

zenitel

ZENITEL
ANNUAL REPORT 2018

BECAUSE

■ **when communication is critical**



THE ZENITEL GROUP

Zenitel is a leading provider of Intelligent Communication solutions that allow people to hear, be heard and be understood, in every situation. Because communication is critical in all areas of business, Zenitel systems interface with other security systems including CCTV, access control and alarm systems for a comprehensive security solution.

70 YEARS OF HISTORY AND A BRIGHT FUTURE AHEAD

Building on over 70 years of breakthrough innovations, Zenitel systems are at the forefront of today's technology landscape, well positioned to drive the future of Intelligent Communications. Fueled by technology trends like the Internet of Things (IoT), connected cloud systems, big data and machine learning, Intelligent Communications will soon become pervasive, reaching unprecedented levels of intelligence and convenience.

With a full range of IP products and solutions, built-in intelligence and security, the Zenitel portfolio is already providing organizations with maximum flexibility in scale and performance and is ready to reach unparalleled levels of deployment and usage.

INTEGRATED AND INTELLIGIBLE COMMUNICATIONS

Zenitel effectively bridges the traditional gaps between 2-way Intercom and Public Address and General Alarm solutions, making it the best alternative on the market, even for the world's most demanding secure communication environments. Zenitel also sells and integrates world-class third-party products that complement and seamlessly integrate with the Zenitel suite of products and solutions.

As a leading provider of Critical Communications over IP, Zenitel is also the proven and preferred audio- and data-communication

choice for environments that require crystal-clear communication to ensure the protection of human life, property, assets and/or the management of critical activities.

Zenitel has a strong presence in both the onshore and offshore secure communications market through its global brands, Vingtor-Stentofon and Phontech, which are recognized worldwide for offering advanced offshore and onshore communication systems. Zenitel is listed on the Euronext stock exchange in Brussels, with statutory headquarter situated in Belgium. Zenitel's operational headquarter is in Norway.

OUR CORE VALUES

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

ACCOUNTABILITY – We follow through on our commitments.

RESULTS – We create value for our customers, suppliers, employees and shareholders.

TEAM WORK – We work as a team.

INNOVATION – Our company culture fosters creativity, continuous improvement and innovation.

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

MISSION

“As a company and individuals, we aim to provide the highest quality communication solutions available in the market, with the lowest possible impact on the environment.

We are committed to continuously improving our operations and enhancing our partners’ and customers’ experiences.”

VISION

“The world leading provider of intelligent communication solutions”

BRANDS

zenitel

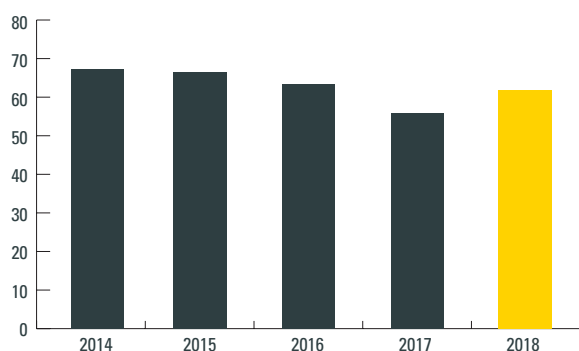
VINGTOR  STENTOFON

PHONTECH

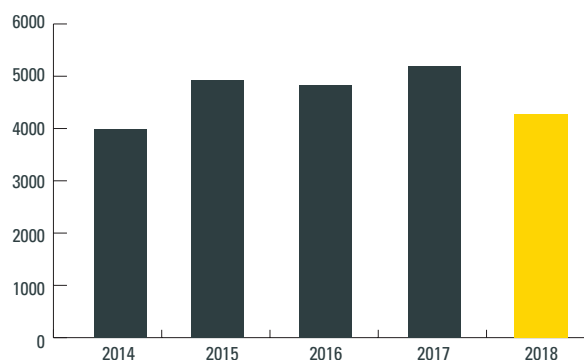
For more information, visit: www.zenitel.com.

CONSOLIDATED KEY FIGURES

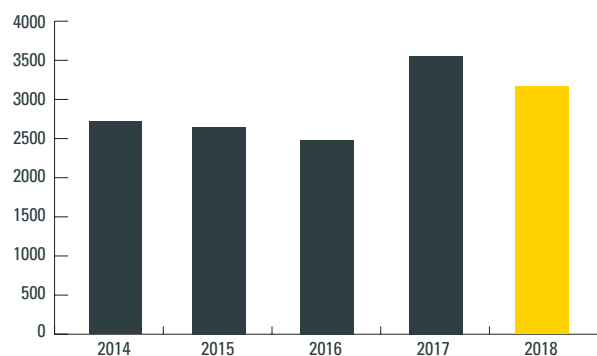
2018 REVENUE WAS € 61.8 MILLION COMPARED TO € 59.9 MILLION IN 2017.



