Application software and connectivity software are also on the list. With the introduction of the IP series, Zenitel now offers a replacement for some of the previous hardware products with licensed software. In the near future, buying software upgrades on existing platforms will open up functionalities to the customers.

**IAS-IFRS**

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.

In 2007, it became seven years since Zenitel started to apply the International Financial Reporting Standards (IFRS).

**Changes in Presentation Compared to Previous Year**

The presentation of the consolidated income statement, the consolidated balance sheet and the consolidated cash flow statement has changed compared to the last year in view of International Financial Reporting Standards requirements. In this respect, the presentation of the 2006 figures differs from the previously published figures.

**Adoption of New and Revised International Financial Reporting Standards - Application of new IFRS**

**IFRS 8 Operating Segments**

IFRS 8 Operating segments introduces the “management approach” to segment reporting. IFRS 8 requires disclosure of segments information based on the internal reports regularly reviewed by Zenitel’s Chief Operating Decision Makers in order to assess each segment’s performance and to allocate resources to them. In 2006, Zenitel early adopted IFRS 8, adapting its segment reporting to the management reporting of the group. This was done because management, reporting and decisions are made on a regional level.

**IFRS 7 Financial Instruments: Disclosures**

IFRS7 Financial Instruments : Disclosure was adopted in 2007. IFRS 7 introduced new requirements to improve the information on financial instruments that is given in entities’ financial statements. It replaces IAS 30 Disclosures in the Financial Statements of Banks and Similar Institutions and some of the requirements in IAS 32 Financial Instruments: Disclosure and Presentation.

The following standards became applicable for 2007, but did not significantly impact these financial statements:

- IAS 1 Presentation of Financial Statements - Amendment - Capital Disclosures (applicable for accounting years beginning on or after 1 January 2007);
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (applicable for accounting years beginning on or after 1 March 2006);
- IFRIC 8 Scope of IFRS 2 (applicable for accounting years beginning on or after 1 May, 2006);
- IFRIC 9 Reassessement of Embedded Derivatives (applicable for accounting years beginning on or after 1 June 2006);
- IFRIC 10 Interim Financial Reporting and Impairment (applicable for accounting years beginning on or after 1 November 2006).
The following standards have been issued but are not yet effective:
- IAS 1 Presentation of Financial Statements (annual periods beginning on or after 1 January 2009). This Standard replaces IAS 1 Presentation of Financial Statements (revised in 2003) as amended in 2005;
- Amendment to IAS 27 Consolidated and Separate Financial Statements (applicable for annual periods beginning on or after 1 July 2009). This Standard amends IAS 27 Consolidated and Separate Financial Statements (revised 2003);
- Amendment to IFRS 2 – Vesting Conditions and Cancellations (applicable for annual periods beginning on or after 1 January 2009);
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable financial instruments an obligations arising on liquidation (annual periods beginning on or after 1 January 2009);
- IFRS 3 Business Combinations (applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2009). This Standard replaces IFRS Business Combinations as issued in 2004;
- Amendment to IAS 23 Borrowing Costs (applicable for accounting years beginning on or after 1 January 2009);
- IFRIC 11 IFRS 2 Group and Treasury share Transactions (applicable for accounting years beginning on or after 1 March 2007);
- IFRIC 12 Service Concession Arrangements (applicable for accounting years beginning on or after 1 January 2008);
- IFRIC 13 Customer Loyalty Programmes (applicable for accounting years beginning on or after 1 July 2008);
- IFRIC 14 IAS 19 - the limit on a defined benefit asset, minimum funding requirements and their interaction’ (applicable for accounting years beginning on or after 1 January 2008).

The Company did not early adopt these standards and has not yet determined the potential impact of the interpretation of these standards.

Financial Year 2007
Zenitel hereby presents its report of the board of directors of the operations of the Zenitel Group for the financial year 2007. This report combines both the statutory and consolidated accounts. Zenitel also submits for your approval the annual accounts of Zenitel NV for the year ending 31 December 2007. The financial reporting for 2007 has been made separately for the three regions, according to Zenitel’s organization structure applied in 2007, being NAUI, EU1 and EU2.

Consolidated Accounts
Income Statement 2007
Total turnover decreased by 17.4% from EUR 115.3 million in 2006 to EUR 95.3 million. However, the 2006 revenues included EUR 11.7 million revenues related to Colsys and 0.8 million relating to Zenitel UK. Revenues excluding Colsys and UK amounted to EUR 102.8 million in 2006 versus EUR 92.7 million in 2007 or a decrease by 9.8%.

The main reason for this decrease was the lower revenues realized in the Netherlands (EUR -7.6 million), Belgium (EUR -2.5 million) and Denmark (EUR -1.9 million), partially offset by the increase in revenues in the NAUI region, and especially in the intercom segment (EUR 3.1 million).

Notwithstanding the important decrease in revenues in 2007, the recurrent EBITDA (Earnings Before Interest and Tax, Depreciation and Amortization) of Zenitel amounted to EUR -0.2 million. Per December 31, 2006, the recurrent EBITDA amounted to EUR +2.3 million.

