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The 2009 Annual Report is also available on
www.zenitel.com (investor relations > financial reports) as from 14 April 2010

De jaarbrochure 2009 is ook verkrijgbaar in het Nederlands op
www.zenitel.com (investor relations > financial reports) vanaf 14 april 2010

FACTS AND FIGURES
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RISK
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GENERAL

The Group'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 Group 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 the Group shares. Additional risks and uncertainties, which are currently not known to the Group or which the Group currently believes are immaterial, could likewise impair its business operations or have an adverse effect on the Group's cash flows, profitability, financial condition, its ability to continue as a going concern and the price of its shares.

TECHNOLOGICAL EVOLUTIONS IN THE MARKET FOR SECURE COMMUNICATIONS

In the market for secure communications, the Group encounters several competitors, some of which use other technologies to offer similar products and services as the Group.

For the network business and the radio business, 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 the Group 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 Group 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 the Group 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 MARKET FOR INTERCOM SYSTEMS

The traditional competitor to the Group'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, the Group launched its own VoIP platform on 1 June 2006 and continues to develop applications on this platform. 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. The Group is working closely with potential partners, in order to position the 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, especially given the current ongoing economic and financial market crisis and given the Group's financial position.

Based on the business outlook, the Group'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, the Group has developed an offering which consists of operating its own network for secure communications. The services offered to the customers for these operations include airtime and sometimes also the rental and service of communication equipment.

The Group guarantees to its customers a certain minimum level of 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, the Group 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, the Group 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 or environmental considerations could prevent the Group from meeting such obligations.

PROJECT RISKS AND GUARANTEES GIVEN

In its business the Group issues guarantees regarding performance, radio coverage and the duration of projects mainly to customers in the public authorities segment. If these projects are undertaken by subsidiaries, Zenitel 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 the Group. There is no certainty that the Group 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 CUSTOMERS

Although the end customers for the intercom products are typically major companies in a relatively powerful economic position, the Group 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 2009, the three main intercom customers accounted 8.8% of total intercom sales.

In some markets (eg Denmark), the Group's business is dependent on a limited number of large projects.One customer represents 8.5%, of the total Zenitel Turnover. The Group is working towards building a long term relationship with this customer, making sure that all service levels are met and even exceeded.

UNCERTAINTY AS REGARDS REGULATIONS

The Group operates all over the world. The Group'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 the Group 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.

The Group 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 the Group, 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

The Group is also 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. The Group 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 THE GROUP CAN ATTRACT AND RETAIN GOOD STAFF

Given the complexity and high degree of specialization of its activities, the Group needs highly trained staff with in-depth technological and market knowledge. The Group operates in an extremely competitive market, and this applies to employment as well. The Group'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

The Group's profitability and operational cash flows are determined by the extent to which revenues and costs tally.

The Group'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.

The Group's costs are partly variable and evolve with sales, and partly fixed and therefore independent of sales. In 2007, 2008 and 2009, the Group's fixed costs amounted respectively to 45%, 47% and 45.3% of operating costs. These fixed costs, excluding depreciation, mean that one of the major challenges facing the Group is to achieve sufficient critical mass, particularly as its activities are spread over various countries. There is no certainty that the Group 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

The Group'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 28.7% per 31 December 2007, to 11.6% per 31 December 2008 and further decreased to 6.0% per 31 December 2009. The liquidity ratio (defined as 'current assets/current liabilities') also decreased from 1.22 to 1.02 from 31 December 2007 to 31 December 2008 and then increased to 1.23 per 31 December 2009. At the same time, the net debt position increased from EUR 10.6 million on 31 December 2007 to EUR 15.3 million on 31 December 2008. Per 31 December 2009, the net debt position amounts to EUR 12.9 million.

CURRENCY EXCHANGE RATES

The Group is exposed to fluctuations in exchange rates which may lead to profit or loss in currency transactions. As the Group 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 Group's consolidated accounts. Moreover, the Group operates internationally and is exposed to foreign exchange risks as a result of the foreign currency transactions entered into by its different subsidiaries in currencies other than their functional currency, primarily with respect to USD, ANG, NOK, SGD, DKK, and SEK.

PRODUCT AND GENERAL LIABILITIES

The products supplied by the Group are subject to various forms of legislation on product liability or professional liability in the countries in which the Group develops its activities directly or indirectly. The Group 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). The Group 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 Group has certain pending files that can be qualified as contingent liabilities according to the definition of IFRS. Please refer to note 30 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 InkomensFiscaliteit/Administration de la Fiscalité des Enterprises 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 the company 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.

GROUP HISTORY

The Group 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.

GENERAL **INFORMATION** ABOUT **ZENITEL**

GENERAL INFORMATION

The legal and commercial name

The company bears the name ZENITEL.

The place of registration and registration number

The Company is registered with the Kruispuntbank van Ondernemingen (Register of Legal Entities) under business number 0403.150.608. The place of registration is Brussels.

The date of incorporation and the length of life of Zenitel

Zenitel was established on 31 March 1913 pursuant to a deed published in the Annexes to the Belgian official journal on 11 and 16 April 1913 under numbers 2.498 and 2.651 bis. The Company was established for an indefinite period.

The domicile and legal form of Zenitel

Zenitel is a naamloze vennootschap / société anonyme (limited company) incorporated under Belgian law.

The registered office of Zenitel is located in Zellik: Z.1. Research Park 110, 1731 Zellik, Belgium, phone number + 32 2 370 53 11, fax number + 32 2 370 51 27.

The board of directors is empowered to transfer the registered office to any other place in Belgium. This transfer of registered office is made public by the board of directors in the Annexes to the Belgian official journal.

Further to a decision taken by the board of directors, the Company may establish administrative or operating offices, branches, offices and agencies in Belgium and abroad.

Information about Zenitel

Zenitel is a company listed on a regulated market (Euronext). The headquarters of Zenitel are in Belgium.

Zenitel NV is the parent Company of the Zenitel Group. Principle activities of Zenitel NV include:

- Coordination of the Group's activities;
- Defining strategies;
- Ensuring coherence;
- 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 CTSF – 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 Radiofabrikk 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 last few years have seen tremendous change for Zenitel. The changes, although not always obvious, have been profound. Today, the main business focus is Secure Communication Systems (mainly Intercom -STENTO- activities) and the Networks activities in the Caribbean. 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 and communication is one of the most relevant businesses today, because it relates to the safety of people.

Investments / Divestments
The Company continued to focus on its core activities over the past year, delivering intercom products and distribution, providing communication networks and system integration services.

1. Divestments

Date	Activity	Objective
March 2000	Defense projects	Non-core activities
March 2000	Information Display Systems	Non-core activities
December 2000	Debitel BE (32% holding)	Minority holding in mobile communication services retailer sold to Mobistar NV; non-core activities
December 2000	Airtime Service	Supplier of telecommunication services via satellite connections sold to the Norwegian Telenor; non-core activities
May 2001	Sirius (24% holding)	Minority holding in specialist in chip technology for satellite communication, sold to Agilent Technologies; non-core activities
July 2001	Debitel NL (40% Holding)	Minority holding in mobile communication services retailer sold to Debitel AG; non-core activities
December 2001	Sait-RadioHolland Marine	Part of divestment of EuroMarine: sold through a management buy-out; non-core activities
September 2002	CSS Germany	German distribution activities for the CSS business unit sold to the main German partner and distributor Scanvest Ring GmbH; loss-making
March 2003	Remaining 50% in Euromarine Electronics	Remaining part of divestment of EuroMarine sold to the joint venture partner, the Rheinmetall Group; non-core activities
June 2003	TetraNet AS (13.8%)	Investment held by Zenitel Denmark AS; joint project with Motorola in Denmark, to invest in a TETRA network
June 2004	Servoteknikk	Active in the fire alarm sector for ships; sold to the Swedish firm Consilium AB; non-core activities
July 2006	Zenitel UK (85%)	British distribution activities for the intercom business, 85% of the shares sold through a management buy-out; loss-making
April 2007	Colsys (CZ)	Supplier of security, weak- and heavy-current installations, measurement, and regulation systems in the Czech Republic; non-core activities
April 2009	Zenitel Belgium NV (85%)	System Integrator, focused on communication systems, both locally, mainly in the field of public safety and security and internationally, in the field of coastal stations; non-core activities and loss making
April 2009	Zenitel Wireless France SA Rail Activities	System Integration, mainly internationally, in the field of communication systems for subways and rail customers ; non-core activities and loss making
June 2009	Confined Area Solutions AB	Active in the field of development and assembly of repeaters, mainly for analogue and TETRA radio systems Located in Sweden; non-core activities and loss making
July 2009	Zenitel Netherlands BV (85%)	System Integrator, focused on communication systems mainly in the field of public safety and security; non-core activities and loss making
October 2009	MCCN BV and MCCN NV Assets	TETRA network operator activities in Belgium and the Netherlands; loss making and cash intensive
November 2009	Real Estate Activities	Management of the building in Zellik for different users of the building, including general services and maintenance; non-core activities

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.

2. Acquisitions

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

Date	Activity	Objective
March 2000	INES and Ramacom (B)	Buyout of competitor and access to the Kenwood product range
June 2000	RadioTeknikk (SE)	Expansion of the portfolio with an interesting product in Confined Areas, with a view to creating synergies with the business unit WS
January 2001	Halberthal (FR)	Strengthening of the geographic presence in France
January 2001	Telpro Plus (NL)	Expansion of the offering of mobile applications products, software and knowledge, because of the rising importance of applications
April 2001	Scana Servoteknikk (N)	Alarm and fire detection systems (divested in June 2004), with a view to create synergies with the intercom systems
May 2001	Atcom (FR)	Acquisition of PMR activities based in Paris to strengthen the geographical presence in France
April 2003	Colsys (33%) (CZ)	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

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 Cobepa NV (32.48%) to two new investors, 3D NV and De Wilg GCV. In February 2005, May 2007 and June 2007, the Company performed three capital increases collecting respectively in total 15 million EUR, 18 million and 1.8 million EUR.

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 1.5268.

Zenitel Wireless Norway AS holds 113,113 shares of Zenitel. 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 extra-ordinary shareholders meeting of 14 December 2007 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.

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 2004:

Date of operation	Transaction	Number of shares issued	Issue price per share (EUR)	Amount of capital increase (EUR)	Issue premium (EUR)	Share capital after the transaction (EUR)	Aggregate # of shares after the transaction
Situation prior to 17 February 2005	-	-	-	-	-	3,630,768.73	5,441,122
17 February 2005	Capital increase	4,285,714	0.67	2,871,428.38	2.83	6,502,197.11	9,726,836
28 April 2005	Incorporation of issue premiums	-	-	-	-	81,502,197.11	9,726,836
28 April 2005	Capital decrease (loss compensation)	-	-	-	-	14,850,364.64	9,726,836
9 May 2007	Capital increase	6,206,897	1.52	9,476,690.34	1.38	24,327,054.98	15,933,733
4 June 2007	Capital increase	620,689	1.52	947,667,97	1.38	25,274,722.95	16,554,422

Articles of association

Deed of (1) incorporation and latest articles of association of Zenitel

Zenitel's corporate purpose(1)
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 even 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 shares 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.'

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 shares.

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 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 at 11am 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 Eurolist by Euronext 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 wit 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.

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

Provisions with regard to changes to the articles of association
There are no specific conditions imposed in the articles of association of Zenitel, nor in any other document, governing amendments to the articles of association of Zenitel that are more stringent than what is required by law.

SHARES AND LISTING

Shareholders structure

Shareholders	Number of shares	% of total	Number of warrants	% of total incl. warrants
De Wilg GCV[(1)]	2,000,000	12.08		11.93
3D NV[(1)]	5,002,000	30.22		29.85
The Company (Zenitel Wireless Norway AS)	113,113	0.68		0.68
QuaeroQ CVBA	1,961,564	11.85		11.71
Freefloat	7,477,745	45.17		44.62
Warrants			202,459	1.21
TOTAL	**16,554,422**	**100.00**	**202,459**	**100.00**
			16,756,881	

Acting in (1) concert

Based on the latest transparency notifications of September 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, other than the shareholders mentioned above.

Zenitel's major shareholders have no different voting rights than the other shareholders.

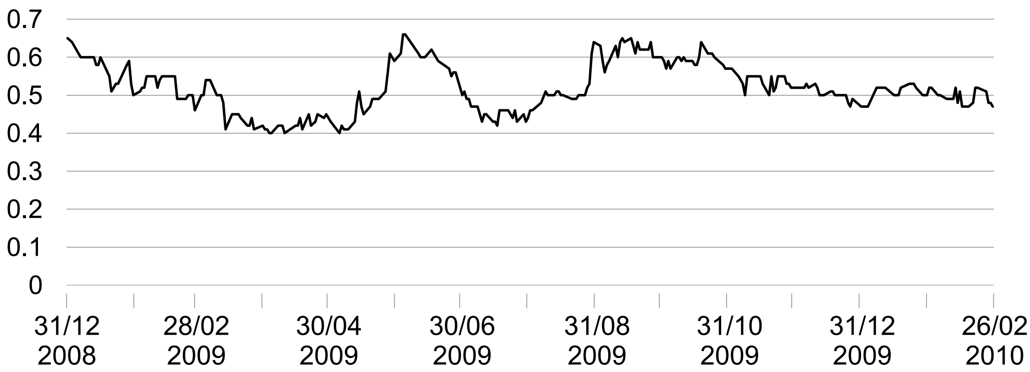
To the extent known to Zenitel, Zenitel is not owned or controlled by other parties than the major shareholders mentioned above, with the exception of the above mentioned shareholders 'acting in concert'.

There are no contracts known to Zenitel, which may result in a change of control of Zenitel.

Share price history of the Zenitel share

The graph below shows the development of the closing share price of the Zenitel shares since 1 January 2009 until 28 February 2010 (see also Euronext website, www.euronext.com).

FIGURE 1 Zenitel closing share price since 1 January 2009 until 28 February 2010



ZENT LISTED NYSE EURONEXT

Agreements affected by a change of control of the Company

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

Financial calendar

2010	
25/03/2010	Results 2009
28/04/2010	Annual General Shareholders' Meeting (11:00 am)
10/05/2010	Q1 Trading update
30/08/2010	Half-Year results 2010
09/11/2010	Q3 Trading update

DECLARATION WITH REGARDS TO

CORPORATE **GOVERNANCE**

This Section summarizes the rules and principles by which the corporate governance of Zenitel is organized pursuant to Belgian Company law and 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 which has in the meantime been replaced by the Belgian Code for Corporate Governance issued on 12 March 2009, which applies to the fiscal years starting on 1 January 2009 or later. Zenitel takes into account the Belgian Code for Corporate Governance issued on 12 March 2009 (hereinafter, the "Belgian Code for Corporate Governance") for the purposes of this Declaration with regards to Corporate Governance. Corporate governance has been defined in the Code as a set of rules and behaviours according to which companies are managed and controlled.

Zenitel's board of directors intends to comply with the Belgian Code for Corporate Governance, but it believes that certain deviations from its provisions and principles are justified in view of Zenitel's particular situation and size, especially taking into account the important divestments of 2009. 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. Meanwhile, Zenitel's board of directors has in March 2010 adopted a new corporate governance charter further aligning and updating its corporate governance structures with the changes introduced by the Belgian Code for Corporate Governance. Zenitel's board of directors intends to comply with this amended corporate governance charter as of that date.

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 twelve members. Today, there are five board members, of which four members are non-executive directors. Two directors are independent directors. Therefore, Zenitel does not comply with provision 2.3 of the Belgian Code for Corporate Governance pursuant, to which three independent directors must be appointed. As part of the reorganization and restructuring of the Group, the governance structure of Zenitel has been reduced, in order to adapt the governance structure to the size and needs of the Group. A board of directors composed of the managing director, the former managing director (chairman), a director related to a shareholder and two independent directors is, in the opinion of the board of directors, appropriate for a company of the size of Zenitel.

Nevertheless, in case certain transactions are planned, which require the application of article 524 of the Belgian Company code, the board of directors, will appoint three independent members or experts, in order to comply with the provision of article 524 of the Belgian Company Code.

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

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

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

The board of directors 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 of shareholders 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 values and strategy as well as its general policy ('algemeen beleid'), its risk appetite and key policies regarding the most important assets and offerings;
2. the exclusive powers of the board of directors in accordance with the Belgian Company Code (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 Belgian Code for Corporate Governance;
4. any actions which may lead to the application of articles 523 and 524 of the Belgian Company Code in relation to conflicts of interests;
5. any acquisition or joint venture of Zenitel, initiated by an external party;
6. any 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 know-how, having an impact for Zenitel at more than a certain amount;
11. any large contracts with customers, where the offer exceeds a certain amount;
12. the strategy on Investor Relations and communication with the shareholders;
13. the strategy on dividends and the issuance of shares;
14. a modification of the accounting rules;
15. the appointment and dismissal of the managing director ("orgaan van dagelijks bestuur" or "CEO") after advice of the nomination and remuneration committee;
16. the appointment and dismissal of the members of the senior management ("Core Team") (as defined under 9.1.1.2. and the modification regarding their employment or management 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 structure, powers, duties and performance reviews of the managing director and senior management; these should offer sufficient latitude to propose and implement corporate strategy; evaluation of the realization of the corporate strategy;
19. the quality and completeness of the disclosed financial and non-financial information and in particular ensuring the integrity and timely disclosure of the financial and non-financial information to the shareholders, after advice of the audit committee;
20. the selection of the external auditor and the supervision of his performance, after advice and taking into account the evaluation of the audit committee;
21. the evaluation of the implementation of an internal audit function and the risk management system and approval of a whistleblower procedure, after advice of the audit committee;
22. the corporate governance structure of Zenitel and compliance with the provisions of the Belgian Code for Corporate Governance;
23. the appointment of a company secretary and a compliance officer and the set up of an Insider Trading Policy for Directors and the designation of other persons to which the policy applies and the determination of the duties and responsibilities of the compliance officer;
24. the content, format and periodicity of the reporting by the management to the board members;
25. evaluation of the effectiveness of the committees of the board of directors.

Independent directors

According to the recent new law of 17 December 2008, a director can only be considered an independent director if he or she meets the criteria set out in article 526ter of the Belgian Company Code. To qualify as an independent director, at least the following criteria must be met:

- The director has not been an executive member of the management body, member of the management committee of person entrusted with the daily management, nor in the Company nor in an affiliated company nor in a person as determined by article 11 of the Belgian Company Code, during the five years immediately preceding his or her appointment;
- The director has been a non-executive director for no more than three consecutive terms during a maximum period of 12 years;
- The director has not been a member of the managerial staff of the Company, an affiliated company or in a person as determined by article 11 of the Belgian Company Code during the three years immediately preceding his or her appointment;
- The director does not receive or has not received any remuneration or other significant pecuniary advantage, from the Company or from an affiliated company or from a person as determined by article 11 of the Belgian Company Code other than the bonuses and remuneration received in his or her capacity as a non-executive member of the management body or the supervisory body;
- The director does not hold any interests in the Company that represent 10% or more of the capital or of the corporate funds or of a category of shares of the Company, and in any case does not represent a shareholder who falls under this conditions;

- The director has not or has not had within the past financial year significant business relationships with the Company or with an affiliated company or with a person as determined by article 11 of the Belgian Company Code, either directly or as a partner, shareholder, member of the management body or member of managerial staff of the Company or of a person that maintains such a relationship;
- The director is not or has not been at any time during the past three years, a partner or employee of the Company's current or former external auditor or of a company affiliated with the latter or a person as determined by article 11 of the Belgian Company Code;
- The director is not an executive member of the management body of another company in which an executive director of the Company is a non-executive member of the management body or member of the supervising body, and has no other significant ties with executive directors of the Company through his or her involvement in other companies or bodies;
- The director's spouse, legal cohabitant or relatives to the second degree do not act as a member of the management body, member of the management committee, person entrusted with the daily management or member or the managerial staff in the Company or in an affiliated company or in a person as determined by article 11 of the Belgian Company Code, and do not meet one of the criteria in the above mentioned points.

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 for 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 for 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. He is elected on the basis of his knowledge, professional skills, experience and his ability to mediate.

The chairman is responsible for ensuring that the board of directors operates in accordance with the corporate governance charter. Where necessary, he is assisted with this task by the committees.

The chairman is responsible for leading 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 CEO and senior or executive management in particular. The chairman establishes a close relationship with te CEO, provides support and advise, while fully respecting the executive responsibilities of the CEO.

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

The managing director (CEO) has the power to resolve on any issue of daily management and reports to the board of directors. He cannot be the chairman of the board. He works in close cooperation with the board of directors and its committees to enable the board, the chairman and the committees to exercise their responsibilities. The managing director and the chairman of the board meet regularly to discuss on the strategic initiatives and all relevant matters of daily management and to determine in dialogue the agenda for the board of directors.

Composition of the board of directors

Zenitel's board of directors consists per 1 January 2010 of five members. Mr. Kenneth Dastol has been co-opted in the board of directors as of 1 January 2010 as a dependent executive director. He has been appointed managing director by the board of directors, and has been acting as CEO of the Company, since 1 January 2010. The distinction between a dependent and independent director is set out below. The board members are:

Name and position	Independent / dependent	Executive / non-executive	Professional address
Kenneth Dåstøl, CEO	Dependent	Executive	Kyrresvingen 13, 3186 Horten, Norway
Beckers Consulting BVBA, represented by Eugeen Beckers, chairman	Dependent	Non-executive	Nieuwstraat 23/3, 2880 Bornem, Belgium
Frank Donck	Dependent	Non-executive	Rijvisschestraat 118, 9052 Zwijnaarde, Belgium
Duco Sickinghe	Independent	Non-executive	Heilige Dominicuslaan 5, 1950 Kraainem, Belgium
VZH NV, represented by Eric Van Zele	Independent(*)	Non-executive	Hertenlaan 9, 1560 Hoeilaart, Belgium

- Mr Duco Sickinghe is independent in accordance with the criteria set forth in article 526ter of the Belgian Company Code.
- (*) VZH NV, represented by Eric Van Zele, has been an independent director since he joined the board of directors in 2006. Although Mr. Van Zele has participated in transactions related to the divestments of Zenitel Belgium, the activities of Zenitel Wireless France and Zenitel Netherlands BV, he does not hold any ongoing operational responsibility in those companies. The Company is aware that Eric Van Zele can therefore not be considered independent based on the criteria as set forth in Art 526ter of the Company Code and intends to solve this situation as soon as possible by appointing a new independent director.
- Beckers Consulting BVBA, represented by Eugeen Beckers is acting as chairman of Zenitel (since 1 January 2010).
- Kenneth Dåstøl, acts as CEO and managing director of Zenitel (since 1 January 2010).

Directors which have been (re)appointed in 2009, have been evaluated by the remuneration and nomination committee before their (re)appointment.

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, are the following.

As of 1 January 2010, Beckers Consulting BVBA entered into a separate consulting agreement with Zenitel NV. This agreement has been discussed by the nomination and remuneration committee, and approved by the board of directors. The agreement foresees in assistance by Eugeen Beckers, on a time and material basis. The fees have been set at arm's length.

During the meeting of the board of directors of 3 November 2009, it has been resolved to appoint Beckers Consulting BVBA, represented by Eugeen Beckers as chairman of Zenitel as of 1 January 2010. The board of directors has carefully examined the pros and cons of such appointment taking into account that Beckers Consulting BVBA, represented by Eugeen Beckers was until 1 January 2010 in charge of the daily management of the Company. The appointment of Beckers Consulting BVBA, represented by Eugeen Beckers as chairman is in the best interest of the Company because of his experience in the telecom business, his expertise regarding some old litigations and his general knowledge of the Company as a whole.

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 2009

The board of directors met 16 times during 2009. Following significant matters were discussed at the meetings of the board of directors during 2009:

- Approval year-end figures, annual report and agenda of the general shareholders meeting
- Status discussion and approval on the ongoing divestments of the Company
- Discussion on the financial situation of the Company and the negotiations with the Company's financial institutions
- Verification of the trading updates
- Discussion on forecasts
- Status discussion regarding ongoing restructuring and reorganization processes
- Information and decision on important projects
- Discussions relating to ongoing litigations
- Various strategic discussions per key offering
- Approval budget 2010
- …

In the table below an overview is given of the attendance of each member of the board of directors to the board meetings in 2009. The board of directors met 16 times in 2009.