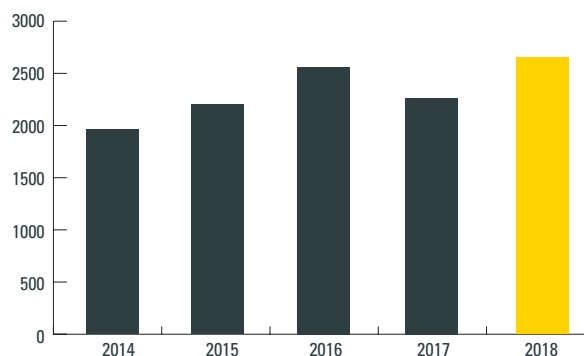
EBITDA OF € 4.3 MILLION IN 2018 AGAINST € 5.2 MILLION IN 2017.



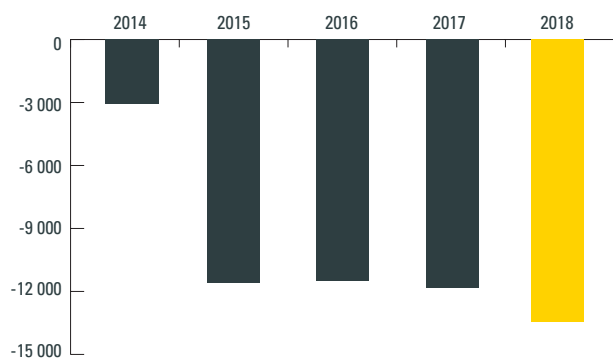
EBIT OF € 3.2 MILLION IN 2018 AGAINST € 3.6 MILLION IN 2017.



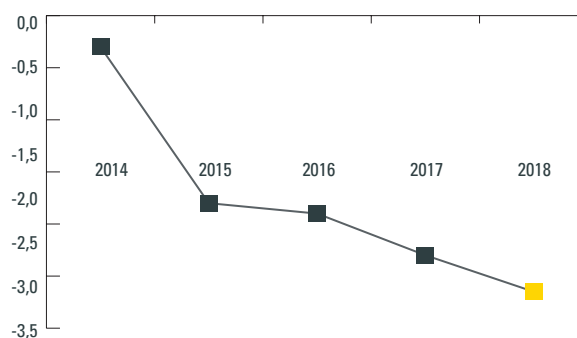
NET RESULT CONTINUING OPERATIONS OF € 2.7 MILLION IN 2018 AGAINST € 2.3 MILLION IN 2017.



NET DEBT AND PROVISIONS IN LINE WITH LAST YEAR.



NET DEBT AND PROVISIONS EQUALS -3.2 TIMES EBITDA (-2.3 IN 2017).



(*) Restated upon the adoption of IFRS 15

<i>(thousands of euro)</i>	2018	2017*	2016**	2015**	2014**
FROM CONSOLIDATED STATEMENT OF PROFIT OR LOSS					
Revenue	61 831	59 915	63 473	66 498	67 375
Profit before tax	3 383	3 068	2 617	2 295	1 799
Profit of the year	2 653	2 265	2 561	7 329	2 214
FROM STATEMENT OF FINANCIAL POSITION					
Total assets	50 138	44 763	47 494	54 652	47 904
Shareholders' equity	29 327	26 730	26 718	27 889	21 229
Working capital	5 967	2 474	1 535	2 475	3 341
Total financial debt ⁽²⁾	2 120	1 606	2 511	1 889	2 195
Total provisions ⁽³⁾	4 789	5 514	5 215	4 081	4 316
Cash and cash equivalents	20 371	18 950	19 249	17 551	9 578
ALTERNATIVE PERFORMANCE MEASURES					
EBITDA ⁽¹⁾	4 267	5 184	4 828	4 928	3 983
Operating profit (EBIT)	3 164	3 557	2 483	2 649	2 721
Net result continuing operations	2 653	2 265	2 561	2 200	1 694
RATIOS					
Shareholder's equity ratio	58.5%	59.7%	56.3%	51.0%	44.3%
Net debt ⁽⁴⁾ / EBITDA	-4.3	-3.3	-3.5	-3.2	-1.9
Net debt ⁽⁴⁾ and provisions ⁽³⁾ / EBITDA	-3.2	-2.3	-2.4	-2.3	-0.8
Weighted average number of shares (in thousands)**	3 311	3 305	3 306	3 311	3 311
Shareholder's equity/share (EUR)	8.86	8.09	8.08	8.42	6.41
Earnings/share (EUR)	0.80	0.69	0.77	2.21	0.67
ROCE ⁽⁵⁾	30.5%	43.0%	30.9%	25.8%	22.9%
OTHER KEY FIGURES					
FTE (***)	300	264	266	283	276

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

⁽²⁾ Total financial debt: long-term and short-term interest-bearing loans and borrowings

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

⁽⁴⁾ Net debt: Total debt minus cash and cash equivalents

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

^(*) Restated due to the adoption of IFRS 15.