EBIT (Earnings Before Interest and Tax) in 2007 amounted to EUR -10.6 million compared to EUR -1.6 million in 2006. The 2007 one-time items are heavily influenced by the total restructuring provisions accounted for, of EUR 5.4 million.
Total net financial expense amounted to EUR -1.7 million compared to EUR -1.9 million in 2006. Since June 2007, Zenitel was able to benefit from the cash proceeds from the capital increase.

The consolidated net result of the Zenitel Group shows a loss of EUR -12.5 million, compared to EUR -3.7 million in 2006. Earnings per share, after correction of the treasury shares were EUR -0.89, compared to EUR -0.38 in 2006.

**Segment Reporting**

Turnover

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU1</td>
<td>47.8%</td>
<td>24.9%</td>
</tr>
<tr>
<td>EU2</td>
<td>27.3%</td>
<td>36.8%</td>
</tr>
<tr>
<td>NAUI</td>
<td>25.0%</td>
<td>38.2%</td>
</tr>
</tbody>
</table>

As from 1 January 2006, the operations have been organized in three regions, each with a focus on one of Zenitel’s key offerings.

**Europe 1**

**Segment report EU1**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment revenue</td>
<td>23,727</td>
<td>44,082</td>
</tr>
<tr>
<td>Recurrent(*) EBITDA</td>
<td>(976)</td>
<td>2,795</td>
</tr>
<tr>
<td>EBIT</td>
<td>(6,177)</td>
<td>494</td>
</tr>
</tbody>
</table>

* Before one-time expenses. 

---

**YEAR ENDED 31 DECEMBER**

<table>
<thead>
<tr>
<th>YTD (IN THOUSANDS OF EUR)</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-time-items</td>
<td>(6,850)</td>
<td>(581)</td>
<td>(3,784)</td>
</tr>
<tr>
<td>Total restructuring</td>
<td>(5,415)</td>
<td>53</td>
<td>(4,094)</td>
</tr>
<tr>
<td>Old projects</td>
<td>(1,028)</td>
<td>(501)</td>
<td>(585)</td>
</tr>
<tr>
<td>Start-up MCCN</td>
<td>-</td>
<td>-</td>
<td>(282)</td>
</tr>
<tr>
<td>Capital gains building</td>
<td>-</td>
<td>-</td>
<td>1,378</td>
</tr>
<tr>
<td>Legal case</td>
<td>-</td>
<td>-</td>
<td>(200)</td>
</tr>
<tr>
<td>Sale subsidiary</td>
<td>(392)</td>
<td>(84)</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>(15)</td>
<td>(50)</td>
<td>-</td>
</tr>
</tbody>
</table>
The turnover of Europe 1 further decreased heavily by EUR 20.4 million. EUR 9.9 million can be explained by less consolidated revenues relating to Colsys, which has been deconsolidated as from April 1, 2007, and Zenitel UK (consolidated until June 2006). The remaining decrease relates to fluctuations in different countries. The decrease is mainly due to lower revenues realized in the Netherlands (EUR -7.6 million) due to less LARA sales and Denmark (EUR -1.9 million), where 2006 revenues were positively influenced by a large police project. Today, Denmark is awaiting the full roll-out of the SINE public TETRA network. The remaining decrease can largely be explained by the foreign currency difference, influencing negatively the EUR revenue of the Caribbean entity.

The recurrent EBITDA decrease is explained by the decrease in revenue, only to a small extent offset by the restructuring efforts done in the Netherlands during September 2007.

The EBIT decreased by EUR 6.7 million. This decrease is influenced by the provisions accounted for, relating to the restructuring in the Netherlands (for EUR 0.9 million) and the disposal of Colsys (EUR 2.2 million). The higher operating expenses in order to start-up MCCN (EUR -1.3 million), the decrease in the results in the Netherlands (EUR -0.9 million) and the deconsolidation of Colsys, further negatively impacted the EBIT.

The EBIT in Europe 1 includes a total amount of EUR 1.7 million depreciations, mainly relating to the depreciation of the networks both in the Caribbean and in the Netherlands.

Europe 2
Segment report EU2

<table>
<thead>
<tr>
<th>In EUR ('000)</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment revenue</td>
<td>26,037</td>
<td>28,809</td>
</tr>
<tr>
<td>Recurrent(*) EBITDA</td>
<td>610</td>
<td>2,266</td>
</tr>
<tr>
<td>EBIT</td>
<td>(4,957)</td>
<td>5,957</td>
</tr>
</tbody>
</table>

* Before one-time expenses.

The decrease in turnover is mainly due to lower revenues realized in Belgium (EUR -2.5 million), mainly due to less sales realized in PRC (radio) distribution, to the police and fire brigades. Revenues in France remained stable versus 2006.

The EBITDA decreased by EUR 1.7 million. This decrease can mainly be explained by the lower profitability of the Belgian entity, due to the lower revenues, combined with lower margins realized during 2007.

The negative EBIT is mainly due to:
- The decrease in profitability of the Belgian entity (EUR -1.7 million);
- The restructuring expenses accounted for in Belgium (-4.5 million EUR);
- The write-offs relating to old projects in France in 2007 for EUR -1.0 million, versus EUR -0.8 million in 2006;
- The waiver of debt in France which occurred in 2006, explaining EUR 4.5 million profit in the French entity. This profit was compensated in the ‘unallocated expenses’ in the consolidation.