Name	# meetings
Beckers Consulting BVBA, represented by Eugeen Beckers	16
Breci BVBA, represented by Rudy Broeckaert	13
De Wilg GCV/CTK Management BVBA, represented by Dirk Van Tricht	15
Frank Donck	16
Houterman Management Consultancy BV, represented by Ferry I.M. Houterman	15
Eric Hoving	7
Duco Sickinghe	14
VZH NV, represented by Eric Van Zele, chairman in 2009	14

Senior Management

During 2009, the senior management of Zenitel operated as the 'Zenitel Operations Management' team. This team consisted of the CEO, the CFO, two executive vice presidents (Secure Communication Systems and Networks) and three general managers. However, the ZOM team did not act as a management committee as referred to in the article 524bis of the Belgian Company Code and the Act of 2 March 1989 on the disclosure of substantial holdings in public-quoted companies and on the regulation of public take-over bids. The ZOM team consisted of the following members: Eugeen Beckers (representative of Beckers Consulting BVBA), Rika Coppens, Alain Van den Broeck (representative of Ingenior BVBA), Kenneth Dåstøl, Mario Schouten, David Fleischer, Eddy Maldague (representative of Knowledge Networks BVBA) (until 31 March 2009) and Rob Rentenaar (until 30 June 2009).

As of 1 January 2010 and given the significant changes that occurred in Zenitel's Group structure throughout 2009, senior management of Zenitel is now organized in a core team. This core team consists of the following members: Kenneth Dåstøl, Glenn Wiig, Thomas Haegh, Svein Damre, Svein Lindhjem, Hanne Eriksen, David Fleischer and Eric Goeyvaerts. The core team does not act as a management committee as referred to article 524bis of the Belgian Company Code and the Act of 2 March 1989 on the disclosure of substantial holdings in public-quoted companies and on the regulation of public take-over bids.

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.

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 statutory 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 appeal to savings, 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 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 at conditions and against collateral customary for similar transactions on the market (article 523, §3, al. 2, Belgian Company Code).

In the year 2009, the procedure relating to conflicts of interest within the meaning of article 523 of the Belgian Company Code has been applied five times. The procedure relating to conflicts of interest within the meaning of article 524 of the Belgian Company Code has been applied two times. The minutes relating to the application of article 523 and 524 have been attached to this Annual Report.

REMUNERATION AND MANAGEMENT

The amount of remuneration

The annual remuneration for a non-executive director amounts to EUR 20,000. The chairman receives the double of that 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 on an annual basis. No benefits in kind are granted to the members of the board of directors. No remuneration is granted to the members of the nomination and remuneration committee.

It should be noted that for the year 2009 some non-executive dependent directors have renounced to their remuneration.

The remuneration of the senior management (ZOM team) in 2009 can be summarized as follows:

	Fixed Salary (in EUR)	Pensions and fringe benefits (in EUR)	Bonus[1] (in EUR)
CEO	285,000	-	300,000 maximum[2]
ZOM team excluding CEO	825,426	34,165	172,274

The remuneration policy applied to the senior management during the fiscal year may be summarized as follows:

- a fixed salary
- a bonus scheme, depending on the achievement of set objectives

The bonus scheme is linked to the realization of the objectives in 2009 set forth above.

(1) The bonus for 2009 included as objectives the Company's cash management, the successful closing of the divestments of subsidiaries and activities and the renegotiation of the bank loans. At the same time, turnover and recurrent EBITDA objectives were given to operational management. These objectives were to be realized in 2009.

(2) This amount relates to maximum EUR 200.000 for 2009 plus maximum EUR 100.000 carried forward from previous year.

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, except for the benefits as determined by law. For Beckers Consulting BVBA, the termination cost as managing director is included in the 2009 fixed annual fee.

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 issued 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 2009, 54,842 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.

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 2009. 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 after that. The board of directors or the remuneration committee may grant additional exceptions.

The table below provides a summary of the number of outstanding warrants as at 31 December 2009:

	2009	2008	2007	2006	2005	2004	2003
Start of the financial year	202,459	475,731	475,731	480,982	438,640	313,702	356,700
Granted	-	-	-	-	54,842	137,105	-
Exercised	-	-	-	-	-	-	-
Expired	147,617	273,272	-	5,251	12,500	12,167	42,998
End of the financial year	54,842	202,459	475,731	475,731	480,982	438,640	313,702

Shares and warrants held by management and members of the board per 31 December 2009

Board of directors	Indep / Dep	Shares	Warrants
Kenneth Dåstøl, CEO	Dependent	None	3,000
Frank Donck	Dependent	None	None
Beckers Consulting BVBA, represented by Eugeen Beckers, chairman	Dependent	40,000	None
Duco Sickinghe	Independent	10,203	None
VZH NV, represented by Eric Van Zele	Independent(1)	None	None

Refer to comment (1) made earlier in this chapter on the independence of Mr. Van Zele

Information as to the share ownership and any options over such shares of the senior management, as defined in the declaration with regards to corporate governance:

Senior Management	Shares	Warrants
Kenneth Dåstøl	None	3,000
Glenn Wiig	None	None
Thomas Haegh	None	None
Svein Damre	None	None
Eric Goeyvaerts	None	None
David Fleischer	None	None
Hanne Eriksen	None	None
Svein Lindhjem	None	None

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 with regard to the approval of the annual accounts of the financial year 2009 is held on 28 April 2010.

Name and position	Term
Frank Donck	2010
Kenneth Dåstøl	2010
Duco Sickinghe	2012
VZH NV, represented by Eric Van Zele	2012
Beckers Consulting BVBA, represented by Eugeen Beckers	2011

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, except for the one previously mentioned with Beckers Consulting BVBA.

Audit committee and nomination 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 in accordance with article 526bis of the Belgian Company Code 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

1. 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. Given the size of the Company, especially taking into account the significant divestment of 2009, Zenitel has decided not to nominate two independent board members into the audit committee as set forth in Appendix C. Audit committee to the Belgian Code for Corporate Governance. 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:

1.1 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.

1.2 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.

1.3 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.

1.4 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.

2. Composition of the audit committee

The members of the audit committee are:

Name and position	Term(1)
Beckers Consulting BVBA, represented by Eugeen Beckers	2011
Frank Donck	2010
VZH NV, represented by Eric Van Zele	2012

(1) 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.

As of 1 January 2010, VZH NV, represented by Eric Van Zele, chairs the audit committee awaiting the appointment of a new independent director.

All three members of the audit committee are experienced with finance and accounting thanks to their studies and through the several management positions they held during their careers.

3. Activity report of the audit committee 2009

The audit committee met only two times (instead of the minimum of four times as set forth in the Charter) during 2009, given the changes that occurred in the composition of the team. Following significant matters were discussed at the meetings of the audit committee:

- Presentation of the external auditor and financial statements of 2009
- Financial statements per 30 June 2009, opinion limited review of the external auditor and forecast
- Impact of the divestments processes on the figures, forecast 2009 and budget 2010
- Forecasts for the year
- Presentation by the internal audit department of the internal audits performed during 2008

In the table below an overview is given of the attendance of each member of the audit committee to the audit committee meetings in 2009. The audit committee met two times in 2009.

Name	# meetings
Breci BVBA, represented by Rudy Broeckaert	2
De Wilg GCV/CTK Management BVBA, represented by Dirk Van Tricht, chairman in 2009	2
VZH NV, represented by Eric Van Zele	1

Nomination and remuneration committee

1. 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 one of them is independent. 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 CEO participates to the nomination and remuneration committee when the remuneration of the senior managers is dealt with but leaves the meeting whenever he and/or his remuneration is under discussion.

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 and remuneration policy for the directors, committee members, CEO, and senior managers, including variable remuneration and long term incentives as well as on settlements with regard to a premature ending of the contract if necessary, proposals to the shareholders' meeting in relation thereto.

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, whenever it deems necessary to fulfill its duties and in any case each time changes have to be made to the composition of the board of directors, the committees or senior management.

The nomination and remuneration committee reports regularly to the board of directors on the exercise of its duties.

2. Composition of the nomination and remuneration committee

The members of the nomination and remuneration committee are:

Name and position	Term(1)
Duco Sickinghe	2012
Beckers Consulting BVBA, represented by Eugeen Beckers	2011
Frank Donck	2010

(1) 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.

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

3. Activity report of the nomination and remuneration committee 2009

The nomination and remuneration committee met twice during 2009. Following significant matters were discussed at the meeting of the nomination and remuneration committee:

- Decision on the 2008 bonus payments, more specifically, abolition of the bonus payments for the System Integration and Networks division and timing of the payments for the other segments
- Decision on the 2009 bonus schedules
- Decision on the new governance structure of the Zenitel Group
- Proposal of appointment of and reappointment of directors
- Proposal on the nomination and remuneration of the chairman, and discussion on the mandate ahead

In the table below an overview is given of the attendance of each member of the nomination and remuneration committee to the nomination and remuneration meetings in 2009. The nomination and remuneration committee met 2 times in 2009.

Name	# meetings
Beckers Consulting BVBA, represented by Eugeen Beckers	2
Frank Donck, chairman	2
Duco Sickinghe	2

Significant characteristics of evaluation process of the board of directors, the committees and the individual members of the board of directors

The functioning of the board as a whole is subject to a continuous self evaluation process. During this evaluation the following topics are investigated: the quality of the interaction between management and board, the quality of the information and documents submitted to the board, the preparation of the board meetings, the quality of the discussions and decision-making of the board, the extent to which all relevant strategic, organizational and managerial issues are addressed by the board and the contribution of all board members to the decision-making process at the board. Based on the outcome of this self evaluation and taking into account the high number of board meetings in 2009, which proves the high involvement of the board, the board is confident that it is carrying out its duties. As from 2010 the number of board members has been significantly reduced and adapted to the size of the organization. The functioning of this new board will continue to be subject to self evaluation and where opportunities for improvement are identified, actions are taken.

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 most of the nine principles of the Belgian Code for Corporate Governance 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 and the significant divestments during 2009, the board of directors has decided to significantly reduce Zenitel's governance structure. This has resulted in a significant reduction of the number of directors in the board of directors. The board is aware that currently only one director is independent in view of art 526ter of the Belgian Company Code. Therefore the board intends to appointment an additional independent director as soon as possible. After this, the board of directors will have two independent board members, instead of three, which is considered acceptable given the small size of the Company.
- Due to the size of the Company, the board of directors has decided to combine the nomination committee and the remuneration committee.
- For the same reasons, only one member of the nomination and remuneration committee is independent. However, all members are non-executive. Frank Donck acts as chairman of the nomination and remuneration committee. This is due to his in depth knowledge of the Company and its social capital.
- 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. This is in accordance with the Belgian Code for Corporate Governance.

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 28 April 2007 and his mandate ends at the general shareholders' meeting of 28 April 2010. His remuneration was EUR 75,400 per year. The statutory auditor is a member of the 'Instituut der bedrijfsrevisoren'. The total fee for Deloitte for the Group audit amounted to EUR 198,000 per year.

BDO Bedrijfsrevisoren, represented by Veerle Catry, will be proposed as new statutory auditor to the general shareholders' meeting of 28 April 2010.

FINANCIAL STATEMENTS 2009

The Report of the Board of Directors, which complements these Financial Statements, is included in the Editorial Section of the Zenitel Annual Report 2009.

STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 TO THE SHAREHOLDERS' MEETING

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comments.

Unqualified audit opinion on the consolidated financial statements with an emphasis of matter paragraph

We have audited the accompanying consolidated financial statements of Zenitel NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2009, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 46.255 (000) EUR and the consolidated income statement shows a consolidated loss (group share) for the year then ended of 8.053 (000) EUR.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained, provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2009, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

The group has incurred significant losses that fundamentally affect the financial position. Without modifying the above opinion, we would like to draw your attention to the director's report, in which the board of directors justifies the application of the valuation rules under the going concern assumption.. The assumption to continue as a going concern is only valid in case the group continues to have access to short and medium term financing. The group is dependent on the continued financial support of the shareholders and other financing sources. No adaptations have been made to the consolidated financial statements as to the valuation or the classification of certain balance sheet items which would be necessary if the company were no longer able to continue its activities

Additional comment

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comments which do not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.
- Furthermore we draw your attention to the annex 30 to the financial statements in which pending important litigations are described. Provisions have been recorded based on the current situation of the files in order to cover the liabilities to certain cases.

Diegem, 24 March 2010
The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by William Blomme

STATUTORY AUDITOR'S REPORT TO THE SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comments.

Disclaimer of opinion on the consolidated financial statements

We have audited the accompanying consolidated financial statements of ZENITEL NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 69,535 (000) EUR and the consolidated income statement shows a consolidated loss (group share) for the year then ended of 13,489 (000) EUR.

The financial statements of several significant entities included in the scope of consolidation which represent total assets of 2,771 (000) EUR and a turnover of 1,504 (000) EUR have been audited by other auditors. Our opinion on the accompanying consolidated financial statements, insofar as it relates to the amounts contributed by those entities, is based upon the reports of those other auditors.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained, together with the reports of other auditors on which we have relied, provides a reasonable basis for our opinion.

During the accounting period, the company has again incurred significant losses that seriously affect the company's financial situation and equity. As appears in the consolidated financial statements, the company is highly indebted and for the moment does not have sufficient cash flows and financial resources to fulfil its obligations during the entire financial year 2009, more specifically to reimburse its loans as of 30 September 2009 towards its bank and reference shareholder (1,500 (000) EUR each). Consequently, there is an uncertainty as to the going concern of the company.

Given this situation and in accordance with the Belgian legislation (art. 96), the board of directors justifies the application of the accounting principles under the assumptions of going concern. In this context, as mentioned in the board of directors' report, certain proposed measures to timely obtain sufficient financial resources are referred to. The board of directors believes that the proposed measures will be timely realised to enable the company to fulfil its financial obligations during 2009 and more specifically as of 30 September 2009. Consequently, the financial statements are established under the assumption of going concern and no adaptations have been made to the consolidated financial statements as to the valuation or the classification of certain balance sheet items which would be necessary if the company were no longer able to continue its activities.

At present, we are not able to express an opinion on the going concern of the company, since the group is expecting in difficult market conditions important negative cash flows during the accounting period 2009, and that the materialisation and the timely realisation of the measures proposed by the board of directors to obtain sufficient financial resources, of which the group totally depends, remains uncertain in the current economic climate.

Taking into account the important uncertainty described above, we are unable to express an opinion on whether the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2008, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

We draw your attention to a project in Algeria, put on hold since 2007 for which execution has been relaunched since September 2008, as mentioned in the financial statements. The total net outstanding receivable, after recorded provision, amounts to 1,135 (000) EUR. The board of directors is of the opinion that based on the current situation and restart, the recorded provision is sufficient.

Additional comment

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment and draw your attention to note 16 of the consolidated financial statements which provide an overview of management's assumptions and estimates used in the preparation of the business plan of each business group.
- Furthermore we draw your attention to the annex 31 to the financial statements in which pending important litigations are described. Provisions have been recorded based on the current situation of the files in order to cover the liabilities to certain cases.

Diegem, 30 March 2009
The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by William Blomme

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

		Year ended 31 December	
(Thousands of EUR)	Notes	**2009**	**2008**
Continuing operations			
Revenue	1	70,113	68,474
Other gains and losses	4	469	450
Raw materials and consumables used	5	-35,164	-34,066
Employee benefits expenses	6	-21,437	-21,177
of which reorganization expenses		-1,168	-287
Depreciation and amortization expenses	16,17,18	-2,044	-1,954
Net impairment on current assets	19	-752	-1,072
Consulting expenses		-3,294	-2,719
of which reorganization expenses		-231	0
Facility expenses	7	-4,421	-4,354
Other expenses	8	-4,847	-3,504
Operating Profit / (Loss)		**-1,378**	**78**
Finance income	10	79	600
Finance costs	11	-1,166	-2,163
Net foreign exchange gains / (losses)	12	-1,178	1,891
Profit / (Loss) before tax		**-3,642**	**406**
Income tax expenses / (income)	13	-22	703
Profit/(Loss) from continuing operations		**-3,664**	**1,110**
Discontinued operations			
Profit / (Loss) from discontinued operations	3	-4,389	-14,599
Profit / (Loss) for the year		**-8,053**	**-13,489**
Attributable to:			
Equity holders of the parent		-8,053	-13,489
Non controlling interest		0	0
Earnings per share			
Weighted average number of ordinary shares in issue ('000)		16,441	16,441
From continuing and discontinued operations			
Basic earnings per share	15.1	-0.49	-0.82
Diluted earnings per share	15.2	-0.49	-0.82
From continuing operations			
Basic earnings per share		-0.22	0.07
Diluted earnings per share		-0.22	0.07
Profit / (Loss) for the year		**-8,053**	**-13,489**
Other comprehensive income			
Exchange differences arising on translation of foreign operations		2,560	-2,613
Actuarial gains on defined benefit pension schemes	27	216	-
Income tax relating to components of other comprehensive income	13	-	-
Other comprehensive income for the period (net of tax)		**2,776**	**-2,613**
Total comprehensive income for the period		**-5,277**	**-16,102**
Total comprehesive income attributable to:			
Equity holders of the parent		-5,277	-16,102
Non-controlling interests		0	0

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

Consolidated statement of financial position

Assets

(Thousands of EUR)	Notes	2009	2008
		Year ended 31 December	
Non-current assets			
Property, plant and equipment	16	4,451	16,096
Goodwill	17	4,037	3,472
Other intangible assets	18	1,412	1,729
Deferred tax assets	14	2,285	1,943
Financial assets	20	1,916	1,197
Other assets	27	16	616
Total non-current assets		**14,117**	**25,053**
Current assets			
Inventories	21	8,350	11,122
Contracts in progress	22	3,311	5,341
Trade and other receivables	23	13,566	22,957
Financial assets	20	406	358
Deferred charges and accrued income		976	854
Cash and cash equivalents	24	5,529	3,850
Total current assets		**32,138**	**44,482**
TOTAL ASSETS		**46,255**	**69,535**

EQUITY AND LIABILITIES

(Thousands of EUR)	Notes	2009	2008
		Year ended 31 December	
Capital and reserves			
Capital		25,274	25,274
Share premium account		15,115	15,115
Reserves		2,037	-523
Retained earnings		-36,711	-28,874
Treasury shares		-2,958	-2,958
Equity attributable to equity holders of the parent		*2,758*	*8,034*
Total equity		**2,758**	**8,034**
Non-current liabilities			
Interest bearing loans and borrowings	26	11,565	11,381
Retirement benefit obligations	27	3,867	3,624
Deferred tax liabilities	14	13	0
Provisions	28	1,945	2,892
Total non-current liabilities		**17,390**	**17,897**
Current liabilities			
Trade and other payables	25	16,802	28,627
Borrowings	26	2,698	8,179
Current tax liabilities	13	692	1,271
Retirement benefit obligations	27	162	314
Provisions	28	5,754	5,213
Total current liabilities		**26,107**	**43,604**
TOTAL EQUITY AND LIABILITIES		**46,255**	**69,535**

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

Consolidated statement of changes in equity

(Thousands of EUR) Year ended 31 December

	Share Capital	Share premium	Treasury shares	Equity-settled employee benefits reserve	Foreign currency translation reserve	Retained Earnings	Attributable to equity holders of the parent	Total
Balance on 1 January, 2008								
As previously reported	25,274	15,115	-2,958	197	1,890	-15,385	24,133	24,133
Net loss 2008						-13,489	-13,489	-13,489
Other comprehensive income for the year					-2,613		-2,613	-2,613
Total comprehenisve income for the year	*0*	*0*	*0*	*0*	*-2,613*	*-13,489*	*-16,102*	*-16,102*
Recognition of share-based payments				3			3	3
Balance on 31 December, 2008	**25,274**	**15,115**	**-2,958**	**200**	**-723**	**-28,874**	**8,034**	**8,034**
Balance on 1 January, 2009								
As previously reported	25,274	15,115	-2,958	200	-723	-28,874	8,034	8,034
Net loss 2009						-8,053	-8,053	-8,053
Other comprehensive income for the year					2,560	216	2,776	2,776
Total comprehenisve income for the year	*0*	*0*	*0*	*0*	*2,560*	*-7,837*	*-5,277*	*-5,277*
Recognition of share-based payments				0			0	0
Balance on 31 December, 2009	**25,274**	**15,115**	**-2,958**	**200**	**1,837**	**-36,711**	**2,758**	**2,758**

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

Consolidated statement of cash flows

		Year ended 31 December	
(Thousands of EUR)	Notes	**2009**	**2008**
Cash flows from operating activities			
Cash flows generated from operations	33	10,273	-950
Interest paid		-1,753	-2,539
Taxes paid		-40	-328
Net cash generated by / (used in) operating activities		**8,480**	**-3,817**
Cash flows from investing activities			
Payments to acquire financial assets	20	-112	0
Interest received		172	443
Proceeds from repayment of loans and other non-current receivables		-35	374
Payments for property, plant and equipment	16	-674	-1,981
Proceeds from disposal of property, plant and equipment	16	179	149
Payments for intangible assets	18	-479	-772
Development costs paid	9	-1,913	-1,697
Proceeds from disposal of business - net of cash disposed off	3	-2,116	0
Net cash (used in) / generated by investing activities		**-4,978**	**-3,484**
Cash flows from financing activities			
Payments for debt issue costs		-100	0
Proceeds from borrowings	26	3,500	1,921
Repayment of borrowings	26	-1,216	-892
Net cash received / (used) in financing activities		**2,184**	**1,029**
Net (decrease)/increase in cash and cash equivalents		**5,686**	**-6,272**
Movement in cash and cash equivalents			
At start of the year		-1,832	4,591
Increase / (decrease)		5,686	-6,272
Effect of exchange rate changes on the balance of cash held in foreign currencies		377	-151
At the end of the year		**4,231**	**-1,832**
Total Cash and cash equivalents	24	5,529	3,850
(Bank overdrafts)	26	-1,300	-467
(Bank borrowings)	26	0	-5,214
Net cash and cash equivalents at the end of the year		**4,229**	**-1,831**

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

VALUATION RULES

Zenitel (the “Company” or the “Group”) is a limited liability company domiciled in Belgium. The consolidated financial statements of the company for the year ended 31 December 2009 comprise the company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and jointly controlled entities. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Group are described in this annual report.

The financial statements were authorized for issue by the directors on March 23rd, 2010.

BASIS OF PREPARATION

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

CHANGES IN PRESENTATION COMPARED TO PREVIOUS YEAR

As a result of the divestments in 2009, the results of discontinued operations have been presented in one line in the consolidated income statements (Profit/(Loss) from discontinued operations). In order to present comparable figures, this presentation was also applied to the comparative figures. As a result the presentation of the comparative 2008 figures differs from the previously published figures.

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Application of new IFRS

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2009, all of which were endorsed by the European Union.

The following standards became applicable for 2009:

- IFRS 1 First-time Adoption of International Financial Reporting Standards (applicable for accounting years beginning on or after 1 January 2009)
- IFRS 8 Operating Segments (applicable for accounting years beginning on or after 1 January 2009)
- 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.
- Improvements to IFRS (2007-2008) (normally applicable for accounting years beginning on or after 1 January 2009)
- Amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements (normally prospective application for annual periods beginning on or after 1 January 2009)
- Amendment to IFRS 2 Vesting Conditions and Cancellations (applicable for annual periods beginning on or after 1 January 2009).
- Amendment to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments (applicable for accounting years beginning on or after 1 January 2009)
- Amendment to IAS 23 Borrowing Costs (applicable for accounting years beginning on r after 1 January 2009)
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable financial instruments and obligations arising on liquidation (annual periods beginning on or after 1 January 2009).
- IFRIC 13 Customer Loyalty Programmes (applicable for accounting years beginning on or after 1 July 2008)
- IFRIC 16 Hedges of a net investment in a foreign operation (applicable for accounting years beginning on or after 1 October 2008)

- IFRIC 18 Transfers of Assets from Customers (applicable for Transfers received on or after 1 July 2009)
- Amendment to IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement (applicable for accounting years ending on or after 30 June 2009)

IFRS 7 Financial Instruments: Disclosures and IFRS 8 Operating Segments were already early adopted previously and did therefore not result in significant changes compared to the previous year financial statements. IAS 1 Presentation of Financial Statements was adopted in 2009 resulting in a new statement of comprehensive income. The other abovementioned standards and interpretations did not have a significant impact on the fincancial statements of Zenitel.