^(**) Restated due to the 1-for-10 Reverse share split in May 2017.

^(***) The reported Group FTE's include both employees and contractors.



ANOTHER EXCITING YEAR: From the left: Kenneth Dástøl and Jo Van Gorp.

DEAR SHAREHOLDERS

2018 has been another exciting year for Zenitel. We have grown our top-line by 3.2 percent and the net result by 17.1 percent to 2.7 million euro. Our Maritime and Oil & Gas industry market has returned to cautious growth, and we have continued our focus on operational excellence.

At the end of the year, we closed the acquisition of the Phontech business from Jotron AS, allowing a merger of the top two providers of Intelligent Communication solutions for the Maritime and Oil & Gas markets. Our balance sheet remains healthy, and we have an increased net cash position to support our current business initiatives and anticipated expansions for both internal and external growth.

Some financial highlights:

- Total revenue amounted to 61.8 million euro, compared to the restated 59.9 million euro in 2017. This represents a growth of 3.2%.

- EBITDA was 4.3 million euro, compared to the restated 5.2 million euro last year.
- EBIT amounted to 3.2 million euro, compared to the restated 3.6 million euro in 2017.
- Net profit from operations was 2.7 million euro, compared to the restated 2.3 million euro in 2017.
- Financial cash position of 20.4 million euro at the end of 2018, compared to 18.9 million euro in 2017.

Reduced investments in the Oil & Gas industry have negatively affected the Maritime market over the past several years,

but, in 2018, we have seen the first signs of a cautious recovery in these markets. At the end of last year, we also closed the acquisition of Phontech, which further strengthens Zenitel's position in these markets. We therefore feel confident that we can continue to increase our market share in the Maritime and the Oil & Gas markets in 2019 and beyond.

The dedication of our employees and the commitment of our partners and customers around the world have again been confirmed by solid results in our employee and customer surveys and have allowed Zenitel to continue to bring new state-of-the-art products and solutions to market. We appreciate the continuous feedback from our partners and customers, which enables us to develop future-proof products and solutions that fully satisfy their requirements.

We continue creating value for our shareholders. Our customer base remains loyal, appreciating both our existing and newly developed state-of-the-art product and solution platforms, which continue to generate stable revenues. By closely monitoring the profitability of our business and by carefully managing our expenses, we further grew our top-line by 3.2 percent in 2018 and our net result by 17.1 percent.

As the global market place is price sensitive and challenging, it is important to have products and solutions that require low maintenance and operating costs. Therefore, an important part of our strategy is to continue to market unique, high-quality products and services that make it harder for the competition to maintain an edge in the market based on price alone. Our focus remains on making highly intelligent products helping people to hear, be heard and understood.

Zenitel offers products and services globally, while respectfully taking local knowledge, resources and culture into account. With the Phontech acquisition, the Group is now marketing its products and services under two main brands: Vingtor-Stentofon and Phontech.



Kenneth Dåstøl
CEO



Jo Van Gorp
Chair



We continue creating value for our shareholders. Our steadfastly loyal customer base appreciates both our existing and newly developed state-of-the-art product and solution platforms, which continue to generate stable revenues.

In 2015, we announced to change our reporting methodology, as technology is moving faster and faster. Therefore, we decided to expense all R&D costs directly into the P&L from 2016 onwards. In 2015, the capitalized R&D expenses amounted to 1.0 million euro. All capitalized R&D has been amortized at the end of 2018.