NAUI
Segment report NAUI

<table>
<thead>
<tr>
<th>In EUR ('000)</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment revenue</td>
<td>45,501</td>
<td>42,422</td>
</tr>
<tr>
<td>Recurrent(*) EBITDA</td>
<td>5,893</td>
<td>4,692</td>
</tr>
<tr>
<td>EBIT</td>
<td>7,376</td>
<td>5,418</td>
</tr>
</tbody>
</table>

* Before one-time expenses.

Revenues in both the onshore and marine intercom business increased (EUR +3.1 million), thanks to the introduction of the new VoIP product and the good market conditions in the marine segment. This increase also explains the increase in recurrent EBITDA.

The increased EBIT is both due to the higher sales and better results of the intercom segment and the allocation of the proceeds of the sale of Colsys to this segment, since the shares of Colsys were held in Norway.

Consolidated Balance Sheet

Property, plant and equipment increased from EUR 15.6 million to EUR 16.2 million. This increase is due to the additional investments that occurred during 2007, mainly in the networks in the Netherlands and Belgium. These investments picked up after the capital increase.

The goodwill decreased from EUR 8.6 million to EUR 7.7 million, due to the sale of Colsys. The other intangible assets, increased from EUR 1.7 million to EUR 2.0 million, due to the further investments in the VoIP platform and in the newly developed IP (sub)stations.
The deferred tax assets remained at the same level in 2007. Also the other non-current assets (including mainly finance lease receivables and pension assets), remained at the same level as in 2006.

Inventory increased from EUR 10.6 million to EUR 12.4 million. This increase is mainly following the increase in revenues and business in the intercom (both on-shore and Marine) segment. The contracts in progress increased from EUR 6.5 million to EUR 7.8 million. This increase can mainly be allocated to the System Integration business in both Belgium and France, where new projects were started close to year-end and where invoicing occurred after year-end.

Trade debtors and other receivables decreased from EUR 27.9 million to EUR 25.3 million, or a decrease by 9.3%. Revenues excluding Colsys and UK amounted to EUR 102.8 million in 2006 versus EUR 92.7 million in 2007 or a decrease by 9.8%.

Cash and cash equivalents increased from EUR 3.6 million to EUR 6.9 million. Notwithstanding this increased cash position, an important cash flow deficit was noted during 2007. The restructuring in the System Integration business, will cause a further decrease in the cash position. Continuous focus on working capital is therefore required.

The equity on 31 December 2007 amounts to EUR 24.1 million, which is 6.0 million higher than at the end of 2006. This is due to the capital increase with net proceeds of EUR 18.7 million offset by the net result of the year.

The total non-current liabilities increased from EUR 12.4 million to EUR 16.0 million. This increase is mainly due to the closing of a 7-year loan with a financial investor for EUR 5 million.

The Trade and other payables decreased slightly from EUR 32.0 million to EUR 31.3 million. Provisions increased from EUR 5.0 million to EUR 8.8 million. This increase is due to the restructuring provisions added, mainly relating to the Belgian subsidiary.

The working capital decreased from EUR 7.7 million to EUR 5.3 million. In percentage of turnover, this is an amelioration from 6.6% in 2006 to 5.5% in 2007. The total short term borrowings decreased from EUR 14.1 million to EUR 3.2 million. This is mainly due to the fact that the shareholder loans were paid back after the capital increase. Also the credit line facilities were repaid after the capital increase (in total approximately EUR 14 million).
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 process and provisions and is of the opinion that the amortizations and provisions are sufficient. With regards to the financial position and liquidity and the going concern (art. 96) the board of directors justifies the application of the valuation rules under the going concern assumption. We refer to the paragraph on article 96, 6° on page 81.

**Sources and Application of Funds**

Total cash flow of the Zenitel Group amounted to EUR 7.4 million compared to EUR -2.8 million in 2006. The positive cash flow of 2007 is mainly due to the capital increase of May/June 2007 with net proceeds of EUR 18.7 million. Current year negative cash flow is mostly related to the loss of the year, resulting mainly from restructuring costs.

Net cash from operating activities equaled EUR -3.8 million in 2006, whereas for 2007 the net cash from operating activities equaled EUR -6.4 million.

The net cash relating to investing activities (EUR 3.0 million, versus EUR 6.2 million in 2006) was mainly used to further invest in the Networks, mainly in the Netherlands and Belgium and in intangible assets (EUR 0.9 million versus EUR 0.5 million in 2006), such as the VoIP platform. The net cash from investing activities was also positively impacted by the net cash proceeds of EUR 2.4 million from the divestment of Zenitel Colays.

The 2007 financing proceeds originated mainly from the capital increase (EUR 18.7 million) and a 7-year loan obtained from a financial investor for EUR 5 million. For 2006, EUR 8.4 million financing cash flows were obtained, mainly relating to the increase in borrowings in the Caribbean (loan on a non-recourse basis, in order to locally finance the purchase of the network and the PRC rental equipment) and the shareholder loans for EUR 6.8 million.