Application of new IFRS rules

- 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 July 2009). This Standard replaces IFRS 3 Business Combinations as issued in 2004.
- IFRS 9 Financial Instruments (applicable for annual periods beginning on or after 1 January 2013).
- Improvements to IFRS (2008-2009) (normally applicable for accounting years beginning on or after 1 January 2010).
- Amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards – Additional exemptions (applicable for annual periods beginning on or after 1 January 2010).
- Amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards – IFRS 7 exemptions (applicable for annual periods beginning on or after 1 July 2010).
- Amendment to IFRS 2 Share-based Payment (applicable for annual periods beginning on or after 1 January 2010).
- Amendment to IAS 24 Related Party Disclosures (applicable for annual periods beginning on or after 1 January 2011). This Standard supersedes IAS 24 Related Party Disclosures as issued in 2003.
- 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).
- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (applicable for annual periods beginning on or after 1 February 2010)
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (applicable for annual periods beginning on or after 1 July 2009).
- IFRIC 15 Agreements for the construction of real estate (applicable for accounting years beginning on or after 1 January 2010)
- IFRIC 17 Distributions of Non-cash Assets to Owners (applicable for accounting years beginning on or after 1 July 2009)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual periods beginning on or after 1 July 2010)
- Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement (applicable for annual periods beginning on or after 1 January 2011)

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

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The cost of an acquisition is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group at the date of exchange, in exchange for control of the acquiree, plus any costs directly attributable to the acquisition. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date, except for non-current assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less cost to sell. The excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized, is recorded as goodwill. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

INVESTMENTS IN ASSOCIATES

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

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

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

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

INTERESTS IN JOINT VENTURES

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

Foreign currencies

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

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

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

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

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

Intangible assets

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

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

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

INTERNALLY GENERATED INTANGIBLE ASSETS - RESEARCH AND DEVELOPMENT EXPENDITURE
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognized in the income statement as an expense as incurred.

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

Goodwill

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

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

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

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

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

Tangible assets

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

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

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

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

Industrial buildings:	40 years
Office buildings:	50 years
Machines-tools and heavy equipment:	10 years
Network infrastructure	7-10 years
Electronic measuring appliances:	5 years
Quality control appliance:	10 years
Workshop and laboratory equipment:	4 years
Furniture in industrial buildings:	10 years
Vehicles - cars:	4-5 years
Vehicles - trucks:	4 years
Office furniture:	10 years
EDP (hardware):	3 years
Facilities for the staff:	10 years

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

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

Borrowing costs directly attributable to the acquisition, construction or production of an asset requiring a long preparation are included in the cost of this asset.

Leasing

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

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

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

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

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

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred, except for borrowing costs relating to qualifying assets.

Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 27, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Group's policy is to borrow centrally, using a mixture of long term and short term capital market issues and borrowing facilities, to meet the anticipated funding requirements. These borrowings together with cash generated from operations, are on-lent or contributed as equity to certain subsidiaries.

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

Inventories

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

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

Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Contracts in progress

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

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

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

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

Contract revenue
Contract revenue comprises:

- The initial amount of revenue agreed in the contract; and
- Variations in contract work, claims and incentive payments; to the extent that:
  - It is probable the they will result in revenue; and
  - They are capable of being reliably measured.

Contract costs
Contract costs comprise:

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

Financial instruments

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

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

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

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

OTHER RECEIVABLES AND FINANCIAL ASSETS RELATED TO DIVESTMENTS

In 2009 the Company sold its MCCN network operations in Belgium and The Netherlands. The transaction price of this divestment equalled EUR 1.1 million of which EUR 300K was received at the time of signing. The remaining payments are due within 2 years after the transaction date, based on a fixed payment schedule. Next to this fixed price there is also a contingent part, which is based on new subscriptions from current customers that would come up onto the network until September 2014 (limited to maximum 2000 users) . The buyer has possibility to buy off this contingent part of the price at any time during this 5 year period ending in September 2014. With respect to the contingent part of the proceeds, income has already been recognized in the 2009 financial statements based on the assumption that there will be no users growth and that the current customer contracts will be extended until Sept 2014 (no churn). Both the fixed price as the contingent part of the proceeds from the sale of the MCCN operations have been included in the financial assets line of the financial statements and are further disclosed in note 20 to these financial statements.

CASH AND CASH EQUIVALENTS

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

FINANCIAL LIABILITIES AND EQUITY

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

BANK BORROWINGS

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

TRADE PAYABLES

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

EQUITY INSTRUMENTS

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Certain forward exchange rate transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair

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value of forward exchange rate contracts that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

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

Non-current assets held for sale

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

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

Government Grants

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

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

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

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

Provisions

Provisions are recognized in the balance sheet when:

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

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

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

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

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

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

Revenue Recognition

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

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

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

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

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

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

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

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

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

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

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

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

Income taxes

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

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

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

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

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

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

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

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

Employee benefits

Pension obligations

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

The Group’s commitments under defined benefits plans, and the related costs, are valued using the “projected unit credit method” with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses that exceed 10% of the greater of the present value of the Group’s defined benefit obligation and the fair value of plan assets are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

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

Other long-term employee benefits

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

Termination benefits

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

Profit-sharing and bonus plans

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

Employee stock option plans

The Group operates several equity-settled share-based compensation plans. In accordance with IFRS 1, IFRS 2 Share-based Payment has been applied to all equity instruments granted after 7 November 2002 that were unvested as of 1 January 2005.

The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revizes its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercized.

FINANCIAL RISK FACTORS

The financial risk of the Group is limited. However, fluctuations in foreign currency exchange rates on sales and purchases, inter-company loans and interest rate variances are inherent risks in the performance of the business. For 2009, the fluctuation in the Norwegian Kronor (NOK) has given rise to important exchange rate losses. Group entities seek to minimize potential adverse effects of these financial risks on the financial performance from their local businesses. Given the Group's significant borrowing and its current financial position, the Group's interest charges are important.

Financial risk management objectives

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

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

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

Foreign Exchange risks

Zenitel is exposed to fluctuations in exchange rates which may lead to profit or loss in currency transactions. As Zenitel has substantial activities in the United States, Norway and Asia changes in the exchange rate of the USD, the NOK and the SGD against the 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, and SEK.

Transactional foreign currency risk
As much as foreign currency risk on borrowing is concerned, it is the Company's policy to have debt in the subsidiaries as much as possible in the functional currency of the subsidiary. At the same time hedging is put in place for transactions other than the transactions in the functional currency, unless the cost to hedge outweighs the benefits. In 2009 and 2008 the number and value of unhedged transactions that were not in the functional currency of the subsidiaries is small. The transactional currency risk mainly arizes from the open foreign currency positions outstanding of group companies against respectively the Danish Krone, the Swedish Krone, the Norwegian Krone, the US Dollar and the Singaporean Dollar. On the basis of the average volatility during the last five years of these currencies against the Euro for respectively 2009 and 2008, we estimated the reasonably possible changes of exchange rate of these currencies as follows:

1 Euro equals	Closing rate 31 Dec 2009	Possible volatility of rates in %	Rates used for the sensitivity analysis	Closing rate 31 Dec 2008	Possible volatility of rates in %	Rates used for the sensitivity analysis
	2009			2008		
NOK	8.33	1.7%	8.19 - 8.47	9.93	2.6%	9.67 - 10.19
USD	1.43	4.4%	1.37 - 1.50	1.41	6.6%	1.32 - 1.50
SEC	10.32	1.0%	10.21 - 10.42	10.99	1.7%	10.80 - 11.17
SGD	2.01	2.3%	1.97 - 2.06	2.03	2.8%	1.98 - 2.09
DKK	7.44	0.1%	7.44 - 1.03	7.45	0.1%	7.44 - 1.06

If the above-indicated currencies had weakened/strengthened during 2009 by the above estimated changes against the Euro, with all of the other variable held constant, the 2009 and 2008 net result would not have been significantly affected (less than EUR 50 K) both in 2009 and 2008. Neither would there have been a material impact on other components of equity both in 2009 and 2008.

Translational foreign currency risk
Around 92% (2008: 68%) of Zenitel's revenue is generated by subsidiaries, of which the activities are conducted in a currency other than the Euro. A currency translation risk arizes when the financial data of these foreign operations are converted in Zenitel's presentation currency, the Euro.

The foreign currencies in which the main Zenitel subsidiaries operate are the Norwegian Krone, the Swedish Krone, the Danish Krone, the U.S. Dollar, the Singaporean Dollar and the Antillean Guilder. On the basis of the average volatility during the last five years of these currencies against the Euro for respectively 2009 and 2008, we estimated the reasonably possible change of the exchange rate of these currencies against the Euro as follows:

1 Euro equals	Closing rate 31 Dec	Average rate	Possible volatility of rates in %	Rates as used in the sensitivity analysis	
				Possible closing rate	Possible average rate
2009					
Norwegian Krone	8.33	8.71	1.70%	8.19 - 8.47	8.56 - 8.86
Swedisch Krone	10.32	10.61	1.01%	10.21 - 10.42	10.50 - 10.72
Danish Krone	7.44	7.45	0.07%	7.44 - 7.45	7.44 - 7.45
American Dollar	1.43	1.39	4.37%	1.37 - 1.50	1.33 - 1.45
Singaporean Dollar	2.01	2.02	2.25%	1.97 - 2.06	1.98 - 2.07
Antillian Guilder	2.57	2.50	4.66%	2.45 - 2.69	2.38 - 2.62
2008					
Norwegian Krone	9.93	8.31	2.58%	9.67 - 10.19	8.10 - 8.53
Swedish Krone	10.99	9.68	1.71%	10.80 - 11.17	9.51 - 9.85
Danish Krone	7.45	7.46	0.10%	7.44 - 7.46	7.45 - 7.46
American Dollar	1.41	1.48	6.55%	1.32 - 1.50	1.38 - 1.58
Singaporean Dollar	2.03	2.08	2.58%	1.98 - 2.09	2.03 - 2.14
Antillian Guilder	2.54	2.66	6.75%	2.37 - 2.71	2.48 - 2.84

If the Euro had weakened/strengthened during 2009 and 2008 by the above estimated possible changes, against the above listed currencies with all other variables held constant, the 2009 profit would have been EUR 0.02 million or 0.3% of net income higher/lower (2008: EUR 0.06 million or 0.4% of net income) while the translation reserves in equity would have been EUR 0.3 million or 12% of total equity higher/lower (2008: EUR 0.4 million or 5% of total equity).

Credit risks

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

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

The Group has no significant concentration of credit risk. An ageing analysis of the curent trade and other receivables is included in note 23.

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

(millions of Euro)	31 Dec 2009	31 Dec 2008
Finance lease receivables	0.0	1.0
Other financial assets	1.9	0.1
Trade and other receivables	14.0	23.0
Bank deposits	0.4	0.4
	16.3	**24.4**

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

Liquidity risks

Liquidity risk is linked to the evolution of our current assets and current liabilities. The Group monitors the changes in these current assets and liabilities through regular monitoring and ratio-calculation. In order to increase the flexibility in funding, the Group is continuously aiming to increase the available committed credit lines. Further information on the existing lines is given in note 26.

The following table sets forth details of the remaining contractual maturities of financial liabilities as at 31 December, 2009 and 2008.

Millions of Euro	Total	Payment due within one year or less	Payment due later than one year but not later than 5 years	Payment due later than 5 years
31 December 2009				
Bank overdrafts	1.3	1.3	0.0	0.0
Trade payables	16.8	16.8	0.0	0.0
Bank borrowings(1)	14.1	2.1	9.1	3.0
Shareholders' loans	1.5	0	1.5	0.0
Finance lease liabilities(1)	0	0	0.0	0.0
Total	**33.7**	**20.2**	**10.6**	**3.0**
31 December 2008				
Bank overdrafts	2.2	2.2	0.0	0.0
Trade payables	17.6	17.6	0.0	0.0
Bank borrowings(1)	14.7	4.9	7.6	2.2
Shareholders' loans	1.5	1.5	0.0	0.0
Finance lease liabilities(1)	4.8	0.5	2.1	2.1
Total	**40.8**	**26.7**	**9.8**	**4.3**

(1) Including future undiscounted interest payments.

Interest rate risks

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between mixed and floating rate borrowings. As per year end 2009 and 2008, the Group has no interest rate swap contracts or forward interest rate contracts. The following table sets forth details of the remaining outstanding debt as per year end, with their corresponding average interest rates.

Millions of Euro	Outstanding debt 31 December	Interest charge	Average interest rate in %	Possible volatility of rate in %
2009				
Bank overdrafts	1.3	0.1	5.31%	18.7%
Bank borrowings	11.5	0.9	6.87%	18.7%
Shareholders' loans	1.5	0.1	3.99%	18.7%
Finance lease liabilities	0.0	0.0	4.00%	Fixed rate
Other financial liabilities	0.0	0.0	0.00%	NA
Total	**14.3**	**1.1**		

2008				
Bank overdrafts	2.2	1.2	7.14%	4.7%
Bank borrowings	12.3	0.8	7.08%	4.7%
Shareholders' loans	1.5	0.0	5.60%	4.7%
Finance lease liabilities	3.6	0.3	6.96%	Fixed rate
Other financial liabilities	NA	NA	NA	NA
Total	**19.6**	**2.3**		

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

When we apply the reasonably possible increase/decrease in the market interest rate (volatilities as indicated in the table above), with all other variables held constant, 2009 net result would have been EUR 0.06 million lower/higher (2008: EUR 0.06 million lower/higher). The impact on interest income on interest bearing financial assets (such as finance lease receivables and cash deposits) was not included in this calculation as this impact is limited.

The estimated volatilities in 2009 and 2008 as indicated in the table above are based on average deviations of the interest rate during the respective years.

Equity risk

The company holds investments in TetraNet Denmark (0.6%), Bejing Nera Stentofon Comm. Equipment (China) (14%), Zenitel Belgium NV (15%) and Zenitel Netherlands BV (15%). All equity instruments are at costs minus impairments. Please refer to note 20 of these financial statements.

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

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

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

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

Impairment of goodwill and other non current assets

Goodwill arising from acquisitions represents the excess of the cost of the acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. In accordance with IFRS 3, goodwill arising on consolidation is tested annually for impairment or more frequent if there are indications that the goodwill might be impaired, in accordance with IAS 36, Impairment of Assets. This standard also requires that the goodwill should, from the acquisition date, be allocated to each of the cash generating units (CGU's) or groups of cash generating units that are expected to benefit from the synergies of the business combination.

The CGU's to which goodwill has been allocated were tested for impairment at the balance sheet date by comparing the carrying amount of the unit with the recoverable amount (higher of its fair value less cost to sell and its value in use).

In application of the value-in-use method, Zenitel management prepared cash flow forecasts for the CGU or group of CGU's, where the CGU's are considered to be the Company's legal entities or business unit. The key assumptions included in the value in use calculation comprise the discount factor and the projected future net cash flows on products and services. The discount rate applied to cash flow projections is the weighted average cost of capital (WACC) of 10,3% for all CGU's, given their ability to show positive results and stable revenues.

The components for the determination of the WACC are based on sector-specific parameters received from various banks and analysts and taking into account the financial position of Zenitel and historical performance of the individual CGU.

After the divestments in 2009, only 2 CGU's remain in goodwill, being Intercom and Finland.

The numbers used in the cash flow projection, relate to the 2010 budgets which have been submitted by management to the Board.

As from 2011, the following growth rates have been used:

- CGU1: Intercom – 2011: 3.0% - 2012: 3.0% - 2012: 3.0% - 2013 : 2.2% and beyond: sales growth 2.2% and equal to inflation
- CGU2: Finland – 2011: 2.2% - 2012and beyond: sales growth 2.2% and equal to inflation

Sensitivity analysis shows that the following sales growth rates would necessitate goodwill impairments

- CGU1: Intercom: -0.2% sales growth as from 2010
- CGU2: Finland: 2% sales growth as from 2010

CGU1 requires a WACC exceeding 17% and CGU2 requires a WACC exceeding 15%, before a goodwill is impaired.

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

Management also prepared a cash flow forecast for the Caribbean operation which is considered as a separate cash generating unit. This was done in order to assess whether an impairment is required on the main non current assets (other than goodwill and deffered taxes) of the Group. The discount rate applied to the cash flow projection is same the weighted average cost of capital (WACC) of 10.3%. The numbers used in the cash flow projection, relate to the 2010 budget which has been submitted by management to the Board

- CGU3: Carribbean - 2011: 3.0% - 2012 and beyond: sales growth 3.0% and equal to inflation

Sensitivity analysis shows that the following sales growth rates would necessitate goodwill impairments 1% growth as from 2011. CGU3 requires a WACC exceeding 17.5% before the non current assets are impaired.

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

Contingencies

Critical judgement was applied in evaluating and determining the contingent assets and liabilities as further disclosed in note 30.

Going Concern

The statutory balance sheet of Zenitel NV as per 31 December 2009 shows a loss carried forward of EUR 55,6 million. Nevertheless, the board of directors is of the opinion that the application of the existing valuation rules, under going concern is still justified.

With the divestment of loss making and non-core units during 2009, the company is now focused on the Secure Communication Systems area, and the Network in Caribbean. During the year management has been able to renegotiate interest rates and down payment plans both with the company's leading bank and with 3D NV, where the first installment is in September 2010 and the final installment in 2016.

Including restructuring obligations, interest on loans and down payments of loans the company has a financial obligation in 2010 of around EUR 3.9 million gradually reducing to EUR 2.0 million in 2016.

Taking into account that Zenitel's 'Secure Communication Systems' business has grown significantly since 2006, both in terms of turnover as in terms of recurring EBITDA, the company's Board and management feel confident that the business will generate sufficient cash to manage both short term and long term cash needs, and secure the ability to continue as a going concern. The company remains committed to continue the significant investments in developing new products and solution for the intercom market. The actions taken to divest loss making and non core activities prove that the management is able to successfully implement and realize its strategy.

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

Financial Assets

Initial judgement was applied when recognizing the contingent consideration regarding the disposals of subsidiaries/ activities in 2009. Refer to note 3 and note 20 of these financial statements.

1. Revenue

	Year ended 31 December	
(Thousands of EUR)	**2009**	**2008**
Continuing operations		
Revenue from the sale of goods	52,333	55,400
Revenue from the rendering of services	17,780	13,074
Revenue from continuing operations	**70,113**	**68,474**
Discontinued operations		
Revenue from the sale of goods	4,651	9,265
Revenue from the rendering of services	5,482	14,427
Revenue from discontinued operations	**10,133**	**23,693**

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

2. Segment information

Since 2008 the management structure and reporting of Zenitel is organized per key offering and consequently the following segments are included in the Financial Statements: Secure Communication Systems, Networks and System Integration. Earnings are allocated to each segment based on management's primary business focus of each legal entity of the Zenitel group.

Servicing (1) subsidiaries or activities of these servicing subsidiaries have been divested in 2009. We refer to note 3 Divestments.

Segment	Products and services	Location of servicing subsidiaries
Secure Communication Systems	Mainly own products (Intercom)	Norway, Sweden, Finland, Singapore, USA, Italy, France
System Integration	Mainly system integration and third party product distribution	Belgium(1), Denmark, France(1), The Netherlands(1)
Networks	Mainly networks	Belgium(1), Caribbean, The Netherlands(1)

Given the sale of mainly System Integration activities in 2009, management of the Group decided to include the Danish operation into the Secure Communications Systems division as from January 2010. Therefore, as from 2010, Denmark will be included in the Secure Communication Systems segment. As a result, as from 2010 the Zenitel Group will have two main segments: Secure Communications Systems and Networks. The Networks divisions contains then mainly the Chuchubi network operations in the Caribbean.

The segments as reported in these 2009 financial statements are consistent with previous year and with the group management structure in 2008 and 2009.

Revenues from external customers attributed to

	Year ended 31 December					
	Continuing operations		**Discontinued operations**		**Total**	
(Thousands of EUR)	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Belgium (Country of domicile)	0	0	4,567	14,241	4,567	14,241
Norway	27,999	30,811	0	0	27,999	30,811
Netherlands	0	0	4,132	6,547	4,132	6,547
Singapore	11,390	11,042	0	0	11,390	11,042
Other foreign countries	30,724	26,621	1,434	2,905	32,158	29,526
	70,113	**68,473**	**10,133**	**23,693**	**80,246**	**92,166**

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

Non current assets, located in		
	Year ended 31 December	
(Thousands of EUR)	**2009**	**2008**
Belgium (Country of domicile)	193	7,174
Caribbean	4,045	4,713
Netherlands	1,260	3,499
Norway	6,905	5,842
Other foreign countries	1,714	2,043
	14,117	**23,270**

For further information about geographical area's, we refer to note 2.d below.

There is only one customer whose net sales in 2009 and whose net trade accounts receivable position as at year end 2009 amounts to about 7.5% of the group net sales and receivables. All other customers account for less than 5% of the Group's total net sales and trade accounts receivable. The largest customers account for approximately 7.5%, 2.4% and 1.8% respectively of Group net sales in 2009. The highest amounts of trade accounts receivable outstanding are approximately 7.5%, 3.1% and 2.3% respectively of the Group's accounts receivable at December 31, 2009.

2.a Segment assets and segment liabilities

	Assets		Liabilities	
(Thousands of EUR)			Year ended December 31	
	2009	**2008**	**2009**	**2008**
System Integration	6,646	20,006	5,560	23,839
Networks	7,633	11,151	7,427	8,475
Secure Communication Systems	31,421	31,054	12,781	13,736
Unallocated	554	7,323	17,730	15,452
Consolidated	**46,255**	**69,535**	**43,497**	**61,501**

Unallocated assets as per December 2008 mainly related to the leased head office building (EUR 5.8 million), cash deposits (EUR 0.2 million) and other intangible assets (EUR 0.2 million) .

Given the sale of the real estate activities in Belgium by Zenitel NV, the unallocated assets decreased significantly in 2009.

Unallocated liabilities consist mainly of the group borrowings contracted by Zenitel NV (refer to note 26) and by pension obligations and provisions related to reorganization and other risks and liabilities included in Zenitel NV.

2.b Information on geographical regions

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

Revenue from external customers							Segment assets		Additions to non-current assets	
	Continuing operations		**Discontinued operations**		**Total operations**					
(Thousands of EUR)									Year ended 31 December	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Europe	50,425	49,646	10,133	23,693	60,558	73,338	33,460	47,493	565	1,961
Asia	11,390	11,042	0	0	11,390	11,042	5,524	6,905	24	49
Americas	8,298	7,787	0	0	8,298	7,787	6,723	7,814	558	604
Other countries	0	0	0	0	0	0	0	0	0	0
Unallocated	0	0	0	0	0	0	548	7,323	119	139
Consolidated	**70,113**	**68,474**	**10,133**	**23,693**	**80,246**	**92,166**	**46,255**	**69,535**	**1,266**	**2,753**

2. c Segment revenues and segment results

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

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

CO = Continuing Operations DO = Discontinued Operations	Segment revenue		Recurrent EBITDA(1)		One time items		Segment result(2)	
(Thousands of EUR)						Year ended 31 December		
	2009	2008	2009	2008	2009	2008	2009	2008
System Integration (CO)	13,687	9,179	824	-294	-1,976	-766	-1,478	-196
System Integration (DO)	9,359	23,298	-1,147	-3,688	1,481	-1,779	253	-9,984
System Integration	**23,046**	**32,477**	**-322**	**-3,983**	**-495**	**-2,545**	**-1,225**	**-10,180**
Networks (CO)	4,090	3,932	1,185	1,085	-11	-96	-101	-79
Networks (DO)	247	12	-612	-1,427	0	-125	-1,058	-2,012
Networks	**4,337**	**3,944**	**573**	**-343**	**-11**	**-221**	**-1,159**	**-2,091**
SCS (CO)	52,336	55,364	4,543	4,683	-45	127	3,356	3,239
SCS (CO)	527	382	77	-432	0	-34	53	-561
Secure Communication Systems (SCS)	**52,863**	**55,746**	**4,620**	**4,251**	**-45**	**94**	**3,409**	**2,678**
Total (CO)	70,113	68,474	6,552	5,473	-2,032	-735	1,778	2,964
Total (DO)	10,133	23,693	-1,681	-5,547	1,481	-1,938	-752	-12,557
ALL SEGMENTS	**80,246**	**92,167**	**4,871**	**-74**	**-551**	**-2,673**	**1,026**	**-9,593**

	2009	2008
Unallocated recurrent operating expenses excluding depreciation	-1,778	-1,649
Unallocated depreciation	-54	-116
Unallocated impairment of goodwill	0	0
Unallocated one time items	-1,324	15
Unallocated operating expenses (CO)	**-3,156**	**-1,750**
Management and license fees charged to discontinued operations	0	-1,135
Unallocated recurrent operating expenses excluding depreciation	269	231
Unallocated depreciation	-190	-227
Unallocated impairment of goodwill	0	-504
Unallocated one time items	-138	0
Unallocated operating expenses (DO)	**-59**	**-500**
Net loss on disposal of subsidiaries	**-3,040**	**0**
Operating profit /(loss) (CO)	-1,378	78
Operating profit /(loss) (DO)	-3,851	-13,057
TOTAL OPERATING PROFIT / (LOSS) - EBIT	**-5,229**	**-12,979**
Financial results (CO)	-2,264	329
Financial results (DO)	-480	-504
Total financial results	-2,744	-176
Income tax expense (CO)	-22	703
Income tax expense (DO)	-58	-1,038
Total income tax expenses	-80	-335
Profit / (loss) for the period (CO)	-3,664	1,110
Profit / (loss) for the period (DO)	-4,389	-14,600
TOTAL PROFIT / (LOSS) FOR THE PERIOD	**-8,053**	**-13,490**

Revenue reported above represents revenue from external customers. Inter segment sales amounted to EUR 1,560 K (2008: EUR 4,170K).