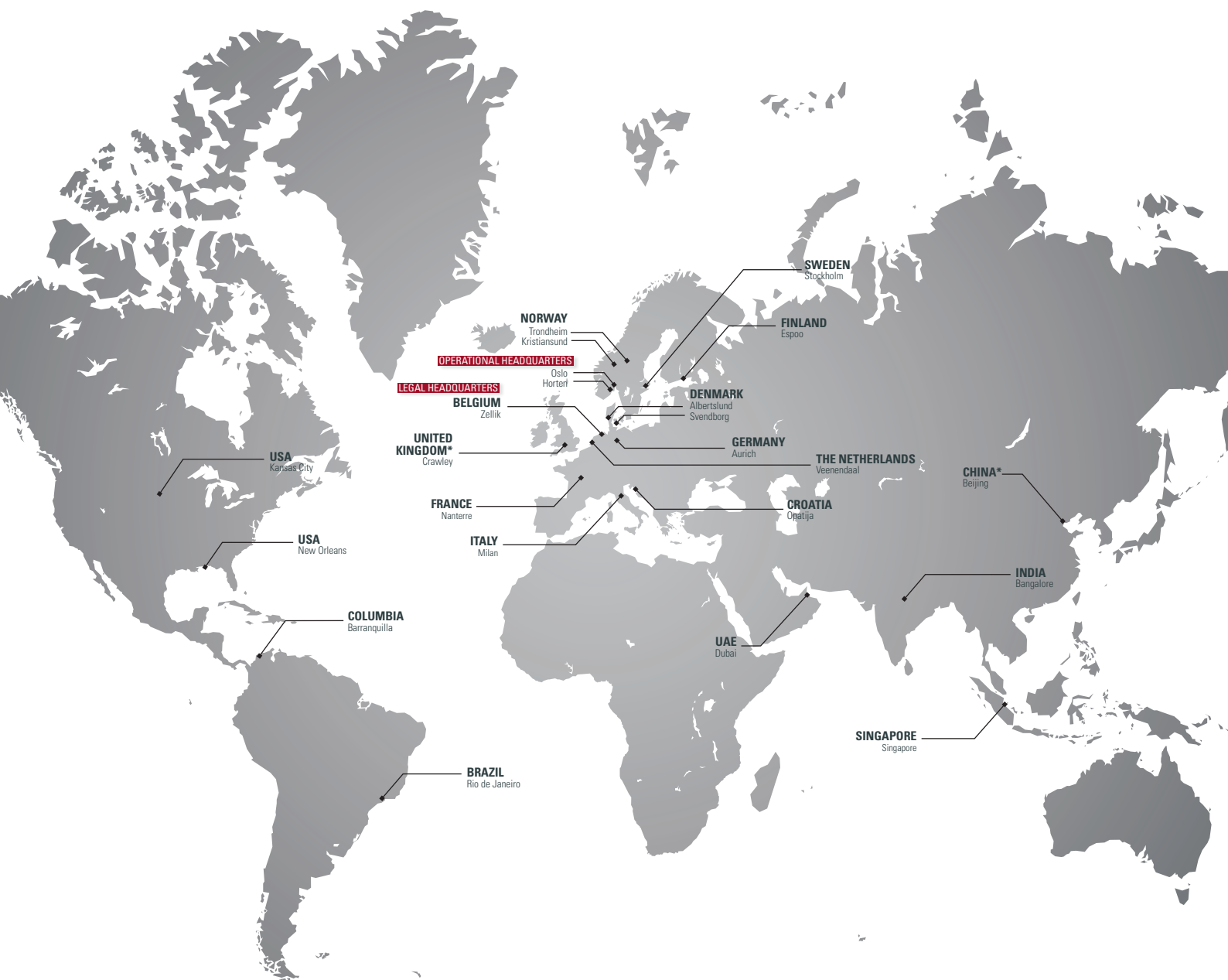
The Zenitel Group has remained financially debt free since June 2014 and reported net cash at the end of 2018 is 20.4 million euro, compared to 18.9 million euro last year. The working capital level has increased by 3.5 million euro due to the Phontech acquisition and increased inventory levels, due to the challenging component situation in the market. Our provisions decreased by 0.7 million euro, and the ratio of net debt and provisions over EBITDA has decreased from -2.3 at the end of last year to -3.2 at the end of 2018.

We would like to take this opportunity to extend our sincere gratitude and respect to our employees for their efforts and dedication, to our management team and our Board of Directors for their ongoing commitment, and to our shareholders, partners and customers for placing their faith and trust in Zenitel.

OUR WORLDWIDE PRESENCE

Our global presence enables us to provide continuous 24/7 support around the world, ensuring optimal performance of our communication systems at all times.

Through our extensive network, we can coordinate and handle service assistance, combining our in-house expertise with skilled technical personnel and service engineers located around the world.