**Use of Capital**

<table>
<thead>
<tr>
<th>IN MILLION OF EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash-in</strong></td>
</tr>
<tr>
<td>Capital increase 2005</td>
</tr>
<tr>
<td>Capital increase 2007</td>
</tr>
<tr>
<td>Loan (mainly financial institution)</td>
</tr>
<tr>
<td>Shareholder loan</td>
</tr>
<tr>
<td>Long-term loan (mainly Caribbean)</td>
</tr>
<tr>
<td><strong>Total Cash-in</strong></td>
</tr>
<tr>
<td><strong>Cash-out</strong></td>
</tr>
<tr>
<td>Cash flow from operating activities 2005</td>
</tr>
<tr>
<td>Cash flow from operating activities 2006</td>
</tr>
<tr>
<td>Cash flow from operating activities 2007</td>
</tr>
<tr>
<td><strong>Total Cash flow from operating activities</strong></td>
</tr>
<tr>
<td>Working capital 2005</td>
</tr>
<tr>
<td>Working capital 2006</td>
</tr>
<tr>
<td>Working capital 2007</td>
</tr>
<tr>
<td><strong>Total working capital investment</strong></td>
</tr>
<tr>
<td>Interest 2005</td>
</tr>
<tr>
<td>Interest 2006</td>
</tr>
<tr>
<td>Interest 2007</td>
</tr>
<tr>
<td><strong>Total interest payments</strong></td>
</tr>
<tr>
<td>Investments 2005</td>
</tr>
<tr>
<td>Investments 2006</td>
</tr>
<tr>
<td>Investments 2007</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
</tr>
<tr>
<td>Repayments loans 2005</td>
</tr>
<tr>
<td>Repayments loans 2006</td>
</tr>
<tr>
<td>Repayments loans 2007</td>
</tr>
<tr>
<td><strong>Total loan repayments</strong></td>
</tr>
<tr>
<td><strong>Total Cash-out</strong></td>
</tr>
<tr>
<td><strong>Cash movement</strong></td>
</tr>
<tr>
<td>Cash per 1/1/2005</td>
</tr>
<tr>
<td>Cash per 31/12/2007</td>
</tr>
<tr>
<td><strong>Cash movement</strong></td>
</tr>
</tbody>
</table>
Human Resources
The total number of employees per end of 2007 was 447.0, compared to 604.6 a year earlier.

The split-up, following the new reporting structure, can be presented as follows:

<table>
<thead>
<tr>
<th>YEAR ENDED 31 DECEMBER</th>
<th>2007</th>
<th>2006</th>
<th>2005***</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU1***</td>
<td>144.5</td>
<td>312.5</td>
<td>346.1</td>
</tr>
<tr>
<td>EU2</td>
<td>120.4</td>
<td>123.7</td>
<td>127.9</td>
</tr>
<tr>
<td>NAUI</td>
<td>115.0</td>
<td>109.0</td>
<td>118.7</td>
</tr>
<tr>
<td>Overhead operations**</td>
<td>27.0</td>
<td>27.0</td>
<td>45.3</td>
</tr>
<tr>
<td>Support centers</td>
<td>34.1</td>
<td>32.4</td>
<td>9.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>441.0</td>
<td>604.6</td>
<td>647.0</td>
</tr>
</tbody>
</table>

* During the accounting year 2005, Zenitel functioned as two business units. Therefore, the regional set-up of the HRM figures has been reconstructed based on the historical business unit structure.
** During the reorganization part of the overhead operations staff have been reallocated to support centers.
*** Excluding Colsys, as from April 2007 (Colsys FTE 2005:192.2; Colsys FTE 2006: 160.7) and UK as from June 2006 (FTE 2005: 9.5).

The decrease in FTE is mainly the result of the sale of Zenitel Colsys during 2007 (-160.7 FTE). The Intercom segment and R&D department continued hiring during 2007 (+6 FTE) and will further continue in 2008. The System Integration business in Belgium and the Netherlands (both EU1 and EU2) decreased headcount after some reorganizations (-13 FTE).

Following the 3 Key Offerings, the HRM split can be shown as follows:

<table>
<thead>
<tr>
<th>IN FTE</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Networks</td>
<td>49.0</td>
<td>38.0</td>
<td>39.0</td>
</tr>
<tr>
<td>Colsys and UK</td>
<td>-</td>
<td>160.7</td>
<td>201.7</td>
</tr>
<tr>
<td>System Integration</td>
<td>200.9</td>
<td>223.5</td>
<td>219.3</td>
</tr>
<tr>
<td>Secure Communication Systems</td>
<td>182.0</td>
<td>173.0</td>
<td>178.0</td>
</tr>
<tr>
<td><strong>Total operations</strong></td>
<td><strong>432.9</strong></td>
<td><strong>595.2</strong></td>
<td><strong>638.0</strong></td>
</tr>
<tr>
<td>Total Corporate</td>
<td>8.1</td>
<td>9.4</td>
<td>9.0</td>
</tr>
<tr>
<td><strong>Total Zenitel</strong></td>
<td><strong>441.0</strong></td>
<td><strong>604.6</strong></td>
<td><strong>647.0</strong></td>
</tr>
</tbody>
</table>

Important Subsequent Events
No important subsequent events occurred.

Information regarding circumstances that can influence the development of the company
Please refer to the paragraph in the statutory report ‘Justification of application of valuation rules under going concern’ (Article 96,6°), on page 81 of this report, where Zenitel provides information on the main risks and uncertainties that could negatively impact the development, financial results or the market position of the company.