The unallocated recurrent operating expenses in 2009 consist of the costs included in the support center Zenitel NV (holding costs). These costs relate to the operating expenses for corporate marketing, product management, product development for the different product lines of Zenitel and relate to the other holding costs, such as publications, stock exchange, controlling and general management together with EUR 0.2 million depreciation and amortization costs.

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

2.d Other segment information

Depreciation, amortisation and goodwill impairments							Additions to non-current assets	
Year ended 31 December (Thousands of EUR)	**Continuing operations**		**Discontinued operations**		**Total operations**			
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
System Integration	212	156	90	3,208	301	3,364	333	425
Networks	1,096	1,019	427	423	1,523	1,443	636	1,511
Secure Communication Systems	683	663	25	56	708	719	338	678
Unallocated	244	344	0	504	244	847	97	139
Consolidated	**2,234**	**2,182**	**541**	**4,192**	**2,775**	**6,373**	**1,403**	**2,753**

3. Discontinued operations

Following the strategic reorientation of the Group towards the profitable activities, comprising the Secure Communication Systems operations (including the Danish operations) and the Caribbean networks operations, the following subsidiaries or activities were disposed of in 2009:

Disposal of 85% of Zenitel Belgium NV and disposal of the rail activities of Zenitel Wireless France SA
On 29 May 2009, the Group closed the sale of 85% of its stake in its Belgian subsidiary, Zenitel Belgium NV, together with the rail activities of Zenitel Wireless France SA to Crescent NV, a Belgian company. Zenitel Belgium NV and the activities of Zenitel Wireless France SA have been deconsolidated as from 1 May 2009, on which date control of the sold activities passed to the acquirer.

The cash proceeds amounted to EUR 300K. A loan of EUR 2.200K was taken over by the buyer. The buyer also provided a counter guarantee of EUR 2.8 million for bank guarantees closed by the Group in favor of Zenitel Belgium NV and the rail activities of Zenitel Wireless France. As per the sales agreement these guarantees will be gradually taken over by the buyer during the two years following the transaction date. Additional guarantees given by the buyer relate to a going concern guarantee, a commission if a specific contract is obtained by Zenitel Belgium and rights on surplus values in case of a sale of Zenitel Belgium within 36 months of the transaction date . On the other hand the Zenitel Group kept specified restructuring obligations and the risk relating to specified claims. We refer to the tables below for the accounted loss/profit on the sales transaction.

Disposal of 100% of Confined Area Solutions AB (former Zenitel Radioteknik AB)
On 24 June 2009, the Group sold 100% of the shares it's Swedish subsidiary Confined Area Solutions AB to Wireless Holding ApS, a Danish company, specialized in analog/digital radio equipment. Confined Area Solutions AB was deconsolidated as from 30 June 2009, on which date controls of the sold subsidiary passed to the acquirer. The cash proceeds for the shares amounted to one Euro and Zenitel Norway AS forgave EUR 16K of debt to Confined Area Solutions AB. The buyer provided a going concern guarantee and contingent future commission fee for sales of CAS AB to Zenitel entities amounting up to maximum EUR 400K starting as from January 1, 2010. Given the uncertain character of the future proceeds, these were not yet recognized yet in the 2009 income statement. We refer to the tables below for the accounted loss/profit on the sales transaction.

Disposal of 85% of Zenitel Netherlands BV
On 21 August 2009, the Group closed the sale of 85% of its stake in its Dutch subsidiary, Zenitel Netherlands BV, to Crescent NV. Zenitel Netherlands BV was deconsolidated as from 30 June 2009, on which date control passed to the acquirer.

The cash proceeds for the shares amounted to one Euro and the buyer took over EUR 900K of loan. All bank guarantees in favor of Zenitel Netherlands have been taken over by the buyer by 31 december 2009, a going concern guarantee is given by the buyer and Zenitel is entitled to part of the surplus values in case of a sale of Zenitel

Netherlands BV within 36 months of the transaction date. We refer to the tables below for the accounted loss/profit on the sales transaction.

Disposal of MCCN network activities in The Netherlands and in Belgium

On 15 October 2009, the network infrastructure assets and customer contracts of MCCN NV and MCCN BV (Mission Critical Communication Networks) were sold to Entropia Networks NV, a Belgian network operator with activities in Belgium and The Netherlands.

The transaction price is equal to EUR 1.1 million of which EUR 300K was received at the time of signing. The remaining payments are due within 2 years after the transaction date, based on a fixed payment schedule. Next to this fixed price, there is also a contingent part which is based on new subscriptions from current customers that would come onto the network until September 2014 (limited to maximum 2000 users) . The buyer has the possibility to buy off this contingent part of the price at any time during this 5 year period ending in September 2014. With respect to the contingent part of the proceeds, income has already been recognized in the 2009 financial statements based on the assumption that there will be no users growth and that the current customer contracts will be extended until Sept 2014 (no churn). The total amount of contingent proceeds that have been recognised based on this assumption amounts to EUR 877K. We refer to note 20 for further disclosures on the proceeds arising from the sale of MCCN assets and contracts. We refer to the tables below for the accounted loss/profit on the sales transaction.

Disposal of real estate activity regarding headquarters building in Zellik

On 12 November 2009 Zenitel NV sold its real estate activities regarding the headquarters building in Zellik (Belgium) to 3D NV, a Belgian company and shareholder of Zenitel NV. An impairment loss of EUR 1.130 K was recognized in first half of 2009 upon reclassification of the building activities to assets held for sale. Total cash proceeds of sale amounted to EUR 1.720K together with a transfer of EUR 3.5 million leasing debts to the buyer. Zenitel has given warrantees with respect to VAT, tax and other claims and committed itself to continue renting part of the building for an agreed period and amount. The rent is determined on an at arms' lenght basis limited to EUR 60 K per year. We refer to the tables below for the accounted loss/profit on the sales transaction.

Profit / (Loss) from discontinued operations

The results of the sold subsidiaries and activities until the date of the transfer of control and the realized gains or losses upon each disposal have been included in the income statement as profit / (loss) from discontinued operations. In the following tables further details are given with respect to operating results of each sold operation and with respect to each disposal transaction.

(Thousands of EUR) — For the twelve months ended December 31, 2009

2009	Activities Belgium and France[1]	Sweden[2]	The Netherlands[3]	MCCN[4]	Total
The profit (loss) for the period from the discontinued operation is analysed as follows					
Profit / (loss) of the operation for the period	828	47	(793)	(1,431)	(1,349)
Profit / (loss) on disposal	(815)	(662)	924	(2,487)	(3,040)
	12	**(615)**	**132**	**(3,918)**	**(4,389)**
The results of the operations for the relevant period were as follows					
Revenues (external)	5,444	527	3,914	247	10,133
Operating costs	(4,435)	(475)	(4,730)	(1,305)	(10,945)
Finance costs	(124)	(6)	23	(373)	(479)
Profit / (loss) before tax	**886**	**47**	**(793)**	**(1,431)**	**(1,291)**
Income tax (charge) / credit	(58)	0	0	0	(58)
Profit / (loss) after tax	**828**	**47**	**(793)**	**(1,431)**	**(1,349)**
The net assets at the date of the disposal and the realized profit / (loss) upon disposal were as follows					
Net assets disposed of	4,106	662	2,916	3,682	11,365
Attributable goodwill	0	0	0	0	0
	4,106	**662**	**2,916**	**3,682**	**11,365**

(Continued)

2009	Activities Belgium and France(1)	Sweden(2)	The Netherlands(3)	MCCN(4)	Total
Profit / (loss) on disposal	**(815)**	**(662)**	**924**	**(2,487)**	**(3,040)**
Net consideration (including lawyer fees an additional provisions)	**3,290**	**0**	**3,840**	**1,195**	**8,325**
Lawyers' fees and additional provisions on transaction	761	0	49	755	1,566
Deferred consideration	0	0	0	(1,646)	(1,646)
Satisfied by cash and net inflow on disposal	**4,052**	**0**	**3,889**	**304**	**8,245**
The cash flow from discontinued operations can be summarized as follows					
Net cash inflow / (outflow) from operating activities	7	213	(730)	(1,741)	(2,251)
Net cash inflow / (outflow) from investing activities	(2,237)	57	849	165	(1,166)
Net cash inflow / (outflow) from financing activities	(243)	(286)	0	0	(529)
Net cash flow	**(2,473)**	**(16)**	**119**	**(1,576)**	**(3,946)**

(1) Activities Belgium and France refer on the one hand to Zenitel Belgium NV and the activities of Zenitel WS France SA that were divested in 2009 . The presented figures for the twelve months ended December 31, 2009 refer to the period from January till April 2009 with respect to the operations of Zenitel Belgium NV and WS France SA. On the other hand the real estate activities regarding the headquarters building in Zellik are included . The real estate activities' operating figures of the period from January till November 11, 2009 are included in the presented figures for the twelve months ended December 31, 2009 . The presented figures for the 12 months ended December 31, 2008 refer to the period from January 2008 till December 2008 for all divested entities and activities.

(2) Sweden: refers to Confined Area Solutions AB (previously named Zenitel Radioteknik AB). The presented figures for the twelve months ended December 31, 2009 refer to the period from January till June 2009.The presented figures for the 12 months ended December 31, 2008 refer to the period from January 2008 till December 2008.

(3) The Netherlands: refers to Zenitel Netherlands BV. The presented figures for the twelve months ended December 31, 2009 refer to the period from January till June 2009. The presented figures for the 12 months ended December 31, 2008, refer to te period from January 2008 till December 2008

(4) MCCN: refers to the network activities of MCCN BV and MCCN NV. The presented figures for the twelve months ended December 31, 2009 refer to the period from January till September 2009. The presented figures for the 12 months ended December 31, 2008, refer to te period from January 2008 till December 2008.

2008	Activities Belgium and France(1)	Sweden(2)	The Netherlands(3)	MCCN(4)	Total
(Thousands of EUR)	For the twelve months ended December 31, 2008				
The profit (loss) for the period from the discontinued operation is analysed as follows					
Profit / (loss) of the operation for the period	(9,973)	(340)	(1,861)	(2,426)	(14,599)
Profit / (loss) on disposal	0	0	0	0	0
	(9,973)	**(340)**	**(1,861)**	**(2,426)**	**(14,599)**
The results of the operations for the relevant period were as follows					
Revenues (external)	16,762	382	6,536	12	23,693
Operating costs	(25,325)	(943)	(8,457)	(2,024)	(36,749)
Finance costs	(509)	221	198	(414)	(504)
Profit / (loss) before tax	**(9,072)**	**(340)**	**(1,723)**	**(2,426)**	**(13,561)**
Income tax (charge) / credit	(901)	0	(137)	0	(1,038)
Profit / (loss) after tax	**(9,973)**	**(340)**	**(1,861)**	**(2,426)**	**(14,599)**
The cash flow from discontinued operations can be summarized as follows					
Net cash inflow / (outflow) from operating activities	(4,206)	(24)	(1,946)	(2,357)	(8,533)
Net cash inflow / (outflow) from investing activities	0	0	160	(940)	(780)
Net cash inflow / (outflow) from financing activities	9,214	546	(2,000)	0	7,760
Net cash flow	**5,008**	**522**	**(3,786)**	**(3,297)**	**(1,553)**

4. Other gains and losses

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Continuing operations		
Rental income	6	0
Costs recovered from third parties	425	35
Reversal of sundry accruals	0	415
Others	38	0
Total other operating income	**469**	**450**

5. Raw materials and consumables used

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Continuing operations		
Supplies	31,037	33,141
Subcontractors	1,103	-20
Changes in inventories of finished goods and work in progress	1,200	-177
Other	1,824	1,122
Total raw materials and consumables used	**35,164**	**34,066**

6. Employee benefits expenses

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Continuing operations		
Wages and salaries	16,056	16,532
Social security costs	2,061	2,239
Reorganization expenses	1,113	-119
Other employee benefits	808	972
Short term employee benefits	**20,038**	**19,625**
Termination benefits	**55**	**406**
Pension costs - defined contribution plans	1,481	501
Pension costs - defined benefit plans	-137	642
Pension costs	**1,344**	**1,143**
Share based compensation	**0**	**3**
TOTAL EMPLOYEE BENEFITS EXPENSES	**21,437**	**21,177**
Average number of employees - continuing operations	**292**	**290**
Workers	0	0
Employees	279	276
Management	13	14
Average number of employees - Continuing and discontinued operations	**356**	**461**
Workers	0	0
Employees	340	443
Management	16	18

Total reorganization costs relating to continuing operations in 2009 amount to EUR 1.4 million of which EUR 1.2 million are included in the Employee benefits expenses and EUR 0.2 million are included in Consulting expenses. EUR 55K of these continuing reorganization employee benefits expenses were already paid in 2009 and are shown in the termination benefits line of the table above. We refer to note 28 Provisions of these financial statements for more details on the reorganization provision.

In 2008 total reorganization costs relating to continuing operations amounted to EUR 0.3 million, all included in the Employee benefits expenses .

7. Facility expenses

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Continuing operations		
Housing costs (rent & utilities)	1,765	1,708
Telecom expenses	657	676
Insurances	378	381
Other facility costs	1,621	1,589
Total other expenses	**4,421**	**4,354**

8. Other expenses

(Thousands of EUR)		Year ended 31 December	
	Notes	**2009**	**2008**
Continuing operations			
Advertising, publicity and fairs		519	709
Travel & related costs		1,173	1,328
Car expenses		1,077	1,122
Other		311	344
Additional provisions for old projects and claims		1,767	0
Total other expenses		**4,847**	**3,504**

9. Research & development costs

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Continuing operations		
Research and development costs	1,913	1,697

Whereof EUR 1,748 K (EUR 1,529K in 2008) were included in the Employee benefits expense (Wages and salaries). Besides these expensed research & development costs, EUR 185 K were capitalized in 2009 (EUR 511K in 2008).

10. Finance income

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Continuing operations		
Interest on bank accounts	49	388
Interest on financial leases	1	0
Other (aggregate of immaterial items)	29	212
	79	**600**

11. Finance costs

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Continuing operations		
Interest on bank overdrafts and loans	1,069	1,987
Interest on obligations under finance lease	1	3
Other financial charges	96	173
Total finance costs	**1,166**	**2,163**

The weighted average interest rate on funds borrowed generally is 6.6% per annum (2008: 8.3% per annum).

12. Net foreign exchange gains / (losses)

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Continuing operations		
Foreign exchange rates losses	-1,377	-729
Other (both realized and unrealized)	-1,377	-729
Foreign exchange rate gains	199	2,620
Other (both realized and unrealized)	199	2,620
Net foreign exchange gains / (losses)	**-1,178**	**1,891**

13. Income taxes

(Thousands of EUR)		Year ended 31 December	
	Notes	**2009**	**2008**
Current tax expense / (income)		-74	242
Adjustments recognized in the current year in relation to current tax of prior years		136	0
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	14	-40	17
Effect of changes in tax rates and laws		0	0
Write-downs (reversals of previous write-downs) of deferred tax assets		0	-962
Total income tax expense/(income) relating to continuing operations		**22**	**-703**

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

Loss before tax	-3,642	406
Tax calculated at tax rate of 33.99%	-1,238	138
Effects of:		
- Different tax rates in other countries	-238	-6
- Adjustments recognized in the current year in relation to current tax of prior years	136	
- Income not subject to tax	-193	-312
- Expenses not deductible for tax purposes	194	376
- Utilization of previously unrecognized tax losses	-945	-1,354
- Reversal of previous write-downs of tax assets as tax losses	-	-962
- Unrecognized tax losses of the current year	2,306	1,417
Total income tax expense/(income) relating to continuing operations	**22**	**-703**

The tax rate used for the 2009 and 2008 reconciliation is the corporate tax rate of 33.99% payable by corporate entities in Belgium on taxable profits under tax law in that jurisdiction

No income tax has been recognized directly in equity or in oter comprehensive income in 2009, neither in 2008.

14. Deferred income taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 28.0% (2008: 29.5 %). This percentage being the weighted average rate of the countries in which deferred taxes were recognized.

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

The deferred income tax asset relates to a part of the tax losses carried forward of Zenitel Norway AS.

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

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
At the beginning of the year		
- deferred tax liability	-	-
- deferred tax asset	-1,943	-2,377
Exchange differences	-369	427
Income statement (credit)/charge	40	7
Other changes	-	-
At the end of the year	**-2,272**	**-1,943**
Recognized in the balance sheet as		
- deferred tax liability	13	-
- deferred tax asset	-2,285	-1,943

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

Deferred tax liabilities	on net PBO assets	Accelerated tax depreciation	Provisions	Leasing	Goodwill	Other	Total
(Thousands of EUR)							
At December 31, 2007	**201**	**12**	**0**	**175**	**1,402**	**10**	**1,800**
Charged/(credited) to P/L	-14	-4		9	-913	4	-918
Other changes							0
Exchange differences					-95	1	-94
At December 31, 2008	**187**	**8**	**0**	**184**	**394**	**15**	**788**
Charged/(credited) to P/L	0	7	0	0	0	-14	-7
Other changes	-187	0	0	-184	0	0	-371
Exchange differences	0	0	0	0	76	-1	75
At December 31, 2009	**0**	**15**	**0**	**0**	**470**	**0**	**485**

Deferred tax assets	Net PBO liabilities	Impairments	Tax losses	Provisions	Depreciation	Other	Total
(Thousands of EUR)							
At December 31, 2007	**-154**	**-405**	**-3,004**	**-124**	**-454**	**-36**	**-4,177**
Charged/(credited) to P/L	-3	34	1,150	104	69	-429	925
Other changes							0
Exchange differences	31	64	326	7	78	15	521
At December 31, 2008	**-126**	**-307**	**-1,528**	**-13**	**-307**	**-450**	**-2,731**
Charged/(credited) to P/L	0	44	0	0	0	3	47
Other changes	0	0	0	0	0	371	371
Exchange differences	-24	-51	-294	-2	-59	-14	-444
At December 31, 2009	**-150**	**-314**	**-1,822**	**-15**	**-366**	**-90**	**-2,757**

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

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Deferred tax assets	-2,285	-1,943
Deferred tax liabilities	13	-
	-2,272	**-1,943**

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

Company		
(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Zenitel NV	42,410	31,703
Zenitel Devlonics	16,439	16,579
MCCN NV	60	270
Zenitel Caribbean	1,893	1,978
Zenitel Wireless France	3,196	5,565
Zenitel CSS France	2,058	1,988
Zenitel Finland	805	607
Zenitel Denmark	7,818	8,455
Zenitel Wireless Norway (Tetranor)	5,745	4,342
Zenitel Italy	705	258
Zenitel USA	431	
Sold subsidiaries (refer to note 3 Divestments)	-	66,407

Tax losses carried forward as per year end 2009 indicated in the table above do not have an expiry date. Tax losses carried forward as per year end 2008 had no expriry date, except for the tax losses carried forward of Zenitel Netherlands (expiring between 2011 and 2017), included in the Sold subsidiaries line of the table above.

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

Company		
(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Zenitel NV	5,295	1,722
Zenitel Devlonics	176	18
MCCN NV	0	270
MCCN BV	0	1,788
Zenitel Finance Netherlands	231	4,057
Zenitel Caribbean	574	-
Zenitel Wireless France	0	2,820
Zenitel CSS France	70	-
Zenitel Finland	199	-
Zenitel Denmark	0	940
Zenitel Wireless Norway	0	190
Zenitel Marine Sweden	35	-
Zenitel Italy	98	258
Zenitel Colsys	0	147
Zenitel USA	107	-
Sold subsidiaries (refer to note 3 Divestments)	-	7,011
	6,786	**19,221**

15. Earnings per share

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

	Year ended 31 December	
	2009	**2008**
Basic earnings per share	**-0.49**	**-0.82**

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

Net profit/(loss) attributable to shareholders (thousands of EUR)	-8,053	-13,489
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures) - See note 32	16,441,309	16,441,309

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

	Year ended 31 December	
	2009	**2008**
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures) - See note 32	16,441,309	16,441,309
Adjustments for warrants	-	-
Weighted average number of ordinary shares for diluted earnings per share	16,441,309	16,441,309
Diluted earnings per share	**-0.49**	**-0.82**

For 2009 and 2008, no dilutive effect because of the negative net result for these periods.

16. Property, plant and equipment

	Land & buildings	Installations & machinery	Furniture, fixtures & vehicles	Other tangible assets	Total
(Thousands of EUR)					
Cost or valuation					
Balance as at 1 January 2008	**6,779**	**4,349**	**6,462**	**12,598**	**30,188**
Additions		203	162	1,616	1,981
Disposals		-1	-74	-123	-198
Net foreign currency exchange differences	3	-406	-380	225	-558
Balance as at 1 January 2009	**6,782**	**4,145**	**6,170**	**14,316**	**31,413**
Additions	81	77	98	668	924
Disposals	0	-537	-762	-72	-1,371
Transfer from one heading to another	0	0	-4	0	-4

(Continued)

	Land & buildings	Installations & machinery	Furniture, fixtures & vehicles	Other tangible assets	Total
Reclassified as assets held for sale	0	0	0	0	0
Disposals through sale of subsidiaries & activities	-6,782	-976	-1,577	-6,507	-15,842
Net foreign currency exchange differences	0	336	301	-59	578
Balance as at 31 December 2009	**81**	**3,045**	**4,226**	**8,346**	**15,699**
Accumulated depreciation and impairment					
Balance as at 1 January 2008	**-836**	**-3,952**	**-5,491**	**-3,726**	**-14,005**
Depreciation expense	-136	-171	-343	-1,497	-2,147
Eliminated on disposals of assets		9	63	21	93
Net foreign currency exchange differences	-3	407	383	-45	742
Balance as at 1 January 2009	**-975**	**-3,707**	**-5,388**	**-5,247**	**-15,317**
Depreciation expense	-101	-118	-330	-1,551	-2,100
Eliminated on disposals of assets	0	451	616	0	1,067
Transferred from one heading to another	0	0	11	2	13
Reclassified as assets held for sale	0	0	0	0	0
Disposals through sale of subsidiaries & activities	995	853	1,539	2,319	5,706
Net foreign currency exchange differences	0	-329	-294	6	-617
Balance as at 31 December 2009	**-81**	**-2,850**	**-3,846**	**-4,471**	**-11,248**
Carrying amount					
As at 31 December 2008	**5,807**	**438**	**782**	**9,069**	**16,096**
As at 31 December 2009	**0**	**196**	**380**	**3,875**	**4,451**

As of December 31, 2008, the carrying amount of fixed assets held under finance leases amounted to EUR 5.8 million and related mainly to the head office building in Zellik. As a result of the sale of the real estate activities in Belgium, both the leased building in Zellik and the corresponding leasing debts were transferred to the buyer. See note 3 Discontinued operations.