Use of Financial Instruments
Financial risk management:
During 2007, as in previous years, and in order to secure Zenitel’s commercial transactions in foreign currencies, principally in GBP, USD and HKD, Zenitel NV hedged for the group the currency risks by bank forward exchange contracts.

Incurred price risks, credit risks, liquidity risks and cash flow risks:
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.

Outlook
Management believes Zenitel still faces transition challenges in 2008. Zenitel continues to grow and develop in the Intercom segment. At the same time, Zenitel is focusing on adding additional users on the existing Networks. The System Integration business needs to be redefined by acting more as a value added service partner and integrator and by reducing the focus on reselling hardware (3rd party distribution of PRC equipment).

Zenitel’s strategy is to continue building the group around these three key offerings.

Zenitel expects the topline in 2008 to grow modestly from the level of 2007, mainly due to the expected growth in sales in the Netherlands in the System Integration business, thanks to the winning of the EARS contract, and the further growth of sales in the Intercom segment.

First indications for the Intercom business, as confirmed by the results of the first months, are in line with expectations as turnover continues to grow. Relating to the Network business, management remains confident, especially given the increased interest and requests for quotations noted during the past
A couple of months. In this area, success will mainly depend on the acceleration of the customer sign-up.

Given the continued streamlining and restructuring in the System Integration, we are still in an early stage of altering and redefining this business. We are convinced that our focus must be on restoring the profitability of this business.

**Fees paid to the External Auditor**

- Audit fees:
  - Zenitel NV 60,390 EUR
  - Zenitel Group 252,000 EUR

- Non audit fees:
  - Legal tasks: 8,000 EUR
  - Other: 50,000 EUR

**Statutory Accounts**

*Balance Sheet*

The fixed assets include EUR 1.1 million formation expenses. These relate to the capitalization of the costs of both the capital increase of February 2005 and the capital increase of May/June 2007. The tangible fixed assets decreased from EUR 1.8 million to EUR 1.6 million, due to further depreciation.

The financial fixed assets decreased from EUR 62.2 million to EUR 52.3 million, due to less values accounted for, mainly relating to Zenitel Belgium (EUR 3.9 million) and Zenitel Wireless Norway (EUR 6.7 million).

The amounts receivable within one year increased slightly from EUR 24.3 million to EUR 24.7 million. This is mainly due to the increased current account positions versus our subsidiaries.

Our cash deposits increased from EUR 0.2 million to EUR 3.2 million, due to the offsetting effect of the capital increase on the one hand, and the repayment of the loans and the loss of the year on the other hand.

The change in equity from EUR 56.1 million to EUR 64.2 million is due to the capital increase of EUR 19.8 million offset with the result of the year. (see infra).

The provisions for risks have been further released from EUR 0.8 million to EUR 0.1 million, mainly due to the transfer of the risks to the subsidiaries, and the payments performed during the year.

The long term liabilities increased from 2.3 million EUR to 7.2 million EUR. This increase is due to the long term loan closed with a financial investor for EUR 5 million.

The short term liabilities have however decreased sharply, from 29.7 million to 11.6 million. This decrease is due to the repayment of the short term debt towards credit institutions (EUR 6.0 million) and the decrease in ‘other debts’, mainly due to the repayment of the shareholder loan for EUR 6.8 million. The remaining decrease in the ‘other debts’ is mainly due to the decrease in the loans outstanding versus the subsidiaries (mainly Zenitel Netherlands).

**Income Statement**

The company’s operational result amounts to EUR -0.4 million, versus EUR -0.8 million in 2006. This increase is due to higher management fees charged than in 2006, where, extraordinarily, the management fees to Colsys were forgiven, given the sale of the company. Financial income has increased from EUR 1.4 million to EUR 1.7 million, due to the capital increase allowing higher deposit amounts at the bank. Financial expenses, increased from EUR 2.5 million to EUR 2.9 million, mainly due to the fact that a higher amount of debt versus our subsidiaries has been written-off in 2007 (mainly relating Zenitel Wireless France) compared to 2006.

The exceptional costs of 2007 mainly relate to the write-off of the financial assets, relating to Zenitel Belgium (EUR 3.9 million) and Zenitel Wireless Norway (EUR 6.7 million) The result to be appropriated amounts to EUR -11.7 million in 2007, versus EUR -1.8 million in 2006.

**Research and Development**

There were no research and development activities at the level of the holding company during the year under review.

**Appropriation of Results**

Considering the loss of the year of EUR -11,712,679, the board of directors proposes to appropriate the result as follows:

<table>
<thead>
<tr>
<th>EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result carried forward prior year</td>
</tr>
<tr>
<td>Result of the year</td>
</tr>
<tr>
<td>Result carried forward</td>
</tr>
</tbody>
</table>
Due to the capital increase of 2007 of in total EUR 19,800,000, the following movements took place on share capital and on the share premium:

<table>
<thead>
<tr>
<th>EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital 31 December 2006</td>
</tr>
<tr>
<td>Capital increase 2007</td>
</tr>
<tr>
<td>Share capital 31 December 2007</td>
</tr>
<tr>
<td>Share premium 31 December 2006</td>
</tr>
<tr>
<td>Capital increase 2007</td>
</tr>
<tr>
<td>Share premium 31 December 2007</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
</tr>
<tr>
<td>Share premium</td>
</tr>
<tr>
<td>Reserves</td>
</tr>
<tr>
<td>Result carried forward</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

Additional Honoraria Paid to External Auditor
During the year under review, the statutory auditor has received additional fees for EUR 8,000, relating the adjournment of the preferential right of existing shareholders.

Conflicts of Interest
During the year under review, procedures linked to article 523 and/or 524 of the Belgian company code were applicable during the board meetings of 17th of January 2007, 16th of April 2007 and 22nd of April, 2007. For further details relating to these conflicts of interest we refer to the chapter on Corporate Governance

Authorized Capital
On December 14, 2007, an extraordinary shareholders’ meeting decided to renew the authorized capital up to an amount of EUR 25,274,722.95. The Board has not used its capacity regarding authorized capital since.

Justification of Application of Valuation Rules under Going Concern (article 96,6°)
The balance sheet as per 31 December 2007 shows a loss carried forward of EUR -22.4 million. Nevertheless, the board of directors is of the opinion that the application of the existing valuation rules, under going concern is still justified.

In 2007, the company has been able to successfully conclude a EUR 19.8 million capital increase and obtained a EUR 5 million long term loan. These financing cash flows, have enabled Zenitel to substantially strengthen its balance sheet. At the same time, investments in both tangible and intangible non-current assets are now to a large extent financed by shareholders’ equity and long term financing. At the same time, the company further relies on the continued support from its credit institutions.

The Board believes in the chosen strategy, with continued focus on critical communication through 3 Key Offerings: Secure Communication Services (mainly Intercom), Networks and System Integration. The Secure Communication Services area has started to show its full potential in 2007, where intercom sales further increased both in the onshore market as in the marine segment. The market for TETRA Networks services is reacting slower than expected, however, the Board believes in its potential with Zenitel Caribbean (ChuChubi) as an example. At the same time, and after the capital increase, substantial investments in the MCCN TETRA network have been done, delivering coverage in the important industrial areas in both the Netherlands and Belgium. The System Integration business however is a quickly altering segment, moving away from a mere third party product distributor to a full value-added services business. This change is happening faster than expected, after the roll-out of the public TETRA networks in both the Netherlands and Belgium and has forced the Board to take additional restructuring measures. The Board believes that the new restructuring efforts should allow this business to slowly redefine itself, allowing higher margins on sales.

Continued focus on profitable activities, efforts to constantly better align the different subsidiaries to their market size and share, and the implements of adequate procedures will further allow mitigation of the risks that are linked to the different types of businesses.
Responsibility for the Content of the Annual Report

The board of directors of the company takes responsibility for the content of this Annual Report and declares that, to the best of its knowledge, it has taken all reasonable care to ensure that the information provided in this Annual Report is true and accurate in all material respects, in accordance with the facts and contains no omission likely to affect its import.

Beckers Consulting BVBA, represented by Eugen Beckers
Chairman
CEO

Responsibility for Auditing the Accounts

The consolidated and statutory annual accounts of the Company as at and for the periods ending on 31 December 2007, drawn up respectively in accordance with the International Financial Reporting Standards (IFRS) and the Belgian Generally Accepted Accounting Principles have been audited by Deloitte & Touche, Berkenlaan 8B, 1831 Diegem, represented by Mr William Blomme.

Annual Report

This Annual Report will be made available to investors at no cost at the registered office of Zenitel, Z1 Research Park 110, Pontbeek 63, 1713 Zellik, Belgium. This Annual Report is also available via the Internet on the following website: www.zenitel.com and in the chapter ‘Investor Relations’.