17. Goodwill

(Thousands of EUR)	Year ended 31 December	
Cost	**2009**	**2008**
Balance at beginning of year	53,435	64,839
Derecognized on disposal of a subsidiary	0	0
Effect of foreign currency exchange differences	8,695	-11,404
Balance at end of year	**62,130**	**53,435**
Accumulated impairment losses		
Balance at beginning of year	-49,963	-57,116
Derecognized on disposal of a subsidiary	0	0
Impairment losses recognized in the year	0	-3,510
Effect of foreign currency exchange differences	-8,130	10,663
Balance at end of year	**-58,093**	**-49,963**
Carrying amount		
At the beginning of the year	**3,472**	**7,723**
At the end of the year	**4,037**	**3,472**
Which is allocated as follows:		
Zenitel Finland Oy	210	181
Intercom: Zenitel Norway ASA, Zenitel Marine Sweden A.B., Zenitel CSS France S.A., Zenitel Italy, Zenitel USA Inc, Zenitel Singapore Ltd	3,827	3,291
	4,037	**3,472**

Goodwill arising from acquisitions represents the excess of the cost of the acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. In accordance with IFRS 3, goodwill arising on consolidation is tested annually for impairment or more frequent if there are indications that the goodwill might be impaired, in accordance with IAS 36, Impairment of Assets. This standard also requires that the goodwill should, from the acquisition date, be allocated to each of the cash generating units (CGU's) or groups of cash generating units that are expected to benefit from the synergies of the business combination.The CGU's to which goodwill has been allocated were tested for impairment at the balance sheet date by comparing the carrying amount of the unit with the recoverable amount (higher of its fair value less cost to sell and its value in use).

In application of the value-in-use method, Zenitel management prepared cash flow forecasts for the CGU or group of CGU's, where the CGU's are considered to be the Company's legal entities or business unit. The key assumptions included in the value in use calculation comprise the discount factor and the projected future net cash flows on products and services. The discount rate applied to cash flow projections is the weighted average cost of capital (WACC) of 10,3% for all CGU's, given their ability to show positive results and stable revenues.

The components for the determination of the WACC are based on sector-specific parameters received from various banks and analysts and taking into account the financial position of Zenitel and historical performance of the individual CGU.

After the divestments in 2009, only 2 CGU's remain in goodwill, being Intercom and Finland. The numbers used in the cash flow projection, relate to the 2010 budgets which have been submitted by management to the Board.

As from 2011, the following growth rates have been used:

- CGU1: Intercom – 2011: 3.0% - 2012: 3.0% - 2012: 3.0% - 2013 : 2.2% and beyond: sales growth 2.2% and equal to inflation
- CGU2: Finland – 2011: 2.2% - 2012 and beyond: sales growth 2.2% and equal to inflation Sensitivity analysis shows that the following sales growth rates would necessitate goodwill impairments:
- CGU1: Intercom: -0.2% sales growth as from 2010
- CGU2: Finland: 2% sales growth as from 2010

CGU1 requires a WACC exceeding 17% and CGU2 requires a WACC exceeding 15%, before a goodwill is impaired. Management determined these assumptions based on past performance and its expectations with respect on the market development.

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

18. Other intangible assets

	Capitalized development	Software, licenses	Total
(Thousands of EUR)			
COST			
Balance at 1 January 2008	**2,450**	**2,179**	**4,629**
- internally generated	1,929		1,929
- externally acquired	521	2,179	2,700
Additions (including internally generated)	619	153	772
Cancellations		-58	-58
Net foreign currency exchange differences	-468	-43	-511
Balance at 1 January 2009	**2,601**	**2,231**	**4,832**
- internally generated	1,998		1,998
- externally acquired	603	2,231	2,834
Additions (including internally generated)	185	294	479
Transfer from one heading to another	0	4	4
Disposals through sale of subsidiaries	-228	-1,112	-1,340
Net foreign currency exchange differences	364	42	406

(Continued)

(Thousands of EUR)	Capitalized development	Software, licenses	Total
Balance at 31 December 2009	**2,922**	**1,459**	**4,381**
- internally generated	2,203		2,203
- externally acquired	719	1,459	2,178
ACCUMULATED AMORTIZATION AND IMPAIRMENT			
Balance at 1 January 2008	**-632**	**-1,977**	**-2,609**
Amortization expense	-565	-151	-716
Impairment charge	0	0	0
Amortization cancelled (disposals)	0	8	8
Net foreign currency exchange differences	182	32	214
Balance at 1 January 2009	**-1,015**	**-2,088**	**-3,103**
Amortization expense	-503	-422	-925
Impairment charge	0	0	0
Amortization cancelled (disposals)	0	0	0
Disposals through sale of subsidiaries	154	1,096	1,250
Net foreign currency exchange differences	-158	-33	-191
Balance at 31 December 2009	**-1,522**	**-1,447**	**-2,969**
CARRYING AMOUNT			
As at 31 December 2008	**1,586**	**143**	**1,729**
As at 31 December 2009	**1,400**	**12**	**1,412**

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

The amortization expense has been included in the line item ‘Depreciation and amortization expenses’ in the consolidated income statement.

19. Net impairment on current assets

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Continuing operations		
Impairment charge on inventories	425	795
Impairment charge on receivables	289	253
Reversal of impairment charge on inventories	0	0
Reversal of impairment charge on receivables	38	24
Total impairment on current assets	**752**	**1,072**

20. Financial assets

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Finance lease receivables (see detail below)	0	954
Proceeds receivable arising from the sale of MCCN assets and contracts (see detail below)	1,738	0
Available for sale investments (see detail below)	425	277
Long term guarantee paid in cash	160	224
Others	0	100
	2,323	**1,555**
of which current	406	358
of which non-current	1,916	1,197

(Thousands of EUR)	Year ended 31 December	
Finance lease receivables	**2009**	**2008**
Current finance lease receivables	0	358
Non-current finance lease receivables	0	596
	0	**954**

The leasing business has been sold with the divestment of both companies running that business in 2009.

	Minimum lease payments		Present value of minimum lease payments	
(Thousands of EUR)			Year ended 31 December	
Finance lease receivables (where a group company is lessor)	**2009**	**2008**	**2009**	**2008**
Gross receivables from finance leases:				
Within one year	0	402	0	358
Later than 1 year and not later than 5 years	0	753	0	596
Later than 5 year	0	0	0	-
	0	**1,155**	**0**	**954**
Less unearned finance income	0	-201	n/a	n/a
Present value of minimum lease payments	**0**	**954**	**0**	**954**
Allowance for uncollectible lease payments	0	0	0	0
	0	**954**	**0**	**954**

Some Group companies, as lessors, were leasing installations with a minimal duration of 60 months, with a tacit renewal of 12 months at the end of the initial period. At the inception of the contract, the net present value of the future minimal lease payments' receivable was at least 100 % of the fair value of the leased asset. In case of anticipated interruption before the end of the contractual duration, a penalty was due equaling 50 % of the residual payments' receivable. This leasing business has been sold with the divestment of both companies running that business.

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The average effective interest rate contracted was 6%.

(Thousands of EUR)						Year ended 31 December
Proceeds receivable arising from the sale of MCCN assets and contracts		**2009**			**2008**	
	Current	**Non current**	**Total**	**Current**	**Non current**	**Total**
Fix proceeds receivable arising from sale of MCCN assets and contracts	356	435	791	0	0	0
Contingent proceeds receivable arising from sale of MCCN assets and contracts	50	896	946	0	0	0
Total	**406**	**1,331**	**1,738**	**0**	**0**	**0**

Refer to note 3 for further explanations on the sale of MCCN assets and contracts. The contingent part of the proceeds are valued at fair value through profit and loss. The key assumption in the fair value assessment is that there will not be growth , neither churn in the number of network users contained in the MCCN customer contracts that have been sold during the period from October 2009 till September 2014.

Available for sale investments	**2009**	**2008**
At the beginning of the year	277	317
Acquisition	113	-
Disposals	0	-
Net foreign currency exchange differences	35	-40
At the end of the year	**425**	**277**

Acquisitions in 2009 consist of capital increases in BNRS and in Zenitel Belgium NV.

The breakdown of the outstanding balance is as follows:	**2009**	**2008**
- Zenitel Belgium SA	23	0
- Zenitel Netherlands BV	0	0
- Zenitel UK ltd	0	0
- TetraNet (Denmark):	116	116
- Bejing Nera Stentofon Comm. Equipment (China):	286	161
- Other (Norway)		
	425	**277**

The available-for-sale investments are accounted at fair value. Fair values are assessed on a regular basis and at the end of 2009, no objective evidence indicates that available-for-sale investments are impaired.

21. Inventories

(Thousands of EUR)		Year ended 31 December
	2009	**2008**
Raw material	537	1,131
Goods purchased for resale	7,812	9,991
Total inventories	**8,349**	**11,122**

Total inventory write offs amounted to EUR 455 K in 2009 (EUR 1,048 K in 2008) and EUR 0 K inventory write offs were reversed in 2009 (EUR 0 K in 2008). Inventory expenses are included in the *Raw materials and consumables used* line of the income statement.

22. Contracts in progress

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
At the beginning of the year	**5,341**	**7,789**
Change due to sale of activities	-1,718	0
Contract costs incurred plus recognized profits less recognized losses to date	9,637	15,014
Less: progress billings during the year	-10,532	-17,513
Net foreign currency exchange differences	33	-79
Advances received from customers and included in 'other payables'	550	130
At the year end	**3,311**	**5,341**

With respect to contracts in progress, the revenue recognition occurs according to the Percentage of Completion Method. In 2009 the total contract revenue recognized amounted to EUR 9.6 million. (2008: EUR 15.0 million).

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

23. Trade and other receivables

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Trade receivables	14,763	22,357
Allowance for doubtful debts	-2,143	-1,178
	12,619	**21,179**
Other receivables		
Credits to receive from suppliers	0	100
Tax receivables, other than income tax	509	668
Income tax receivable	12	45
Other receivables	426	965
Total Other receivables	**947**	**1,778**
Total trade and other receivables	**13,566**	**22,957**

The total amount of trade receivables is presented after deduction of a bad debt allowance of EUR 4.6 million (2008: EUR 1.2 million).

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

	Gross amount as at 31 December 2009	Of which: not past due on the reporting date	Past due less than 30 days	Past due between 30 and 59 days	Past due between 60 and 89 days	Past due between 90 and 179 days	Past due between 180 and 359 days	Past due more than 359 days	Valuation allowance for doubtful debtors	**Net carrying amount as at 31 December 2009**
Trade receivables	14,763	6,147	3,697	1,026	430	626	304	2,533	-2,143	12,619
Credits to receive from suppliers	0	0	0	0	0	0	0	0	0	0
Tax receivables, other than income tax	509	509	0	0	0	0	0	0	0	509
Income tax receivable	12	7	5	0	0	0	0	0	0	12
Other receivables	426	411	2	3	2	0	0	9	0	426
Total	**15,710**	**7,073**	**3,704**	**1,028**	**432**	**626**	**304**	**2,541**	**-2,143**	**13,566**

(Continued)

	Gross amount as at 31 December 2008	Of which: not past due on the reporting date	Past due less than 30 days	Past due between 30 and 59 days	Past due between 60 and 89 days	Past due between 90 and 179 days	Past due between 180 and 359 days	Past due more than 359 days	Valuation allowance for doubtful debtors	Net carrying amount as at 31 December 2008
Trade receivables	22,357	10,746	4,501	1,680	1,327	1,302	1,002	1,800	-1,178	21,180
Credits to receive from suppliers	100	100	0	-	-	-	-	-	-	100
Tax receivables, other than income tax	668	610	0	-	58.00	0	-	-	-	668
Income tax receivable	45	45	0	-	-	-			-	45
Other receivables	965	930	32		-	-	-	3	-	965
Total	**24,135**	**12,431**	**4,533**	**1,680**	**1,385**	**1,302**	**1,002**	**1,803**	**-1,178**	**22,958**

There are no short term finance lease receivables anymore as of December 31, 2009 (2008: EUR 358 K), as a result of the divested business in 2009.

The average credit period on sales of goods is 77.0 days (2008: 86.9 days). No interest is charged on trade receivables for the first 60 days from the date of the invoice. Thereafter the interest charged is charged at 2% per annum on the outstanding balance. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the balance sheet date. An allowance is recognized when there is objective evidence that the individual asset is impaired.

Movement of the allowance for doubtful debtors		
(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Balance at beginning of the year	**-1,178**	**-1,092**
Amounts written off during the year	454	136
Amounts recovered during the year	0	0
Change due to sale of subsidiaries or operations	-891	0
Decrease / (Increase) in allowance recognized in profit or loss	-345	-273
Translation difference	-183	51
Balance at end of year	**-2,143**	**-1,178**

In determining the recoverability of a trade receivable, the Group considers periodically any change in the credit quality of the trade receivable from the date credit was originally granted up to the reporting date. Concentration of credit risk with respect to trade receivables is limited due to the Group's large number of customers who are internationally dispersed. Also in many cases governmental institutions cover the credit risk. No customer accounts for 5% or more of the Group's total net sales. The largest customers accounts for approximately 7.5%, 2.4% and 1.8% respectively of Group net sales. There is no other significant concentration of credit risk. Therefore, management is of the opinion that inherent credit risk in the group's receivables is limited. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtfull debtors.

24. Cash and cash equivalents

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Cash at bank and in hand	4,851	3,415
Short term bank deposit	678	435
Total cash and cash equivalents	**5,529**	**3,850**

The weighted average effective interest rate on short-term bank deposits amounts to 1.65 % (2008: 3.91%).

25. Trade and other payables

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Trade payables	**8,449**	**17,487**
Remuneration & staff related liabilities	3,652	6,551
Accrued expenses	2,940	2,711
Advances received on contracts	576	130
Other advances received	102	571
Other	1,083	1,177
Other payables	**8,353**	**11,140**
Total trade and other payables	**16,802**	**28,627**

26. Borrowings

(Thousands of EUR)	Year ended 31 December	
Non-current	**2009**	**2008**
Bank borrowings	10,059	8,094
Shareholders' loans	1,500	0
Finance lease liabilities	6	3,287
	11,565	**11,381**
Current		
Bank overdraft	1,300	2,173
Bank borrowings (straight loans)	0	3,508
Shareholders' loans	0	1,500
Current instalment of long term loan	1,395	689
Finance lease liabilities	3	309
	2,698	**8,179**
Total borrowings	**14,263**	**19,559**
The weighted average interest rates per year amounts to:		**%**
Leasing	4.00	6.96
Shareholders' loan	3.99	5.60
Bank borrowings LT	6.87	8.63
Bank borrowings ST	NA	7.60
Bank overdrafts	5.31	6.28

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

Lease agreements in which Group companies are the lessee, give rise to financial liabilities on the balance sheet, equal at the inception of the lease to the fair value of the leased property, or if lower at the present value of the minimum lease payments. Note however that as a result of the sale of the building activities in Belgium in 2009, the Company has no major (finance) leasing debts anymore as at year end 2009.

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

	December 31 2009			December 31 2008		
	Total future payments	Unexpired interest expenses	Present value	Total future payments	Unexpired interest expenses	Present value
Not later than one year	2.149	754	1.395	1,371	682	689
Between one and five years	10.639	1.831	8.808	7,678	1,541	6,137
Later than five years	2.952	203	2.749	2,137	181	1,956
Total	**15.740**	**2.788**	**12.952**	**11,187**	**2,404**	**8,783**

The financial lease liabilities (mainly for building) are payable as follows:

	December 31 2009			December 31 2008		
	Total future payments	Unexpired interest expenses	Present value	Total future payments	Unexpired interest expenses	Present value
Not later than one year	4	1	3	548	240	309
Between one and five years	8	1	7	2,131	729	1,402
Later than five years	0	0	0	2,131	246	1,885
Total	**12**	**2**	**10**	**4,810**	**1,215**	**3,596**

On 12 December 2009 the Group signed a new credit agreement with one of it's main lending financial institutions, which concluded its debt renegotiating efforts in 2009. This new credit agreement resulted in a postponement of debt repayments obligations, changes in warranties given by the company and the removal of covenants from the credit agreement. As before, the applied interes rate amounts to EURIBOR + 3% and 3D NV subordinated it's shareholder loan to this financial institution.

During 2007, a long term borrowing was closed for EUR 5 million. This borrowing is subordinated towards the other bank debts. In 2009 renegotiation of this debt resulted in the following changes:

- decrease of fixed nominal interest rate from 7% to 6%;
- first repayment as from year 4 instead of as from year 3;
- repayment of 1/12th of loan in year 4 and 5 instead of 1/5th in original loan agreement.

The long term borrowings in the Caribbean are on a non-recourse basis. These borrowings are secured by customer contracts. The term of the loans, closed in ANG, in the Caribbean is 3 to 6 years, with a fixed interest rate of 9%. The Caribbean uses the long term borrowings for its local investments. The financing occurs locally on a non-recourse basis. Currently the company is in the process of renegotiating the fixed interest rate with the bank.

Also in 2007, a credit facility has been closed for a total of NOK 25 million. This credit facility offers the ability to borrow up to 80% (2008: 60%) of the value of the customer invoices at an average interest of 5.3% in 2009. At the same time, a line of arrangement of up to maximim NOK 10 million is available, offering the ability to borrow up to 25% of the value of inventory. The interest rate on this facility on average amounted to 4.5% in 2009.

In December 2008, a shareholder loan was granted by 3D NV to the company. In 2009 an agreement was reached with 3D NV so that the loan becomes repayable in 2011 and 2012 instead of as per September 30, 2009. The interest rate remained unchanged and equals EURIBOR + 3%.

The total credit lines held by the Company amount to EUR 15.9 million. In addition, the company also holds lines for bank guarantees at different credit institutions for in total almost EUR 9.6 million.

At December 31, 2009, bank guarantees have been granted to secure the completion of some of the customer contracts (mainly in system integration services). These performance guarantees granted amount to EUR 6.8 million (2008: EUR 6.2 million) in total. Some of the said bank guarantees are secured by a pledge on the Group's current assets.

27. Retirement benefit obligations

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

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

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

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Opening retirement benefit obligation	3,938	4,223
Additions to provisions	788	686
Payments	-532	-379
Reversal of provisions	-120	-596
Retirement benefit obligations disposed of as a result of divestments	-107	0
Exchange differences	62	3
Retirement benefit obligation at end of year	**4,029**	**3,938**

	2009	**2008**
Non-current	3,867	3,624
Current	162	314
Total	**4,029**	**3,938**

Due to the restructurings that have been implemented in the previous years, additional pension liabilities (in addition to pension plans) have been recognized. These relate to pre-pensions. The calculation of these long-term liabilities is based on the recommendations of independent qualified actuaries.

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

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Present value of funded obligations	9,510	10,551
Fair value of plan assets	-7,396	-8,677
Funded status	**2,114**	**1,874**
Present value of unfunded obligations	473	708
Unrecognized actuarial gains (losses)	1,435	740
Unrecognized past service (cost) benefit	-8	0
Net Liability	**4,014**	**3,322**
Amounts recognized in the balance sheet		
Recognized as non current liability	3,868	3,624
Recognized as current liability	162	314
Recognized as non current asset	-16	-616
Net Liability	**4,014**	**3,322**

The amounts recognized in the income statements are as follows:

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Current service cost	698	556
Interest costs	416	389
Expected return on plan assets	-293	-311
Amorization of past service cost	4	0
Net actuarial losses recognised in year	60	7
Gain on curtailment	0	0
Settlement gain	0	0
Total pension costs (continuing operations)	**885**	**641**

(Continued)

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Discontinued operations		
Current service cost	162	201
Interest costs	128	157
Expected return on plan assets	-143	-137
Amorization of past service cost	0	0
Net actuarial losses recognised in year	-10	-32
Gain on curtailment	0	0
Settlement gain	0	0
Total pension costs (discontinued operations)	**137**	**189**
Continuing & discontinued operations		
Current service cost	860	757
Interest costs	544	546
Expected return on plan assets	-436	-448
Amorization of past service cost	4	0
Net actuarial losses recognised in year	50	-25
Gain on curtailment	0	0
Settlement gain	0	0
Total pension costs	**1,022**	**830**
Actual return on plan assets	**453**	**-629**

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

(Thousands of EUR)	**2009**	**2008**
Opening defined benefit obligation	11,259	11,493
Service cost	860	757
Interest cost	544	546
Plan participants' contributions	269	232
Actuarial losses (gains)	-934	49
Expenses paid	-3,542	0
Losses (gains) on curtailments	835	0
Liabilities extinguished on settlements	737	0
Exchange differences on foreign plans	816	-718
Benefits paid	-861	-1,100
Closing defined benefit obligation	**9,983**	**11,259**

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

(Thousands of EUR)	**2008**	**2007**
Opening fair value of plan assets	8,678	9,582
Expected return	436	448
Actuarial gains and (losses)	17	-1,076
Contributions by employer	923	1,285
Plan participants' contributions	269	232
Expenses paid	-3,371	-
Plan settlements	737	-

(Continued)

(Thousands of EUR)	2008	2007
Exchange differences on foreign plans	568	-693
Benefits paid	-861	-1,100
Closing fair value of plans assets	**7,396**	**8,678**

The Group expects to contribute EUR 1.3 million to its defined benefit pension plans in 2010.

(Thousands of EUR)			Year ended 31 December
	2009	**2008**	**2007**
Defined benefit obligation	-9,983	-11,259	-11,493
Plan assets	7,396	8,678	9,582
Surplus / (Deficit)	**-2,587**	**-2,581**	**-1,911**
Experience adjustments on plan assets	17	-1,076	-615
Experience adjustments on plan liabilities	2,633	146	-376

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

	Expected return		Fair value of plan assets	
	Percentage		Thousands of EUR	
	2009	**2008**	**2009**	**2008**
Equity instruments	0.00	0.00	0	0
Debt instruments	1.10	1.51	1,815	3,282
Real estate	0.00	0.00	0	0
Other	3.86	2.95	5,581	5,396
Weighted average expected return	**3.47**	**2.40**	**7,396**	**8,678**

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The principal weighted average actuarial assumptions for all plans used were as follows:

(Percentage)	2009	2008
Weigthed average assumptions to determine benefit obligations		
Discount rate	4.94	5.10
Rate of compensation increase	4.30	4.29
Rate of price inflation	3.14	2.19
Weigthed average assumptions to determine the net costs		
Discount rate	4.85	4.99
Expected long term rate of return on plan assets during the financial year	4.96	4.65
Rate of compensation increase	3.80	3.01
Rate of price inflation	3.31	2.30

DEFINED BENEFIT PLAN NORWAY

In January 2010, the Boards of Directors Zenitel Norway AS and Zenitel Wireless Noway AS decided to propose a change of benefit plan to the Norwegian employees. This change implies a change from a defined benefit plan into a defined contribution plan. Subject to acceptance by the employees and subject to compliance with all local legal requirements, this change of plan might have a favorable impact of on the 2010 result of EUR 0.7 million.

28. Provisions

(Thousands of EUR)	Restructuring	Technical Guaranties	Other	Total
On 1 January 2008	**4,838**	**994**	**2,938**	**8,770**
Additions to provisions	2,177	489	496	3,162
Utilization	-1,998	-254	-226	-2,478
Reversal of provisions	-90	-443	-762	-1,295
Exchange differences	-22	-32	0	-54
On 31 December 2008	**4,905**	**754**	**2,446**	**8,105**
Non-current	2,228	0	664	2,892
Current	2,677	754	1,782	5,213
	4,905	**754**	**2,446**	**8,105**
On 1 January 2009	**4,905**	**754**	**2,446**	**8,105**
Additions to provisions	1,412	245	1,887	3,544
Utilization	-1,140	-95	-76	-1,311
Reversal of provisions	-835	-31	-8	-874
Provisions disposed of as a result of divestments	-1,019	-321	-467	-1,807
Exchange differences	17	23	0	40
On 31 December 2009	**3,339**	**575**	**3,782**	**7,696**
Non-current	1,745	0	200	1,945
Current	1,594	575	3,582	5,751
	3,339	**575**	**3,782**	**7,696**

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

In 2009, additions to the restructuring provision amounted to EUR 1.412K . These additions are mainly due to the further restructuring of the group corporate headquarters in Zellik (760K), restructuring measures in networks entities (459K) and due to reorganizations of divested entities (mainly Zenitel Belgium NV).