Zenitel has arranged for a Dutch translation of the English language Annual Report and takes responsibility for consistency between the texts in these language versions. Should there be any differences of interpretation between the English and 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 and press releases from Zenitel can be found on the company website referred to above. A copy of these and of every 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 financial information of Zenitel and its subsidiary undertakings for each of the two 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.
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACM-E</td>
<td>Product name for VINGTOR ALPHACOM MARINE exchange range</td>
</tr>
<tr>
<td>ACM-M-A</td>
<td>Product name for VINGTOR ALPHACOM mini exchange</td>
</tr>
<tr>
<td>AGA BOARD</td>
<td>ALPHACOM feature card supporting general analogue audio channels</td>
</tr>
<tr>
<td>AE1 BOARD</td>
<td>ALPHACOM feature card supporting 2 Mbps digital channels</td>
</tr>
<tr>
<td>ALPHACOM</td>
<td>Product name for the STENTOFON exchange range</td>
</tr>
<tr>
<td>ALPHANET</td>
<td>Network of ALPHACOM exchanges</td>
</tr>
<tr>
<td>AMC - IP CARD</td>
<td>ALPHACOM E main processor card</td>
</tr>
<tr>
<td>ANPR</td>
<td>Automatic Number Plate Recognition</td>
</tr>
<tr>
<td>AOIF/AFER</td>
<td>Administratie van de Ondernemings- en InkomensFiscaliteit/Administration de la Fiscalité des Entreprises et des Revenus</td>
</tr>
<tr>
<td>ASACOM</td>
<td>Product name for the ASACOM exchange range, a Zenitel communication system allowing access to a broad range of communication and security aspects</td>
</tr>
<tr>
<td>ASCII</td>
<td>Standard coding for characters</td>
</tr>
<tr>
<td>ASIS</td>
<td>American Society for Industrial Security</td>
</tr>
<tr>
<td>ASTRID</td>
<td>All-round Semi-cellular Trunking Radio communication system with Integrated Dispatchings - ASTRID is a specialised telecomoperator offering an infrastructure for integrated radio communication for voice and data to the Belgian public first aid and safety organizations. It is a semicellular trunking radio communication system with integrated dispatching</td>
</tr>
<tr>
<td>ATEX</td>
<td>Explosion proof equipment</td>
</tr>
<tr>
<td>AVL</td>
<td>Automatic Vehicle Location</td>
</tr>
<tr>
<td>BFIC</td>
<td>Banking, Finance and Insurance Commission</td>
</tr>
<tr>
<td>BU</td>
<td>Business Unit</td>
</tr>
<tr>
<td>C2000</td>
<td>Country-wide digital network for mobile communication of the Dutch first aid services. C2000 is based on the European TETRA standard</td>
</tr>
<tr>
<td>CCoIP®</td>
<td>Critical Communication over IP</td>
</tr>
<tr>
<td>CCTV</td>
<td>Closed Circuit TV</td>
</tr>
<tr>
<td>CEU</td>
<td>Car Equivalent Units</td>
</tr>
<tr>
<td>CDMA</td>
<td>Code Division Multiple Access - Contrary to the GSM-technology where only one frequency is attributed to each user, each communication channel has access to the whole available frequency spectrum</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>ChuChubi Trunking</td>
<td>Caribbean TETRA network</td>
</tr>
<tr>
<td>CIP</td>
<td>Contracts in Progress</td>
</tr>
<tr>
<td>CONFINED AREAS</td>
<td>Closed areas where radio communication is difficult, for instance in tunnels, metro stations and parking buildings</td>
</tr>
<tr>
<td>DCS</td>
<td>Digital Communication System - DCS is comparable to the GSM technology, but works on higher frequencies and smaller cells</td>
</tr>
<tr>
<td>DECT</td>
<td>Digital European Cordless Telecommunication</td>
</tr>
<tr>
<td>DMR</td>
<td>Digital Mobile Radio</td>
</tr>
<tr>
<td>DMS</td>
<td>Digital Multiplex System</td>
</tr>
<tr>
<td>DVR</td>
<td>Digital Video Recorder</td>
</tr>
<tr>
<td>EBIT</td>
<td>Earnings Before Interest and Taxes</td>
</tr>
</tbody>
</table>
EBITDA | Earnings Before Interest, Taxes, Depreciations and Amortizations

EU1 | Region The Netherlands, UK, Caribbean and Denmark

EU2 | Region Belgium & France

FRB’s | Federal Reserve Banks

GMDSS | Global Maritime Distress and Security System

GPRS | General Packet Radio Service - Advanced version of GSM technology offering more developed mobile internet applications such as e-mail

GPS | Global Positioning System

GROUND STATIONS | Coastal communication systems ground-to-air radio communication systems and solutions conform the applicable security and legal obligations for coast guards, harbor authorities and airport control divisions. Amongst others, it is a ready to use solutions for radio transmission from coast-to-ship and from ground-to-air

GSM | Global System for Mobile telephony – a mobile telephony standard

IACS | Integrated Administration and Control System

IAS | International Accounting Standards

IEC | International Electrotechnical Commission

IFRS | International Financial Reporting Standards

INTERCOM SYSTEMS | Instant security communication systems with special purpose stations

IP | Internet Protocol

IPABX | IP Private Branch Exchange

ISO | International Standard Organisation

LARA | Landelijke Aanbesteding RandApparatuur – peripherals approved for use on the C2000 network

LED | Light Emitting Diode

LOB | Line of Business

M100 | Product name for M100 exchange range

MCCN | Mission Critical Communication Network-TETRA network in Belgium and The Netherlands

MESH | Wireless data network with flexible forming and repairing capabilities

MoU | Memorandum of Understanding

MRTS | Mobile Radio Trunking Service

NAUPI | Region Nordics, Asia, USA, Italy

NTP | Network Time Protocol

OEM | Original Equipment Manufacturer: a producer of equipment that is ultimately resold by another supplier under its own brand name

OHSAS | Occupational Health and Safety Management System

OR | Operating Room

PA | Public Address

PABX | Private Automatic Branch eXchange – traditional in-house telephone switch

P(A)MR | Public Access Mobile Radio - a system for mobile communication of a company with its mobile collaborators based on a public network