Total payments in 2009 relate mainly to the 2008 reorganization of Zenitel Belgium (463K), and WS France (286K) and to the 2008 and 2009 reorganizations in Networks (338K). The divestment of Zenitel Belgium NV and the rail activities of Zenitel Wireless France resulted in a decrease of the reorganization provision in 2009 by 1.019k. Also a large part of the restructuring provision has been transferred to the pension provisions (see reversal indicated above in the restructuring provision collumn) , since a large part of the 2008 restructuring programs for Zenitel Belgium crystalized in 2009 in early retirement benefit programs and these restructuring obligations were not taken over by the buyer of Zenitel Belgium NV.

TECHNICAL GUARANTIES
The Group recognizes the estimated liability to repair or replace its products still under warranty at the balance sheet date. This provision is calculated based on the past history of level of repairs and replacements.

OTHER
The other provisions cover principally a risk related to the representations and warranties given, tax disputes, claims on deliveries, potential losses on projects, penalties, jubilee premiums or legal claims. The increase of the provision in 2009 is mainly explained by the increase of the provisions regarding old projects and pending claims.

Provisions were set up based on the current situation of the different files, in order to cover risks linked to some of these litigations.

29. Financial instruments

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

VALUATION TECHNIQUES AND ASSUMPTIONS APPLIED FOR THE PURPOSES OF MEASURING FAIR VALUE

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

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

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

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

	31 December 2009		31 December 2008			
(Thousands of EUR)	Carrying value	Fair value	Carrying value	Fair value	Level	Balance sheet caption
Financial assets at fair value through profit or loss	**946**	**946**	**-1**	**-1**		
Proceeds from sale of MCCN - contingent part	946	946	0	0	3	Financial assets
Non hedging derivatives	0	0	-1	-1	2	Financial assets
Financial assets available for sale	**425**	**425**	**277**	**277**		Financial assets
Available for sale investments	425	425	277	277	3	Financial assets
Loans and receivables	**13,997**	**13,997**	**24,436**	**24,436**		
Proceeds from sale of MCCN - fix part	791	791	0	0	3	Financial assets
Long term guarantees paid in cash	160	160	224	224	3	Financial assets
Other financial assets	0	0	100	100	3	Financial assets
Finance lease receivables	0	0	1,155	1,155	3	Financial assets
Trade receivables	12,619	12,619	21,179	21,179	3	Trade and other receivables
Credits to receive from suppliers	0	0	100	100	3	Trade and other receivables
Other receivables	426	426	1,678	1,678	3	Trade and other receivables
Financial liabilities at amortized cost	**31,065**	**31,065**	**48,186**	**48,186**		
Interest bearing loans and borrowings	14,263	14,263	19,559	19,559	1	Interest bearing loans and borrowings LT and ST
Trade payables	8,449	8,449	17,487	17,487	3	Trade and other payables
Other payables	8,353	8,353	11,140	11,140	3	Trade and other payables

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

(Thousands of EUR)	**2009**	**2008**
	Fair value	Fair value
The net fair value of the forward foreign exchange contracts:	0	-1
- with positive fair values	0	0
- with negative fair values	0	-1
Net	**0**	**-1**

30. Contingencies

The company still has to close one difficult project in Algeria for which the board of directors did an assessment and took the necessary provisions. The board of directors will monitor and will assess this project again upon their review of the 2010 half year figures.

Relating to its contingent liabilities, the total maximum exposure is estimated at EUR 10.6 million. The related contingent liabilities relate to possible obligations in respect of old projects, soil contamination, local authorities and redundancies. The estimated contingent liabilities amount to maximum EUR 3.5 million (2008: EUR 2.0 million). This contingent liability has been calculated based on estimated probabilities of possible obligations, with uncertainty on timing and/or amount, arising in the course of the business.

Given the ongoing counterclaims, initiated by the company, relating to these old claims, the total maximum potential upside amounts to EUR 3.0 million. Other contingent assets mainly relate to the contingent proceeds from the divestments activities of Confined Area Solutions AB and MCCN in 2009. We refer to note 3 on Divestments for further explanations regarding these transactions and to note 20 Financial Assets with respect to the recongized amounts of contingent proceeds.

The total estimated contingent assets amount to EUR 0.6 million.

31. Commitments

OPERATING LEASE COMMITMENTS - WHERE A GROUP COMPANY IS THE LESSEE
The future aggregate minimum lease payments under non cancellable operating lease are as follows:

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Not later than 1 Year	2,344	2,203
Later than 1 year and not later than 5 years	3,784	3,361
Later than 5 years	409	797
	6,537	**6,361**

Lease payments recognized in the income statement for the current period amount to EUR 2.7 million (2008: EUR 2.7 million). Operating lease agreements relate to office premises, site rents, car lease and IT equipment.

OPERATING LEASE COMMITMENTS - WHERE A GROUP COMPANY IS THE LESSOR

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Not later than 1 Year	891	1,055
Later than 1 year and not later than 5 years	1,844	2,856
Later than 5 years	0	300
	2,735	**4,211**

Lease payments recognized in the income statement for the current period amount to EUR 0.9 million (2008: EUR 1.1 million).

COMMITMENTS FOR EXPENDITURE BY GROUP COMPANIES

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

32. Ordinary shares, treasury shares and warrants

The total number of Zenitel shares after the capital increase in 2007 amounted to 16,554,422 and did not change thereafter in 2007, 2008 and 2009.

	Number of ordinary shares	Treasury shares	Total
On 31 December 2007	**16,441,309**	**113,113**	**16,554,422**
On 31 December 2008	**16,441,309**	**113,113**	**16,554,422**
On 31 December 2009	**16,441,309**	**113,113**	**16,554,422**
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	**16,441,309**		

All issued shares are fully paid. Shares have no par value. The total authorized capital is per 31 December 2009 EUR 25,274,723.

Warrants were granted to directors and to employees. The table below gives an overview of the outstanding number of warrants:

	2009		2008	
	Number of warrants	Weighted average exercise price (EUR)	Number of warrants	Weighted average exercise price (EUR)
At the beginning of the financial year	202,459	13.14	475,731	12.21
Granted during the financial year				
Forfeited during the financial year				
Exercised during the financial year				
Expired during the financial year	147,617	16.49	273,272	11.13
Balance at the end of the financial year	**54,842**	**4.13**	**202,459**	**13.14**

The warrant program provides for an acceptance period of 60 days following the day of offering, which is the service date. The beneficiary of the warrant will be able to exercise one third of the accepted warrants, after one year following the offer, another third after 2 years and the remaining third after 3 years.

The warrants can only be exercised during the following periods: from the fifteenth until the thirty-first of March, from the fifteenth until the thirty-first of May, from the fifteenth until the thirty-first of August and from the fifteenth until the thirtieth of November.

The warrants outstanding at the end of the year have the following terms, taking into account the above limitations:

Offering date	Number of warrants	Exercise price (EUR)	Fair value at grant date (EUR)	
10/02/2005	54,842	4.13	1.28	Plan 2004
Total	**54,842**			

The fair value calculation has been performed using Black&Scholes model, using the following parameters:

	Feb 2005
Grant date share price	4.13
Exercise price	4.13
Expected volatility	30%
Option life	5
Dividend yield	0%
Risk-free interest rate	2.50%

33. Cash flows generated from operations

(Thousands of EUR)		Year ended 31 December	
	Notes	**2009**	**2008**
Net Profit / (Loss) for the year		**-8,053**	**-13,489**
Adjustments for:			
Income tax expense recognized in profit or loss	13	80	335
Finance cost recognized in profit or loss	11	1,753	2,539
Investment revenue recognized in profit or loss	10	-172	-443
Loss / (gain) on disposal of business	3	3,040	-
Impairment loss recognized on trade receivables		290	273
Impairment loss recognized on inventory	21	455	1,047
Depreciation and amortization of non-current assets	15,16,17	2,775	2,863
Impairment of goodwill recognized in profit or loss		0	3,510
Expense recognized in profit or loss in respect of equity-settled share-based payments	32	0	3
Development costs expensed	9	1,913	1,697
		2,081	**-1,665**
Movements in working capital:			
(Increase) / decrease in trade and other receivables		-2,945	4,724
(Increase) / decrease in inventories		1,163	-844
(Increase) / decrease contract work in progress		-464	2,314
(Increase) / decrease in other assets		-798	-49
Increase / (decrease) in trade and other payables		7,337	-5,113
Increase / (decrease) in provisions		4,225	-890
Increase / (decrease) in tax liabilities		-326	575
		8,192	**716**
Cash generated from operations		**10,273**	**-950**

34. Related party transactions

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

DISPOSAL OF BUILDING AND OTHER ACTIVITIES BY ZENITEL NV

On 12 November 2009 Zenitel NV sold it's real estate activities regarding the headquarters building in Zellik (Belgium) to 3D NV. After this sale, the company became a tenant. 3D NV is one of the reference share holders of the Zenitel Group. We refer to note 3 of the these financial statements for further information on this transaction. In 2009, the procedures regarding Artikel 523 and 524 of the Belgian Company Code have been applied several times. We refer to the Board Report and the annexes to these financial statements.

		Year ended 31 December	
	Notes	**2009**	**2007**
RECEIVABLES FROM RELATED PARTIES (Thousands of EUR)		142	163
DIRECTOR'S REMUNERATION (Thousands of EUR)(1)		88	76
WARRANTS GRANTED TO DIRECTORS (number)			
- Non executives		-	-
- Executives		-	-
SHAREHOLDER LOAN (Thousands of EUR)	26	1,500	1,500

(1) The presented amounts include social charges, car expenses, pension costs and fixed representation allowances paid by the Company.

(Continued)

	Year ended 31 December	
	2009	**2008**
KEY MANAGEMENT - AVERAGE FTE	6.0	6.3
KEY MANAGEMENT REMUNERATION (Thousands of EUR)[1]		
- Short term employee benefits	1,382	1,750
- Post-employment benefits	34	68
- Other long-term benefits	0	-
- Share-based payments (see warrants above)	0	-
- Termination benefits	267	185
Total key management remuneration (cost to the Company)[2]	**1,683**	**2,003**

See also chapter (2) on Corporate Governance

The CEO's total remuneration package for 2009 amounted to EUR 0.3 million fixed remuneration and a maximum of EUR 0.3 million variable remuneration, of which EUR 0.1 million was carried forward from previous year (2008: EUR 0.5 million fixed and variable remuneration).

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

35. Principal subsidiary undertakings

	Ownership	Country of incorporation
Europe		
Zenitel Devlonics N.V.	100%	Belgium
Zenitel Devlonics II N.V. (former MCCN N.V.)	100%	Belgium
Zenitel Norway ASA	100%	Norway
Zenitel Wireless Norway AS	100%	Norway
Zenitel Denmark A/S	100%	Denmark
Zenitel Finland Oy	100%	Finland
Zenitel Marine Sweden A.B.	100%	Sweden
Zenitel Wireless France S.A.	100%	France
Zenitel CSS France S.A.	100%	France
Zenitel Italy	100%	Italy
Zenitel Finance Netherlands B.V.	100%	Netherlands
Zenitel Finance Netherlands II B.V. (former MCCN B.V.)	100%	Netherlands
Zenitel Belgium N.V.	15%	Belgium
Zenitel Netherlands B.V.	15%	Netherlands
Zenitel UK Ltd.	15%	United Kingdom
North America		
Zenitel USA Inc	100%	United States
Rest of World		
Zenitel Singapore Ltd	100%	Singapore
Zenitel Caribbean B.V.	100%	The Dutch Antilles
Zenitel Aruba B.V.	100%	The Dutch Antilles
BNSC (China)	14%	China

Voting interests equal ownership.

Following the divestment activities in 2009, the ownership in Zenitel Netherlands BV and Zenitel Belgium NV decreased from 100% to 15% and 100% of Confined Area Solutions AB (former Zenitel Radioteknik AB) was sold.

36. Post balance sheet events

Some group companies provide pension plans that under IFRS are considered as defined benefit plans for their employees. Provisions for pension obligations are established for benefits payable in the form of retirement, disability and surviving dependents' pensions. The benefits offered vary according to legal fiscal and economic conditions of each country. For the companies in Norway, Zenitel Norway AS and Zenitel Wireless Norway AS, management decided in January 2010 to discontinue the defined benefits plans and move to a direct contribution plan. Under the local rules the companies will be released from its future obligation as the pension plan will be fully paid up and terminated with some exceptions. The effect of this will be a release of provision with a non cash gain of around EUR 0.7 million.

STATUTORY AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 TO THE SHAREHOLDERS' MEETING

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the financial statements together with the required additional comments and information.

Unqualified audit opinion on the financial statements with an emphasis of matter paragraph

We have audited the financial statements of Zenitel NV for the year ended 31 December 2009, prepared in accordance with the accounting principles applicable in Belgium, which show total assets of 49,802 (000) EUR and a loss for the year of 7,401 (000) EUR.

The board of directors of the company is responsible for the preparation of the financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence that we have obtained provides a reasonable basis for our opinion.

In our opinion, the financial statements as of 31 December 2009 give a true and fair view of the company's assets, liabilities, financial position and results in accordance with the accounting principles applicable in Belgium.

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

Additional comments

The preparation and the assessment of the information that should be included in the directors' report and the company's compliance with the requirements of the Companies Code and its articles of association are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comments and information which do not change the scope of our audit opinion on the financial statements:

- The directors' report includes the information required by law and is in agreement with the financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the company, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- No transactions have been undertaken or decisions taken in violation of the company's articles of association or the Companies Code such as we would be obliged to report to you. The appropriation of the results proposed to the general meeting is in accordance with the requirements of the law and the company's articles of association.
- In accordance with article 523 and 524 of the Companies Code, we are required to report on the following operations which have taken place during 2009:
  - The board of directors has decided during its board of directors meeting dd. 2 February 2009 to confirm unanimously the proposed transaction with 3D NV.

    In its annual report, the board of directors has, in accordance with article 523 and 524 of the Company Code, mentioned these transactions in which Mr. Frank Donck and Mr. Rudy Broeckaert, directors of Zenitel NV had a conflict of interest.

    We refer to the attached annual report for the related paragraphs from the minutes of the board of directors.

    The financial judicial implications for Zenitel NV relate to the fact that the company receives a loan amounting to 1.500 kEUR and pays an interest rate equal to Euribor 1 month increased with 300 points a year and on top of that grants a pledge on the shares of its subsidiary Zenitel Norway ASA.
  - The board of directors has decided during its board of directors meeting dd. 30 March 2009 to confirm unanimously the proposed transaction with a new company to be established linked with Van Zele Holding NV.

    In its annual report, the board of directors has, in accordance with article 523 and 524 of the Company Code, mentioned these transactions in which Mr. Eric Van Zele, director of Zenitel NV had a conflict of interest.

    We refer to the attached annual report for the related paragraphs from the minutes of the board of directors.

    The financial judicial implications for Zenitel NV relate to the fact that the company sells 85% of the shares of Zenitel Belgium NV, a 100% subsidiary of Zenitel NV, to a new company to be established linked with Van Zele Holding NV and part of the assets and liabilities of Zenitel Wireless France SA, a 100% daughter of Zenitel NV.

    The consideration of this transaction amounts to:

    - 300 kEUR for the sale of the 85% share in Zenitel Belgium NV
    - 1.000 kEUR commission fee, subject to conditions to be met
    - Call and put option related to its remaining 15% shares in Zenitel Belgium NV; the option price is based on the equity value of Zenitel Belgium NV.
    - A rental income of 130kEUR to 150kEUR related to the rent of the building in Zellik to Zentiel Belgium NV
    - 2.000 kEUR one-time licensing fee.
  - The board of directors has decided during its board of directors meeting dd. 24 June 2009 to confirm unanimously the proposed transaction with Crescent NV, linked with Van Zele Holding NV.
  - In its annual report, the board of directors has, in accordance with article 523 and 524 of the Company Code, mentioned these transactions in which Mr. Eric Van Zele, director of Zenitel NV had a conflict of interest.
  - We refer to the attached annual report for the related paragraphs from the minutes of the board of directors.
  - The financial judicial implications for Zenitel NV relate to the fact that the company sells 85% of the shares of Zenitel Netherlands BV, a 100% subsidiary of Zenitel Group, to Crescent NV.
  - The consideration of this transaction amounts to:

- 100 kEUR for the sale of the 85% share in Zenitel Netherlands BV
- Call and put option related to its remaining 15% shares in Zenitel Netherlands BV; the option price is linked to the equity value of Zenitel Netherlands BV.
- 3.000 kEUR one-time licensing fee.

– The board of directors has decided during its board of directors meeting dd. 14 September 2009 to confirm unanimously the proposed transaction with 3D NV.

In its annual report, the board of directors has, in accordance with article 523 and 524 of the Company Code, mentioned these transactions in which Mr. Frank Donck and Mr. Rudy Broeckaert, directors of Zenitel NV had a conflict of interest.

We refer to the attached annual report for the related paragraphs from the minutes of the board of directors.

The financial judicial implications for Zenitel NV relate to the fact that the company sells its building in Zellik together with the financing contracts (lease agreement with Fortis Lease and Flemish region). The company received 1.720 kEUR from and transfers all obligations related to the financing contracts to 3D NV. The company also engages in a rent agreement with 3D to rent office space on the third floor of the sold building.

Diegem, 24 March 2010
The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by William Blomme

STATUTORY AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2008 TO THE SHAREHOLDERS' MEETING

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the financial statements together with the required additional comments and information.

Disclaimer of opinion on the financial statements

We have audited the financial statements of ZENITEL NV for the year ended 31 December 2008, prepared in accordance with the accounting principles applicable in Belgium, which show total assets of 62,557 (000) EUR and a loss for the year of 25,718 (000) EUR.

The board of directors of the company is responsible for the preparation of the financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

During the accounting period, the company has again incurred significant losses that seriously affect the company's financial situation and equity. As appears in the financial statements, the company is highly indebted and for the moment does not have sufficient cash flows and financial resources to fulfil its obligations during the entire financial year 2009, more specifically to reimburse its loans as of 30 September 2009 towards its bank and reference shareholder (1.500 (000) EUR each). Consequently, there is an uncertainty as to the going concern of the company.

Given this situation and in accordance with the Belgian legislation (art. 96), the board of directors justifies the application of the accounting principles under the assumptions of going concern. In this context, as mentioned in the board of directors' report, certain proposed measures to timely obtain sufficient financial resources are referred to. The board of directors believes that the proposed measures will be timely realised to enable the company to fulfil its financial obligations during 2009 and more specifically as of 30 September 2009. Consequently, the financial statements are established under the assumption of going concern and no adaptations have been made to the financial statements as to the valuation or the classification of certain balance sheet items which would be necessary if the company was no longer able to continue its activities.

At present, we are not able to express an opinion on the going concern of the company, since she's expecting in difficult market conditions important negative cash flows during the accounting period 2009, and that the materialisation and the timely realisation of the measures proposed by the board of directors to obtain sufficient financial resources, of which the company totally depends, remains uncertain in the current economic climate.

Taking into account the important uncertainty described above, we are unable to express an opinion on whether the financial statements as of 31 December 2008 give a true and fair view of the company's assets, liabilities, financial position and results in accordance with the accounting principles applicable in Belgium.

Additional comments

The preparation and the assessment of the information that should be included in the directors' report and the company's compliance with the requirements of the Companies Code and its articles of association are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comments which do not change the scope of our audit opinion on the financial statements:

- The directors' report includes the information required by law and is in agreement with the financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the company, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- No transactions have been undertaken or decisions taken in violation of the company's articles or the Companies Code such as we would be obliged to report to you. The appropriation of the results proposed to the general meeting is in accordance with the requirements of the law and the company's articles.

Diegem, 30 March 2009
The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by William Blomme

STATUTORY FINANCIAL STATEMENTS

Statutory balance sheet

Assets		
(Thousands of EUR)		31 December
	2009	**2008**
Fixed assets	**44,006**	**45,477**
Formation expenses	420	757
Intangible assets	10	3
Tangible assets	90	1,528
Land and buildings	0	1,136
Installations, machines and equipment	0	0
Furnitures and vehicles	0	201
Other tangible assets	90	191
Financial assets	43,486	43,189
Affiliated enterprises	43,486	43,189
Other financial assets	0	0
Current assets	**5,797**	**17,080**
Amounts receivable within one year	5,759	16,283
Trade debtors	614	1,120
Other amounts receivable	4,809	15,163
Investments	155	155
Other investments and deposits	155	155
Cash at bank and in hand	157	355
Deferred charges and accrued income	61	287
TOTAL	**49,802**	**62,557**

Equity & liabilities		
(Thousands of EUR)		31 December
	2009	**2008**
Capital and reserves	**31,039**	**38,439**
Issued capital	25,275	25,275
Share premium account	28,726	28,726
Reserves	32,605	32,605
Legal reserves	1,322	1,322
Reserves not available for distribution	14	14
Untaxed reserves	11,548	11,548
Reserves available for distribution	19,721	19,721
Loss carried forward	(55,566)	(48,166)
Provisions, deferred taxation	**5,288**	**386**
Pensions and similar obligations	2,410	199
Other liabilities and charges	2,878	187
Creditors	**13,476**	**23,732**
Amounts payable after one year	10,357	7,076
Leasing and other similar obligations	0	889
Credit institutions	8,857	6,187
Other debts	1,500	0
Amounts payable within one year	2,917	16,481
Current portion of amounts payable after one year	4	118
Credit institutions	831	1,508
Suppliers	1,391	1,732
Taxes, remuneration and social security	179	428
Taxes	26	75
Remuneration and social security	152	353
Other amounts payable	513	12,695
Accrued charges and deferred income	201	175
TOTAL	**49,802**	**62,557**

Statutory income statement

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Operating income	**13,215**	**8,267**
Turnover	-	-
Increase (+); decrease (-) in stocks of finished goods, work and contracts in progress	-	-
Owned construction capitalized	-	-
Other operating income	13,215	8,267
Operating charges	**(10,417)**	**(8,703)**
Raw materials, consumables and goods for resale	-	-
Purchases	-	-
Increase (+) decrease (-) in stocks	-	-
Services and other goods	6,071	6,936
Remuneration, social security costs and pension costs	1,088	1,112
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	499	583
Increase (+); decrease (-) in provisions for liabilities and charges	2,711	13
Other operating charges	48	59
Operating profit (+)	**2,797**	**-**
Operating costs (-)	**-**	**(436)**
Financial income	**927**	**1,905**
Income from financial fixed assets	606	1,460
Income from current assets	2	24
Other financial income	320	421
Financial charges (-)	**(13,167)**	**(6,980)**
Interest and other debt charges	706	845
Amounts written off current assets	12,140	5,360
Other financial charges	320	776
Profit on ordinary activities before taxes (+)	**-**	**-**
Loss on ordinary activities before taxes (-)	**(9,442)**	**(5,512)**

Statutory income statement

(Thousands of EUR)	Year ended 31 December	
	2009	**2008**
Extraordinary income	**4,214**	**339**
Adjustment to amounts written off provisions for exceptional charges	-	-
Gain on disposal of fixed assets	-	339
Other extraordinary income	4,214	-
Extraordinary charges (-)	**(2,191)**	**(20,542)**
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	-	-
Amounts written off financial fixed assets	-	20,473
Provisions for extraordinary liabilities and charges (increase +, decrease -)	2,191	(31)
Loss on disposal of fixed assets	-	-
Other extraordinary charges	-	100
Profit for the period before taxes (+)	**-**	**-**
Loss for the period before taxes (-)	**(7,419)**	**(25,716)**
Income taxes (-) (+)	**(19)**	**(2)**
Income taxes (-)	**(2)**	**(3)**
Adjustment of income taxes & write-back of tax provisions	21	1
Profit for the period (+)	**-**	**-**
Loss for the period (-)	**(7,401)**	**(25,718)**
Profit for the period available for appropriation (+)	**-**	**-**
Loss for the period available for appropriation (-)	**(7,401)**	**(25,718)**
Profit to be appropriated	**-**	**-**
Loss to be appropriated	**(55,566)**	**(48,166)**
Profit for the period available for appropriation	-	-
Loss for the period available for appropriation (-)	(7,401)	(25,718)
Loss brought forward	(48,166)	(22,448)
Transfers from capital and share premium account	**-**	**-**
Profit to be carried forward	**-**	**-**
Loss to be carried forward	**(55,566)**	**(48,166)**

DIVIDEND POLICY

In view of the net losses realised during the period under review (2009 and 2008) no dividends have been paid.

LEGAL AND ARBITRATION PROCEEDINGS

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

ANNEX TO THE ANNUAL REPORT 2009 OF ZENITEL NV

In 2009, the procedure relating to conflicts of interest linked to article 523 of the Belgian Companies Code was applied five times. The procedure relating to conflicts of interests within the meaning of Section 524 of the Belgian Companies Code was applied 2 times. Please find below in free translation from Dutch to English extracts of the minutes of the board meetings relating to the application of Sections 523 and 524 in 2009.

Extract from the minutes of the Board of Directors meeting on 2 February 2009

On 11 February 2009, a meeting was held of the Board of Directors of Zenitel NV, with registered offices at 1731 Zellik, Z. 1 Researchpark 110, registered in the Register of Legal Persons of the Central Database of Enterprises under corporate number 0403.150.608.

The following members of the Board of Directors were in attendance:

1. VZH NV, director, with registered offices at 1560 Hoeilaart, Hertenlaan 9, represented by Mr Eric Van Zele, Chair.
2. Mr FRANK DONCK, residing at 9052 Zwijnaarde, Rijvisschestraat 118.
3. BRECI BVBA, director, Breci BVBA, a company under Belgian law with registered offices at 2980 Zoersel, Jachthoornlaan 27, registered in the Register of Legal Persons of the Central Database of Enterprises under corporate number 0877.538.709, represented by Mr Rudy Broeckaert.
4. DE WILG Comm. V., director, with registered offices at 2930 Brasschaat, Frilinglei 113, represented by Mr Dirk Van Tricht.
5. HOUTERMAN MANAGEMENT CONSULTANCY BV, director, company under Dutch law, with registered offices at 1071 GA Amsterdam, Van Eeghenstraat 131, represented by Mr Ferry I.M. Houterman.
6. Mr ERIK HOVING, director, residing at Wassenaar (NL), Groot Hoefijzerlaan 15.
7. Mr DUCO SICKINGHE, director, residing at 1950 Kraainem, Heilig Dominicuslaan 5, 1950 Kraainem.
8. BECKERS CONSULTING BVBA, director, a company under Belgian law with registered offices at 2880 Bornem, Nieuwstraat (BOR) 23, registered in the Registry of Legal Persons of the Central Database of Enterprises under corporate number 0478.037.081, represented by Mr Eugeen Beckers, residing at 2880 Bornem, Nieuwstraat 23/3.

The meeting was opened at 8:45 a.m. under the chairmanship of Mr Eric Van Zele as the permanent representative of the VZH NV.

INTRODUCTORY STATEMENT

1. The Board of Directors was called together to discuss the following agenda:
   - PRELIMINARY AGENDA ITEM: the application of Section 523 of the Companies Code (W.Venn.);
   - FIRST AGENDA ITEM: the application of Section 524 of the W.Venn.;
   - SECOND AGENDA ITEM: pursuant to Section 524 W.Venn, confirmation of the decision of the Board of Directors of 11 December 2008 with respect to the approval in principle of entering into a loan agreement between the company and 3D NV.
2. Pursuant to Article 13, paragraph 1 of the statutes, the majority of the directors is present or represented, and the Board may legally deliberate with respect to the agenda.

DELIBERATIONS AND DECISIONS

A) Preliminary agenda item: application of section 523 of the companies code

1. Before commencing with the first and only agenda item, the following natural persons asked for leave to make a statement:
   (a) Mr Frank Donck, director of the company and managing director of the company 3D NV, a company under Belgian law with registered offices at 9052 Zwijnaarde, Rijvisschestraat 118, registered in the Registry of Legal Persons of the Central Database of Enterprises under number 0448.341.027.

   (b) Mr Rudy Broeckaert, permanent representative of Breci BVBA, a company under Belgian law with registered offices at 2980 Zoersel, Jachthoornlaan 27, registered in the Register of Legal Persons of the Central Database of Enterprises under corporate number 0877.538.709, and director of the company 3D NV.
2. The second agenda item concerned the confirmation of the decision of the Board of Directors of 11 December 2008 to approve in principle the entrance into a load agreement between the company and 3D NV in which Messrs Frank Donck and Rudy Broeckaert are directors.

   Inasmuch as Messrs Frank Donck and Rudy Broeckaert are also directors of this company, they declared a functional conflict of interest with respect to property rights within the meaning of Section 523 §1 W. Venn. concerning the decision to approve entering into a bridge loan with 3D NV.
3. They requested that their declarations be recorded in the minutes of the meeting of the Board of Directors, pursuant to Section 523 W.Venn.
4. In view of this functional conflict of interest, Messrs Frank Donck and Rudy Broeckaert declared that, pursuant to Section 523, §1, sub-paragraph 4 W. Venn. , they would not participate in the deliberations and the vote on the agenda of this meeting.
5. Messrs Frank Donck and Rudy Broeckaert undertook to inform the auditor of the company with respect to the application of Section 523 W.Venn. immediately following the meeting of the Board of Directors.
6. Following the aforementioned declarations prior to dealing with the agenda, Messrs Frank Donck and Rudy Broeckaert left the meeting.

B) First agenda item: the application of section 524 of the w.venn.

1. The chair declared that the application of Section 524 W.Venn. was used for the second agenda item. During this agenda item, the chair informed the Board of the procedure.

The procedure of Section 524 W. Venn. was necessary inasmuch as the second agenda item related to the relationship between the publicly listed company, Zenitel NV, and a company that is affiliated with it, NV 3D.

2. Assisted by an independent expert within the meaning of Section 524, § 2 W. Venn. in the person of Mr Dirk Smets, corporate auditor with BST Bedrijfsrevisoren, the committee of independent directors stated in its recommendation that:
   - In view of the financial situation of "ZENITEL" and the necessity of attracting additional financial resources in order to thereby be able to exercise its strategic options.
   - In view of the willingness of the limited liability company "3D" to enter into a loan agreement for credit in the amount of principal equal to €1,500,000 and in view of the fat that "KBC Bank" was also providing bridging credit to the limited liability company "ZENITEL" for the same amount of €1,500,000. The cash resources thereby released are intended to general operating and working capital requirements of the limited liability company "ZENITEL" and its subsidiaries.
   - In view of the determination that the reference shareholder "3D" grants a credit to the publicly traded company "ZENITEL" in similar circumstances and under similar conditions to those imposed by the bank credit provider.
   - In view of the fact that the contractual terms and conditions as provided for in the loan agreement and the "Share Pledge Agreement" conform to market practice. The interest rate amounts to EURIBOR 1 month increased by a margin of 300 basis points per year.
   - In addition, the loan of the limited liability company "3D" is subordinate to the bridging credit provided by "KBC Bank" in accordance with the "Subordination Agreement".
   - As security for the credit provided, the limited liability company "ZENITEL" shall give the shares of its 100% subsidiary "ZENITEL NORWAY AS" in pledge to the credit providers, with the pledge being assigned in accordance with the following allocation key to each of the creditors (Article 6 of the pledge agreement).
   - That was done with due regard for the fact that "KBC Bank" (inter alia) was also willing provide a second loan in the amount of €2,000,000 so that the pledge rights were distributed among the creditors proportional to their share of the allowed credit.

   In view of the above, the independent directors declared that the transaction was legitimate.

3. After having taken cognizance of the recommendation of the committee of independent directors, all of the directors who were permitted to take part in the vote decided to support the recommendation of the committee of independent directors.

   A copy of the recommendation of the committee of independent directors, including the recommendation of the independent expert who assisted the committee within the meaning of Section 524 , §2 W. Venn. is enclosed as Annex I to these minutes.

C) Pursuant to section 524 w.venn, confirmation of the decision of the board of directors of 11 december 2008 to approve in principle entering into a loan agreement between the company and 3d nv

1. The company shall sign a loan agreement for an amount of €1,500,000 with 3D NV in the days following the agreement in principle by the Board of Directors on 11 December 2008, and perhaps on 13 February 2009.
2. The Board of Directors had discussed the proposed transaction on 11 December 2008 on the basis of the loan agreement and the agreement concerning the pledge of shares of Zenitel Norway ASA ("Share Pledge Agreement") that was entered into to provide security for the loan agreement.

   The Board of Directors believed that this transfer would be favourable for the financial situation of the company. The loan agreement was also a measure within the meaning of Section 138 W.Venn., which will ensure the continuity of the company.
3. On 11 December 2008, the Board of Directors then approved the loan agreement and the Share Pledge Agreement in principle by a majority of votes as stipulated in Article 13, paragraph 4 of its statues.

   The loan agreement and the Share Pledge Agreement were signed by the company and 3D NV subject to compliance with the procedure for conflicts of interest within the meaning of Section 524 W.Venn. That procedure has now been complied with, in view of the first agenda item of this Board of Directors meeting.
4. At this meeting, the Board of Directors has confirmed by majority vote its original decision to approve the loan agreement for an amount of €1,500,000 and the Share Pledge Agreement.
5. **Decision:** Thus has the Board of Directors confirmed its decision of 11 December 2008 to approve a loan agreement between the company and 3D NV, with due application of the relevant legal provisions of Sections 523 and 524 W.Venn.

The meeting of the Board of Directors was closed by the chair at 9 a.m. These minutes were signed by the directors who participated in the meeting.

Extract from the Minutes of the Board of Directors meeting on 30 March 2009

The meeting was opened at 3 p.m. under the chairmanship of Mr Eugeen Beckers.

1. In attendance

   The chair ascertained that the following directors were present and took part in the telephone conference:
   - Mr Frank Donck;
   - Breci BVBA, represented by its permanent representative, Mr Rudy Broeckaert;
   - Beckers Consulting BVBA, represented by its permanent representative, Mr Eugeen Beckers;
   - De Wilg GCV, represented by its permanent representative Mr Dirk Van Tricht;
   - Mr Erik Hoving;
   - Houterman Management Consultancy B.V., represented by its permanent representative, Mr Ferry I.M. Houterman; and
   - Mr Duco Sickinghe.
   - Van Zele Holding NV, represented by its permanent representative, Mr Eric Van Zele, will abstain from this meeting, in view of the subject.

   The chair ascertained that all directors were present or validly represented. Consequently, it was not necessary to investigate the validity of the call to this meeting and the meeting could validly deliberate and decide on the items on the agenda.

2. Agenda

   The chair explained the agenda of the Board of Directors meeting as follows:

1. Deliberation over and approval of entering into the Purchase/Sale Agreement (as defined below);
2. Deliberation over and approval of entering into the Transaction Agreement (as defined below);
3. Proxy.

3. Explanation by the chair

The Board of Directors takes cognizance of the fact that it is the intention today to transfer 85% of the shares of Zenitel Belgium NV, a limited liability company under Belgian law, with registered offices at Z1 Researchpark 110, Pontbeek 63, 1731 Zellik, to a new company to be established (Newco), which will be a company affiliated with Van Zele Holding NV, pursuant to the provisions of the Purchase/Sale Agreement concerning 85% of the shares of Zenitel Belgium NV, a draft of which is attached to these minutes (the Purchase/Sale Agreement). Van Zele Holding NV will act as a party to the Purchase/Sale Agreement as a guarantor for certain obligations.

The Board of Directors further takes cognizance of the fact that, in the context of the Purchase/Sale Agreement, the intention is for the Company, immediately following the transfer of shares of Zenitel Belgium NV, to become a party to the following agreements:

- a Commission Agreement with Zenitel Belgium NV;
- a Shareholders' Agreement with Newco and Zenitel Belgium NV;
- a Lease Agreement with Zenitel Belgium NV;
- a Licensing Agreement with Zenitel Belgium NV;
- a Service Agreement with Zenitel Belgium NV; and
- a Set-off Agreement with Zenitel Belgium NV

A draft of those agreements (the Transaction Agreements) is attached to these minutes.

Finally, the intention is, pursuant to the provisions of the Purchase/Sale Agreement, following the transfer of the shares of Zenitel Belgium NV to Newco, to bring certain assets and liabilities of Zenitel Wireless France SA into a new subsidiary of Zenitel Wireless France SA (France Newco), followed by the sale of 100% of the shares of France Newco to Zenitel Belgium NV.

A draft of the Purchase/Sale Agreement and the Transaction Agreement was distributed to the directors prior to the meeting.

4. Conflict of interest

1. Declaration of Van Zele Holding NV – justification of conflict of interest

Before the start of any deliberations, Van Zele Holding NV informed the meeting through its permanent representative, Mr Eric Van Zele, that it had a potential conflict of interest within the meaning of Section 523 of the Companies Code (the W.Venn.) with respect to the approval of (i) entering into the Purchase/Sale Agreement, and (ii) entering into the Transaction Agreements.

After all, the subject of the Purchase/Sale Agreement which was before the Board of Directors for approval, was the sale of 85% of the shares of Zenitel Belgium NV to a company affiliated with Van Zele Holding NV.

In addition, the Transaction Agreements will be entered into with a company affiliated with Van Zele Holding NV and with Zenitel Belgium NV, the latter of which at the moment of entering into that agreement will also be a company affiliated with Van Zele Holding NV.

In consequence, the approval of (i) entering into the Purchase/Sale Agreement, and (ii) entering into the Transaction Agreements could constitute a conflict of interest with respect to property rights for Van Zele Holding NV.

In view of Section 523, §1 in fine W.Venn., Van Zele Holding NV declared that it would not participate in the deliberations of the Board of Directors with respect to the transactions and decisions stated in the agenda, nor in the vote in that regard and would inform the Company's auditor about this conflict of interest.

2. Nature of the decisions

(a) The draft Purchase/Sale Agreement concerns, in general, (i) the purchase/sale of 85% of the shares of Zenitel Belgium NV, a subsidiary of the Company, to Newco, and (ii) the transfer of certain assets and liabilities of Zenitel Wireless France SA into France Newco, followed by the sale of 100% of the shares of France Newco to Zenitel Belgium NV;

(b) Pursuant to the draft Commission Agreement, the Company is authorised, under certain conditions as elaborated therein, to receive a commission from Zenitel Belgium NV as compensation for the mediation and prospecting activities of the Company with respect to entering into an agreement entered into between Zenitel Belgium NV and Mundo Telecommunicaçoës;

(c) In the draft Shareholders Agreement between the Company, Newco and Zenitel Belgium NV, certain agreements have been made with respect to the transfer of shares of Zenitel Belgium NV and oversight in the Board of Directors of Zenitel Belgium NV;

(d) The draft Lease Agreement concerns the lease by the Company of office space, archives and parking space to Zenitel Belgium NV;

(e) Pursuant to the draft Licensing Agreement, the Company grants a non-exclusive licence with respect to the word-mark ZENITEL to Zenitel Belgium NV;

(f) In accordance with the provisions of the draft Service Agreement, the Company and Zenitel Belgium NV mutually provide each other certain services, including reception services, HR administration, telephone and electricity services, etc.;

(g) In accordance with the draft Set-off Agreement, a set-off is being applied with respect to debts that the Company and Zenitel Belgium NV hold with respect to each other.

3. Accounting for the decision to be taken

Signing the draft Purchase/Sale Agreement and (subsequently) the draft Transaction Agreement is intended to serve as a stable solution for the current unfavourable financial situation of the Company, Zenitel Belgium NV and the international activities of Zenitel Wireless France.

That transaction should be seen in the light of the previous decision to disinvest certain non-key activities of the Company, by means of which a partial pay-down of debt can also be achieved. In view of the current cash requirements of the group and the need to be able to concentrate the focus of the group on the activities of Secure Communication Systems before the end of the second quarter, a fast sale is indicated.

The Board of Directors is furthermore of the opinion that the purchase price, which amounts to €300,000, accurately reflects the value of Zenitel Belgium NV, bearing in mind the provisions and conditions included in the Purchase/Sale Agreement and the Transaction Agreements, including certain limited guarantees and exemptions. The budget for 2009 for Zenitel Belgium NV and the activities of Zenitel Wireless France is not yet assured. In addition, the transaction also provides for Zenitel Belgium NV to take part of the debts of KBC with it and that all bank guarantees concerning the ongoing activities are being transferred along with it.

In the Purchase/Sale Agreement, the buyer also gives the undertaking to continue the activities to be sold 'in going concern' until the general meeting of Zenitel Belgium NV and the France Newco of 2010.

The Board of Directors therefore believes that the intended transaction is in the interest of the Company and Zenitel Belgium NV and is essential to assure the future of the activities of the Company and the group.

This accounting also applies for the intended transfer to Zenitel Belgium NV of part of the assets and liabilities of Zenitel Wireless France SA via France Newco.

4. Financial consequences for the Company
   (a) Purchase/Sale Agreement
   The purchase price for 85% of the shares of Zenitel Belgium NV is set in the draft Purchase/Sale Agreement at EUR 300,000.

   In the context of the Purchase/Sale Agreement, the current account between the Company and Zenitel Belgium NV will also be paid off.

   In addition, the Company is also liable for (i) any Damage (as defined in the draft Purchase/Sale Agreement) caused as a result of an infringement of the declarations included in Annex 6 to the draft Purchase/Sale Agreement, and (ii) specific exempted costs related to litigation and restructuring.

   (b) Commission Agreement
   Pursuant to the draft Commission Agreement, the Company is entitled, under certain conditions as set out therein, to receive a sum in the amount of EUR 1,000,000 from Zenitel Belgium NV.

   (c) Shareholders Agreement
   In accordance with the provisions of the draft Shareholders Agreement, the company will take out a call and put option with respect to 15% of the shares of Zenitel Belgium NV at an option price that is related to the equity value of Zenitel Belgium NV.

   (d) Lease Agreement
   Pursuant to the draft Lease Agreement, the Company will receive a lease price for the leased goods, which will be between EUR 130 and EUR 150. That compensation was recommended to us by the broker Key Estate, which is looking for prospective buyers for the building.

   (e) Licensing Agreement
   Pursuant to the Licensing Agreement, the Company will receive a one-time licensing fee that will amount to approximately EUR 2 million.

   (f) Services agreement
   In accordance with the draft Services Agreement, the Company owes Zenitel Belgium NV repayment 'at cost' and the Company is entitled to receive compensation at standard market conditions of payment.

   (g) Set-off Agreement
   In accordance with the set-off agreement, a (partial) set-off will be done between the outstanding debt of the Company with respect to Zenitel Belgium NV and the compensation or exemption that the Company is entitled to receive from Zenitel Belgium NV under the Licensing Agreement and the Purchase/Sale Agreement.

5. Decisions

   Following the deliberations, the Board of Directors took the following decisions unanimously:

   1. The Board of Directors decides to approve the Company's signature of the Purchase/Sale Agreement.
   2. The Board of Directors decides to approve the Company's signature of the Transaction Agreement.
   3. The Board of Directors decides to authorise Beckers Consulting BVBA, represented by Mr Eugeen Beckers, with the possibility of delegation, to carry out all actions and to prepare, finalise and sign all documents (including but not limited to the Purchase/Sale Agreement, the Transaction Agreement and all documents related to the transfer of certain assets and liabilities of Zenitel Wireless France SA through a contribution to a company under French law that has yet to be established) and in general, to do everything that is useful or necessary to implement the aforementioned decisions.

All of the agenda items having been dealt with, the meeting was closed at 4 p.m.

All of the signing directors confirm that (i) they participated in the telephone conference, (ii) they have no objection to this form of meeting, and (iii) that these minutes are a faithful representation of the decisions taken during this meeting of the Board of Directors.

Extract of the Minutes of the Board of Directors on 24 June 2009

These minutes are the record of the deliberations and decisions taken during the meeting of the Board of Directors of the Company held on 24 June 2009.

The meeting was opened at 10 a.m. under the chairmanship of Mr Eugeen Beckers.

1. In attendance

   The chair ascertained that the following directors were present and took part in the telephone conference:

   - Mr Frank Donck;
   - Breci BVBA, represented by its permanent representative, Mr Rudy Broeckaert;
   - Beckers Consulting BVBA, represented by its permanent representative, Mr Eugeen Beckers;
   - De Wilg GCV, represented by its permanent representative Mr Dirk Van Tricht;
   - Mr Erik Hoving – proxy given to Beckers Consulting BVBA;
   - Houterman Management Consultancy B.V., represented by its permanent representative, Mr Ferry I.M. Houterman – proxy given to Beckers Consulting BVBA;
   - Mr Duco Sickinghe; and
   - Van Zele Holding NV, represented by its permanent representative, Mr Eric Van Zele.

   The chair ascertained that all directors were present or validly represented. Consequently, it was not necessary to investigate the validity of the call to this meeting and the meeting could validly deliberate and decide on the items on the agenda.

2. Agenda

   The chair explained the agenda of the Board of Directors meeting as follows:

   1. Deliberation over and approval of entering into the Purchase/Sale Agreement (as defined below);
   2. Deliberation over and approval of entering into the Transaction Agreement (as defined below);
   3. Proxy.

3. Explanation by the chair

The Board of Directors takes cognizance of the fact that it is the intention today to transfer 85% of the shares of Zenitel Netherlands BV, a limited liability company under Dutch law, with registered offices at Microfoonstraat 5, NL-1322 BN Almere, to the company Crescent NV, a company affiliated with Van Zele Holding NV, pursuant to the provisions of the Purchase/Sale Agreement concerning 85% of the shares of Zenitel Netherlands BV, a draft of which is attached to these minutes (the Purchase/Sale Agreement). Van Zele Holding NV will act as a party to the Purchase/Sale Agreement as a guarantor for certain obligations.

The Board of Directors further takes cognizance of the fact that, in the context of the Purchase/Sale Agreement, the intention is for the Company, immediately following the transfer of shares of Zenitel Netherlands NV, to become a party to the following agreements:

- a Shareholders' Agreement with Crescent NV and Zenitel Netherlands BV;
- a Licensing Agreement with Zenitel Netherlands NV;
- Service Agreements with Zenitel Netherlands BV; and
- a Set-off Agreement with Zenitel Netherlands BV.

A draft of those agreements (the Transaction Agreements) is attached to these minutes.

A draft of the Purchase/Sale Agreement and the Transaction Agreements will be distributed to the directors prior to the signature.

4. Conflict of interest

1. Declaration of Van Zele Holding NV – justification of conflict of interest

Before the start of any deliberations, Van Zele Holding NV informed the meeting through its permanent representative, Mr Eric Van Zele, that it had a potential conflict of interest within the meaning of Section 523 of the Companies Code (the W.Venn.) with respect to the approval of (i) entering into the Purchase/Sale Agreement, and (ii) entering into the Transaction Agreements.

After all, the subject of the Purchase/Sale Agreement which was before the Board of Directors for approval, was the sale of 85% of the shares of Zenitel Netherlands BV to a company affiliated with Van Zele Holding NV.

In addition, the Transaction Agreements will be entered into with a company affiliated with Van Zele Holding NV and with Zenitel Netherlands BV, the latter of which at the moment of entering into that agreement will also be a company affiliated with Van Zele Holding NV.

In consequence, the approval of (i) entering into the Purchase/Sale Agreement, and (ii) entering into the Transaction Agreements could constitute a conflict of interest with respect to property rights for Van Zele Holding NV.

In view of Section 523, §1 in fine W.Venn., Van Zele Holding NV declared that it would not participate in the deliberations of the Board of Directors with respect to the transactions and decisions stated in the agenda, nor in the vote in that regard and would inform the Company's auditor about this conflict of interest.

2. Nature of the decisions

(a) The draft Purchase/Sale Agreement concerns, in general, the purchase/sale of 85% of the shares of Zenitel Netherlands BV, a subsidiary of the Company, to Crescent NV;

(b) In the draft Shareholders Agreement between the Company, Crescent NV and Zenitel Netherlands BV, certain agreements have been made with respect to the transfer of shares of Zenitel Netherlands BV and oversight in the Board of Directors of Zenitel Netherlands BV;

(c) Pursuant to the draft Licensing Agreement, the Company grants a non-exclusive licence with respect to the word-mark ZENITEL to Zenitel Netherlands BV;

(d) Pursuant to the provisions of the draft Services Agreements, the Company and Zenitel Netherlands BV, on the one hand, and MCCN BV (a 100% subsidiary of the Company) and Zenitel Netherlands BV, on the other hand, will mutually render services to each other, including reception services, HR administration, accommodation, IT, etc.;

(e) In accordance with the draft Set-off Agreement, a set-off is being applied with respect to debts that the Company and Zenitel Netherlands BV hold with respect to each other.

3. Accounting for the decision to be taken

Signing the draft Purchase/Sale Agreement and (subsequently) the draft Transaction Agreement is intended to serve as a stable solution for the current unfavourable financial situation of the Company and Zenitel Netherlands BV.