PBX | Private Branch Exchange
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCB</td>
<td>Printed Circuit Board</td>
</tr>
<tr>
<td>PCTC</td>
<td>Pure Car Truck Carriers</td>
</tr>
<tr>
<td>PDA</td>
<td>Personal Digital Assistant</td>
</tr>
<tr>
<td>PMR</td>
<td>Private Mobile Radio - Private mobile networks and systems, known as mobile phone and walkie-talkie networks and systems whereby no use is made of a central public infrastructure that is based on the trunking principle</td>
</tr>
<tr>
<td>PNCI GATEWAY</td>
<td>Public Network Interface gateway</td>
</tr>
<tr>
<td>PRC</td>
<td>Professional Radio Communication</td>
</tr>
<tr>
<td>PSS – PS&amp;S</td>
<td>Public Safety and Security</td>
</tr>
<tr>
<td>PUSH-TO-TALK</td>
<td>A button switching from voice reception mode to transmit mode</td>
</tr>
<tr>
<td>Q</td>
<td>Quarter</td>
</tr>
<tr>
<td>RADIONETWORK</td>
<td>A telecommunication system whereby signals are sent from a user to an antenna and back using radio waves</td>
</tr>
<tr>
<td>RAKEL</td>
<td>Swedish public TETRA-net</td>
</tr>
<tr>
<td>RGU</td>
<td>Revenue Generating Users</td>
</tr>
<tr>
<td>RING-MASTER</td>
<td>Product name for Ring-Master exchange range</td>
</tr>
<tr>
<td>RM-AC</td>
<td>Interface between STENTOFON Alphacom E and the Ring-Master CB901</td>
</tr>
<tr>
<td>RNS</td>
<td>Radio Network Solutions</td>
</tr>
<tr>
<td>ROCE</td>
<td>Return On Capital Employed</td>
</tr>
<tr>
<td>RoHS</td>
<td>Restriction on use of Hazardous Substances</td>
</tr>
<tr>
<td>SAIT</td>
<td>Societé Anonyme Internationale de Télégraphie</td>
</tr>
<tr>
<td>SCC</td>
<td>Safety, health and environment Checklist Contractors</td>
</tr>
<tr>
<td>SCL</td>
<td>Special Coverage Locations</td>
</tr>
<tr>
<td>SDS</td>
<td>Short Data Service</td>
</tr>
<tr>
<td>SINE</td>
<td>Danish TETRA network</td>
</tr>
<tr>
<td>SIP</td>
<td>Session Initiation Protocol</td>
</tr>
<tr>
<td>SIS</td>
<td>Schengen Informatie Systeem</td>
</tr>
<tr>
<td>SMS</td>
<td>Short Message Service</td>
</tr>
<tr>
<td>SNMP</td>
<td>Simple Network Management Protocol</td>
</tr>
<tr>
<td>SOLAS</td>
<td>Safety of Life at Sea</td>
</tr>
<tr>
<td>SPA</td>
<td>Share Purchase Agreement</td>
</tr>
<tr>
<td>STEENHANS</td>
<td>Zenitel Marine brand name</td>
</tr>
<tr>
<td>STENTOFON</td>
<td>Zenitel brand name for intercom solutions</td>
</tr>
<tr>
<td>SYSLOG</td>
<td>Syslog is a de facto standard for forwarding log messages in an IP network. The term &quot;syslog&quot; is often used for both the actual syslog protocol, as well as the application or library sending syslog messages</td>
</tr>
<tr>
<td>TDMA</td>
<td>Time Division Multiplexing Access – Technology for the delivery of digital wireless services which divides radio frequencies in time slots that on their turn are allocated to different calls. This way one single frequency can simultaneously support multiple data calls. The TDMA technology is used by the digital cellular system of the GSM</td>
</tr>
<tr>
<td>TETRA</td>
<td>Terrestrial Trunked Radio - a worldwide standard for digital radio communication of voice and data developed to answer the needs of professional users, and especially for first aid- and security services</td>
</tr>
</tbody>
</table>
TETRANET  TetraNet results from the cooperation between Motorola and Zenitel which bundled their forces in a tender for the Danish PAMR (Public Access Mobile Radio) TETRA operator license in the Public Security frequency (380-400MHz). TetraNet offers national digital radio communication coverage for the Danish Public Security network.

TETRANODE  Flexible TETRA infrastructure

TETRA-REPEATER  TETRA solution allowing the repeating of TETRA signals

TRUNKING  Term referring to the dynamic way radio frequencies are attributed to the different users depending on their needs at that specific time. Based on this principle a frequency is never reserved for a specific user group, but is always available when it is no longer effectively used. This allows the optimal usage of each frequency band and thus increases the the available capacity for all users combined.

UAIS  Unified Automated Identification System

UHF  Ultra High Frequency

UMTS  Universal Mobile Telecommunications System - mobile telecommunications standard that offers a higher bandwidth than the traditional GSM or GPRS standards and therefore provides mobile internet access and allows sending moving images and sound

VAL-I-PAC  Belgian institution on the subject of packaging material and the recycling of it

VCA  Voltage Controlled Amplifier

VGM  (Veiligheid Gezondheid Milieu – Security Health Environment)

VDI  Virtual Device Interface.

VHF  Very High Frequency

VINGTOR  Zenitel brand name for a solution targeted at the maritime segment

VIRVE  Digital radio network for the Finish authorities

VoIP  Voice-over-Internet Protocol

VSP  VINGTOR Sound Powered Telephone system

VVPR  Verlaagde Voorheffing / Précompte Réduit

WEEE  Waste Electrical and Electronic Equipment directive

WiMAX  WiMAX (Worldwide Interoperability for Microwave Access) is a new standard based on the IEEE 802.16 (and ETSI HiperMAN) standard for wide band wireless networks with medium reach. IEEE 802.16 standard is also known as the 'WirelessMAN'

WIP  Work in Progress