That transaction should be seen in the light of the previous decision to disinvest certain non-key activities of the Company, by means of which a partial pay-down of debt can also be achieved. In view of the current cash requirements of the group and the need to be able to concentrate the focus of the group on the activities of Secure Communication Systems before the end of the second quarter, a fast sale is indicated. Furthermore, it has become apparent from the detailed 'Lemon' sales process that many candidates have reviewed the potential transaction with respect to Zenitel Netherlands BV and that Crescent NV's offer was the most acceptable, both for the Company and for Zenitel Netherlands BV.

The Board of Directors is furthermore of the opinion that the purchase price, which amounts to €100,000, possibly corrected with an earn-out, accurately reflects the value of Zenitel Netherlands BV, bearing in mind the provisions and conditions included in the Purchase/Sale Agreement and the Transaction Agreements, including certain limited guarantees and exemptions. The budget for Zenitel Netherlands BV for 2009 is not yet assured. In addition, the transaction also provides for Zenitel Netherlands BV to take part of the debts of KBC with it and that virtually all of the bank guarantees concerning the ongoing activities are being transferred along with it. Crescent will bring in additional funds to invest in a profitable future, possibly in the form of registered capital, by means of which Zenitel could retain 15% following this transaction.

In the Purchase/Sale Agreement, the buyer also gives the undertaking to continue the activities to be sold 'in going concern' until the general meeting of Zenitel Netherlands BV of 2010.

The Board of Directors therefore believes that the intended transaction is in the interest of the Company and Zenitel Netherlands NV and is essential to assure the future of the activities of the Company and the group.

4. Financial consequences for the Company

(a) Purchase/Sale Agreement
In the draft Purchase/Sale Agreement, the purchase price for 85% of the shares of Zenitel Netherlands BV is set at EUR 100,000, possibly to be increased by a possible earn-out and additional increases.

In the context of the Purchase/Sale Agreement, the current account between the Company and Zenitel Netherlands BV will also be paid off.

The Company is furthermore liable for any Damage (as defined in the draft Purchase/Sale Agreement) resulting from an infringement of the declarations included as an annex to the Purchase/Sale Agreement.

(b) Shareholders Agreement
In accordance with the provisions of the draft Shareholders Agreement, the company will take out a call and put option with respect to 15% of the shares of Zenitel Netherlands BV at an option price that is related to the equity value of Zenitel Netherlands BV.

(c) Licensing Agreement
Pursuant to the Licensing Agreement, the Company will receive a one-time licensing fee that will amount to approximately EUR 3 million.

(d) Services agreement
In accordance with the draft Services Agreements, the Company owes Zenitel Belgium NV repayment 'at cost' and the Company is entitled to receive compensation at standard market conditions of payment.

(e) Set-off Agreement
In accordance with the set-off agreement, a set-off will be done between the outstanding debt of the Company with respect to Zenitel Netherlands BV and the compensation to be received from Zenitel Netherlands BV under the Licensing Agreement.

5. Decisions

Following the deliberations, the Board of Directors took the following decisions unanimously:

1. The Board of Directors decides to approve the Company's signature of the Purchase/Sale Agreement.
2. The Board of Directors decides to approve the Company's signature of the Transaction Agreement.
3. The Board of Directors decided to authorise Beckers Consulting BVBA, represented by Mr Eugeen Beckers, with the possibility of delegation, to carry out all actions and to prepare, finalise and to sign all documents (including but not limited to the Purchase/Sale Agreement, the Transaction Agreements) and in general to do everything that is useful or necessary to implement the aforementioned decisions.

All of the agenda items having been dealt with, the meeting was closed at 10:45 a.m.

All of the signing directors confirm that (i) they participated in the telephone conference, (ii) they have no objection to this form of meeting, and (iii) that these minutes are a faithful representation of the decisions taken during this meeting of the Board of Directors.

Extract from the Minutes of the Board of Directors meeting on 14 September 2009

On 14 September 2009, a meeting was held of the Board of Directors of Zenitel NV, with registered offices at 1731 Zellik, Z. 1 Researchpark 110, registered in the Register of Legal Persons of the Central Database of Enterprises under corporate number 0403.150.608.

The following members of the Board of Directors were in attendance:

1. VZH NV, director, with registered offices at 1560 Hoeilaart, Hertenlaan 9, represented by Mr Eric Van Zele, Chair – via proxy to Mr Eugeen Beckers
2. Mr FRANK DONCK, residing at 9052 Zwijnaarde, Rijvisschestraat 118.
3. BRECI BVBA, director, Breci BVBA, a company under Belgian law with registered offices at 2980 Zoersel, Jachthoornlaan 27, registered in the Register of Legal Persons of the Central Database of Enterprises under corporate number 0877.538.709, represented by Mr Rudy Broeckaert.
4. CTK management BVBA, a company under Belgian law, represented by Mr Dirk Van Tricht.
5. HOUTERMAN MANAGEMENT CONSULTANCY BV, director, company under Dutch law, with registered offices at 1071 GA Amsterdam, Van Eeghenstraat 131, represented by Mr Ferry I.M. Houterman.
6. Mr ERIK HOVING, director, residing at Wassenaar (NL), Groot Hoefijzerlaan 15.
7. Mr DUCO SICKINGHE, director, residing at 1950 Kraainem, Heilig Dominicuslaan 5, 1950 Kraainem – via proxy to Mr Eugeen Beckers
8. BECKERS CONSULTING BVBA, director, a company under Belgian law with registered offices at 2880 Bornem, Nieuwstraat (BOR) 23, registered in the Registry of Legal Persons of the Central Database of Enterprises under corporate number 0478.037.081, represented by Mr Eugeen Beckers, residing at 8300 Knokke-Heist, Nieuwpoortstraat 41/42.

The meeting was opened at 8:45 a.m. under the chairmanship of Mr Eugeen Beckers as the permanent representative of Beckers Consulting BVBA. (proxy granted by Mr Eric Van Zele via e-mail dated 13 September 2009)

INTRODUCTORY STATEMENT

1. The Board of Directors was called together to discuss the following agenda:
   - FIRST AGENDA ITEM: the application of Section 523 of the Companies Code (W.Venn.);
     Approval of the hereto attached draft framework agreement concerning the transfer of a business activity between Zenitel NV and 3D NV;
   - SECOND AGENDA ITEM: the application of Section 524 of the W.Venn.;
     Approval and acceptance of the proposal to transfer, in accordance with Section 770 in conjunction with Section 760 of the Companies Code, the business activity "Business Centre", comprising all asset and liability components and agreements with respect to the operation of a business centre in the business building at 1731 Zellik, Z.I. Researchpark 110, and all associated rights and obligations, as further described in detail in the hereto attached draft proposal to transfer the business activity.
   - THIRD AGENDA ITEM: proxies
     The appointment of Beckers Consulting BVBA (represented by Mr Eugeen Beckers) and Rika Coppens as extraordinary proxy-holders to, acting alone and with the authority to delegation, to sign in the name of and on behalf of the Board of Directors of the Company and in the presence of the representatives of 3D NV, the hereto attached framework agreement with annexes and the hereto attached draft proposal to transfer the business activity, which shall be notarised by means of notary deed by notary Peter Van Melkebeke.
2. Pursuant to Article 13, paragraph 1 of the statutes, the majority of the directors is present or represented, and the Board may legally deliberate with respect to the agenda.

DELIBERATIONS AND DECISIONS

A) First preliminary agenda item: application of section 523 of the companies code

1. The following natural persons asked for leave to make a statement:

   (a) Mr Frank Donck, director of the company and managing director of the company 3D NV, a company under Belgian law with registered offices at 9052 Zwijnaarde, Rijvisschestraat 118, registered in the Registry of Legal Persons of the Central Database of Enterprises under number 0448.341.027.

   (b) Mr Rudy Broeckaert, permanent representative of Breci BVBA, a company under Belgian law with registered offices at 2980 Zoersel, Jachthoornlaan 27, registered in the Register of Legal Persons of the Central Database of Enterprises under corporate number 0877.538.709, and director of the company 3D NV.

2. The agenda items relate to the transfer of a business activity between the Company and 3D NV, in which Messrs Frank Donck and Rudy Broeckart are directors.

   Inasmuch as Messrs Frank Donck and Rudy Broeckaert are also directors of this Company, they declared a functional conflict of interest with respect to property rights within the meaning of Section 523 §1 W. Venn. with respect to the decision to approve the framework agreement to transfer the business activity between the Company and 3D NV.
3. They requested that their declarations be recorded in the minutes of the meeting of the Board of Directors, pursuant to Section 523 W.Venn.
4. In view of this functional conflict of interest, Messrs Frank Donck and Rudy Broeckaert declared that, pursuant to Section 523, §1, sub-paragraph 4 W. Venn. , they would not participate in the deliberations and the vote on the agenda of this meeting.
5. Messrs Frank Donck and Rudy Broeckaert undertook to inform the auditor of the company with respect to the application of Section 523 W.Venn. immediately following the meeting of the Board of Directors.
6. After they made the preliminary declarations, Messrs Frank Donck and Rudy Broeckaert left the meeting.

B) Second agenda item: the application of section 524 of the w.venn.

1. The chair declared that the application of Section 524 W.Venn. was used with respect to the second agenda item.

   The Chair explained the contents of the procedure prescribed by Section 524 W.Venn. to the Board.

   The procedure of Section 524 W. Venn. was necessary inasmuch as the agenda related to the relationship between the publicly listed company, Zenitel NV, and a company that is affiliated with it, to wit, 3D NV.
2. The Chair explained the intended transaction:

   To conclude a framework agreement comprising the transfer of the business activity 'business centre/services centre' by the Company to 3D. 3D also assumes the obligations in the context of 1) the Fortis agreement 8395/E, for which the outstanding debt as at 30 June 2009, amounted to EUR 3,426,242 and 2) the leasehold with the Flemish Region. All rights and obligations, claims and debts, assets & liabilities, as detailed in Annex 2 to the framework agreement are also assumed by 3D as of the closing date of the transaction (on or about 31 October 2009). Subject to the satisfaction of suspensive conditions, the transaction will be concluded on 31 October or early in November 2009.

   The transfer of the business activity includes inter alia the assignment of the building and the associated building lease with respect to the building at 1731 ZELLIK (ASSE) as well as the associated financing contract of real estate leasing entered into with FORTIS LEASE.

   On the date on which the transaction will be concluded, and as part of the transaction, the Company will also conclude a services agreement with the limited liability company ('NV') 3D for the use of the services rendered by the business activity "services centre/business centre" with respect primarily to part of the space on the third storey.
3. Assisted by an independent expert within the meaning of Section 524, § 2 W. Venn. in the person of Mr Dirk Smets, corporate auditor with BST Bedrijfsrevisoren, the committee of independent directors stated in its recommendation that:
   - In view of the financial situation of "ZENITEL" and the necessity of attracting additional financial resources in order to thereby be able to exercise its strategic options.
   - In view of the fact that through these efforts, the financial short-term debts with the banks and creditors will be spread over the long term, and that the repayment period of other debts, including the debt with Ethias will be extended by at least 1 year.
   - In view of the willingness of the limited liability company "3D" to, following extensive consultation with the market, sign a framework agreement comprising the transfer of the business activity for an amount of €1,720,000, whereby the Company will also conclude a services agreement for the space used at the usual terms and conditions in the business centre. The cash resources thereby released are intended to general operating and working capital requirements of the limited liability company "ZENITEL" and its subsidiaries.
   - In view of the determination that this valuation is in accord with the valuation reached by third parties.
   - In view of the interest of the timing of receipt of the additional financing for ZENITEL and the going concern of the Company, whereby an advance will be received at the moment of the signature of the framework agreement.
   - In view of the assumption of the social obligations by 3D, whereby the risk to ZENITEL created by the transfer is limited to EUR 70K.

   In view of the above, the independent directors declare that the transaction is in the interests of the Company and is not of a nature that will cause a competitive disadvantage to the Company, which, in view of the policy that the Company exercises, is clearly unlawful.

   They declare that the terms and conditions of the transaction are acceptable and are not disadvantageous to the Company and that they have the following consequences with respect to property rights for the Company (summarised):
   - Significant improvement of the debt position and repayment modalities;
   - Improvement of the liquidity position;
   - Change to the interest payments;
   - Reduction of the social obligations of the Company;
   - Change to the material fixed assets.
4. After having taken cognizance of the recommendation of the committee of independent directors, all of the directors who were permitted to take part in the vote decided to support the recommendation of the committee of independent directors.

   A copy of the recommendation of the committee of independent directors, including the recommendation of the independent expert who assisted the committee within the meaning of Section 524, §2 W. Venn. is enclosed as Annex I to these minutes.
5. **Decision**: With application of the relevant legal provisions of Sections 523 and 523 W.Venn, the Board of Directors granted its approval to the decisions and signature of the framework agreement to transfer the business activity 'business centre/services centre' between the Company and 3D NV.

Decisions

After having applied the provisions of Sections 523 and 524 W.Venn. and the motivations and the background of the planned transfer in accordance with Section 770 in conjunction with Section 760 of the Companies Code to 3D NV by the Company of its business activity "Business Centre", comprising all asset and liability components and agreements related to the operation of a business centre in the business building located at 1731 Zellik, Z.I. Researchpark 110, Pontbeek 63 and all related rights and obligations, as well as having discussed the foreseen consequences hereof for the Company, the directors in attendance took the following decisions by unanimous vote:

The Board of Directors accepts and approves by unanimous vote the proposal to transfer by the Company to 3D NV of its business activity "Business Centre", comprising all asset and liability components, and agreements that relate to the operation of a business centre in the business building located at 1731 Zellik, Z.I. Researchpark 110 and all associated rights and obligations, as will be authenticated in accordance with Sections 770 and 760 of the Companies Code by notary Peter Van Melkebeke and in the presence of the representatives of 3D NV.

A copy of this proposal to transfer a business activity is attached as an annex to these minutes.

C) Third agenda item: proxies

The Board of Directors decided to appoint Beckers Consulting BVBA (represented by Mr Eugeen Beckers) and Rika Coppens as extraordinary proxy-holders in the matter of the aforementioned intended transfer of the business activity "Business Centre" to, acting alone and with the authority to delegation, sign in the name of and on behalf of the Board of Directors of the Company and in the presence of the representatives of 3D NV, the hereto attached draft proposal to transfer the business activity, which shall be notarised by means of notary deed by notary Peter Van Melkebeke. In order to sign the proposal to transfer the business activity, the aforementioned proxy-holders have the most extensive proxy authority.

The meeting of the Board of Directors was closed by the chair at 9 a.m. These minutes were signed by the directors who participated in the meeting.

Extract from the Minutes of the Board of Directors on 3 November 2009

3. Amendement on the loan agreement with 3D, in compliance with KBC Negotiations:

   Mr. Donck leaves the meeting, after acknowledging the application of article 523 of Belgian Company Law.

   The new proposed loan agreement with 3D has been approved by the board. This agreement improves the conditions in favor of Zenitel, in the sense the payment terms have been extended (also beyond KBC terms). The interest rate is in line with KBC, article 524 of the Belgian Company Law is therefore not applied.

   At the request of the independend directors, management will also inform Duco Sickinghe as independent director of this amendement and the fact that the board has approved the amendement. Statutory auditors report according to article 524 of the Companies Code on March 24, 2010

Statutory auditors report on article 524 of the companies code as per March 24, 2010

TO THE SHAREHOLDERS

As statutory auditor of Zenitel NV ('the Company') we are in accordance with article 524 Companies Code requested to give our opinion upon the fairness of the financial information included in the joint report of the Committee of Independent Directors of both February 2nd , 2009 and September 14th , 2009 as well as in the minutes of the board of directors of both February 12th, 2009 and September 14th, 2009.

Our opinion is attached to the minutes of the board of directors and published in the annual report.

2 FEBRUARY 2009

On February 2nd, 2009 the board of directors granted its approval with a majority of votes to its earlier decision to approve the loan agreement between 3D NV and the Company, amounting to EUR 1.500.0000,

The procedure as prescribed in article 524 of the Companies Code had to be applied, since the board of directors had to take a decision relating to a loan agreement and a related Share Pledge Agreement and that with respect to this matter a decision needed to be taken which is related to Zenitel NV and affiliated companies.

Assisted by an independent expert within the meaning of Section 524, § 2 W. Venn. in the person of Mr Dirk Smets, corporate auditor with BST Bedrijfsrevisoren, the committee of independent directors stated in its recommendation that:

- In view of the financial situation of "ZENITEL" and the necessity of attracting additional financial resources in order to thereby be able to exercise its strategic options.
- In view of the willingness of the limited liability company "3D" to enter into a loan agreement for credit in the amount of principal equal to €1,500,000 and in view of the fat that "KBC Bank" was also providing bridging credit to the limited liability company "ZENITEL" for the same amount of €1,500,000. The cash resources thereby released are intended to general operating and working capital requirements of the limited liability company "ZENITEL" and its subsidiaries.
- In view of the determination that the reference shareholder "3D" grants a credit to the publicly traded company "ZENITEL" in similar circumstances and under similar conditions to those imposed by the bank credit provider.
- In view of the fact that the contractual terms and conditions as provided for in the loan agreement and the "Share Pledge Agreement" conform to market practice. The interest rate amounts to EURIBOR 1 month increased by a margin of 300 basis points per year.
- In addition, the loan of the limited liability company "3D" is subordinate to the bridging credit provided by "KBC Bank" in accordance with the "Subordination Agreement".

  As security for the credit provided, the limited liability company "ZENITEL" shall give the shares of its 100% subsidiary "ZENITEL NORWAY AS" in pledge to the credit providers, with the pledge being assigned in accordance with the following allocation key to each of the creditors (Article 6 of the pledge agreement)
- That was done with due regard for the fact that "KBC Bank" (inter alia) was also willing provide a second loan in the amount of €2,000,000 so that the pledge rights were distributed among the creditors proportional to their share of the allowed credit.

In view of the above, the independent directors declared that the transaction was legitimate.

The following information was submitted to us and was investigated:

(d) the joint report of February 2nd, 2009 of the committee of independent directors and of the independent expert, appointed by the committee, being Mr. Dirk Smets , corporate auditor;

(e) the minutes of the board of directors of Zenitel NV of February 2nd, 2009;

(f) the loan agreement between the Company and 3D NV;

(g) the share pledge agreement, guaranteeing the provided loans

14 SEPTEMBER 2009

On 14 September 2009 the Board of Directors granted its approval to the decisions and signature of the framework agreement to transfer the business activity 'business centre/services centre' , including all assets and liabilities relating to the exploitation of the business centre in the building located at 1731 Zellik, Researchpark 110 and all related rights and obligations, between the Company and 3D NV.

The procedure as prescribed in article 524 of the Companies Code had to be applied, since the board of directors had to take a decision relating to the sale of its business activity 'business centre/services centre' to 3D NV and that with respect to this matter a decision needed to be taken which is related to Zenitel NV and affiliated companies.

Assisted by an independent expert within the meaning of Section 524, § 2 W. Venn. in the person of Mr Dirk Smets, corporate auditor with BST Bedrijfsrevisoren, the committee of independent directors stated in its recommendation that:

- In view of the financial situation of "ZENITEL" and the necessity of attracting additional financial resources in order to thereby be able to exercise its strategic options.
- In view of the fact that through these efforts, the financial short-term debts with the banks and creditors will be spread over the long term, and that the repayment period of other debts, including the debt with Ethias will be extended by at least 1 year.
- In view of the willingness of the limited liability company "3D" to, following extensive consultation with the market, sign a framework agreement comprising the transfer of the business activity for an amount of €1,720,000, whereby the Company will also conclude a services agreement for the space used at the usual terms and conditions in the business centre. The cash resources thereby released are intended to general operating and working capital requirements of the limited liability company "ZENITEL" and its subsidiaries.
- In view of the determination that this valuation is in accord with the valuation reached by third parties.
- In view of the interest of the timing of receipt of the additional financing for ZENITEL and the going concern of the Company, whereby an advance will be received at the moment of the signature of the framework agreement.
- In view of the assumption of the social obligations by 3D, whereby the risk to ZENITEL created by the transfer is limited to EUR 70K.

In view of the above, the independent directors declare that the transaction is in the interests of the Company and is not of a nature that will cause a competitive disadvantage to the Company, which, in view of the policy that the Company exercises, is clearly unlawful.

They declare that the terms and conditions of the transaction are acceptable and are not disadvantageous to the Company and that they have the following consequences with respect to property rights for the Company (summarised):

- Significant improvement of the debt position and repayment modalities;
- Improvement of the liquidity position;
- Change to the interest payments;
- Reduction of the social obligations of the Company;
- Change to the material fixed assets.

The following information was submitted to us and was investigated:

(a) the joint report of September 14th, 2009 of the committee of independent directors and of the independent expert, appointed by the committee, being Mr. Dirk Smets , corporate auditor;

(b) the minutes of the board of directors of Zenitel NV of September 14th, 2009;

(c) the agreement to transfer the business activity 'business centre/services centre' between the Company and 3D NV.

Article 524 of the Companies Code requires the statutory auditor to gives his opinion on the fairness of the information which is included in the joint report of the Independent Directors' Committee and the Independent Expert and in the minutes of the board of directors.

The law does not require the statutory auditor to give an opinion on the expediency of the transaction, which would be tantamount to interference in governance. Neither the law prescribes to give an opinion on the compliance with the procedure, as this is to be declared by the board of directors in the minutes under its own responsibility (art 524, paragraph 3. Code of Companies). The mission of the statutory auditor is limited to the certification of the 'reliability of the information', which is included in the opinion on the basis of which the board of directors takes its decision (IBR Vademecum 2005, Part I: Rechtsleer page 594: Restraint role of the statutory auditor in conflict of interest procedures).

The intervention of the statutory auditor has the purpose that it ensures that the advice of the committee and the decision of the board of directors are based on reliable information and that it can warn the shareholders if the reliability can not be guaranteed. (ERNST, Ph., en YOUNES, N., "Groepsinterne belangenconflicten in de Wet Corporate Governance - een eerste commentaar op het niewe artikel 524 van het Wetboek van Vennootschappen", in BYTTEBIER, K.; FRANCOIS, A., en DELVOIE, J. (ed.), De Wet Corporate Governance ont(k)leed, Mechelen, Uitgeverij Kluwer, 2004, p. 223.).

Regarding this mission, we have performed the following procedures:

(a) We obtained the reports of the committee of three independent directors and compared the information with the reports of the independent expert.

(b) We have obtained the minutes of the board of directors and compared the conclusions with the conclusions included in the report of the committee of three independent directors.

Based on these above procedures we can conclude that :

(a) the information in the reports of the committee of three independent directors corresponds with the information included in the reports of the independent expert

(b) the conclusions included in the minutes of the board of directors correspond to the conclusions in the reports of the of the committee of three independent directors

(c) that by consequence the information which is included in the advises of the committee and in the minutes of the board of directors is reliable; this does not however imply that we evaluated the expendiency of the committee's opinion and the Board of Directors' decision, nor that we express an opinion on the report of the independent expert.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the reports and items specified above and does not extend to any other reports or information.

Diegem, 24 March 2010

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by William Blomme

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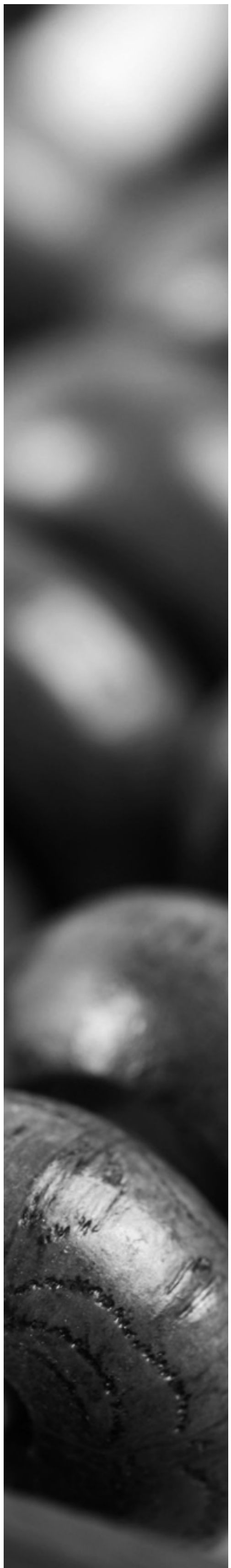

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