COUNTRIES WITH LOCAL OFFICES

18



FTE WORLDWIDE

300



FTE BY COUNTRY**

Nordics

Norway	132
Sweden	1
Denmark	30
Finland	12

Europe

Croatia	33
Germany	2
The Netherlands	3
Belgium	1
Italy	3
France	20
United Kingdom*	2

Americas

Brazil	3
Colombia	1
United States	25

Asia

Singapore	23
India	4
United Arab Emirates	3
China*	2

Total **300**

* Related offices

** The reported Group FTEs include both employees and contractors.

OUR BUSINESS

Zenitel is a company with solid foundations in the past but with an eye to the future. We continue to invest in product development and innovative technology so that our proud legacy of intelligent communication can continue for decades to come. At Zenitel, we recognize the importance of people to our development and growth. We closely monitor our employees' satisfaction, with a focus on training and personal development

OVERVIEW

Zenitel is recognized globally for offering advanced offshore and onshore communications, through our product brands Vingtor-Stentofon and Phontech. Our primary system offerings are Public Address, Intercom and Two-Way Radio. Markets include Building Security & Public Safety, Transportation, Industrial, Oil & Gas, and Maritime. Our systems interface with other security devices, enabling end users and integrators to build interconnected solutions with access control, video surveillance, digital messaging and more for a comprehensive security solution.

OUR PERSONNEL

We foster our company culture through the continuous enhancement of our workforce through innovation, technology and personal development. We value teamwork and promote ongoing training programs and career-path development. With a dynamic mix of new and experienced personnel, we have a working environment that stimulates the growth of our company and brings out the best in every individual. Our market-leading position is a key asset in our efforts to attract the most qualified people in the industry.

OUR RESPONSIBILITY

OUR CUSTOMERS

Customer satisfaction and professionalism are extremely important in providing good customer service. Consistent quality control, investments in type approvals and certifications, as well as surveys measuring customer satisfaction underpin our strategy to build strong, sustainable customer relationships. A global Customer Service Center takes our responsibility towards customers a major step further.

OUR SUPPLIERS

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

OUR ENVIRONMENT

Zenitel products are produced according to environmental standards such as RoHS and other European Directives, as well as Waste Electrical and Electronic Equipment Directives. Zenitel complies with the IMO resolution (A.962 Clean Design/ Green Passport) by documenting all materials in a marine vessel's construction that may be hazardous to humans or the environment.

OUR SHAREHOLDERS

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

OUR BRANDS

zenitel

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

VINGTOR STENTOFON

Vingtor-Stentofon is recognized globally for offering advanced offshore and onshore communication platforms. The brand provides integrated security communications for environments where life, property and assets are at stake. Vingtor-Stentofon's primary system offering is within Public Address, Intercom and Two-Way Radio.

PHONTECH

Phontech specializes in Intercom and Public Address & General Alarm solutions for the global Maritime and Oil & Gas markets, with a worldwide market presence. Phontech was established in 1987. On 1 November 2018, Zenitel Group acquired the Phontech business and products from Jotron AS.

OUR MARKETS

Our strategy for investing in new products and solutions relies on our knowledge of, and operational focus on targeted markets. We provide specific communication solutions and products to the following markets:



MARITIME

Zenitel has gained a reputation as a supplier of flexible, reliable and advanced systems for Critical Communication, Data, Safety and Entertainment for over 70 years. Over 30,000 ships sailing around the world have our type-approved and certified equipment installed onboard.



OIL & GAS

Our products and solutions are made for use in advanced operations executed in demanding environments. We work closely with highly skilled professionals in the Oil & Gas industry, maintaining a constant focus on operational safety and security.



INDUSTRIAL

Zenitel solutions are designed to meet the needs of plant owners, managers, employees and visitors. Operations in hazardous areas, clean rooms and control rooms all benefit from our ability to ensure people can always hear, be heard and be understood.



TRANSPORTATION

Zenitel offers Integrated audio communication solutions for a wide range of projects, such as toll booths, airports, roadside & tunnel assistance, trains & metros, and harbor docks & ports. Through our SIP capabilities, we also offer communication points in a pre-existing or new VoIP system.



BUILDING SECURITY

Zenitel has revolutionary IP Audio and VoIP Solutions for emergency communications, IP Video Door Intercom, Public Address, and Mass Notification. We base all our solutions on the single most important criteria: Intelligibility - the ability to hear, be heard and be understood, in every situation.



PUBLIC SAFETY

Using high-quality voice and audio integration, city-protection services can cover wider areas and use their security forces more efficiently. By introducing durable and rugged communication points, an additional level of security and comfort to the public can be reliably provided.



OUR CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENTAL POLICY, CERTIFICATIONS AND STANDARDS

To ensure that we continually run our company to the highest possible standard, we are committed to meeting stringent, internationally-recognized standards of quality, environment and safety.

THREE STEPS OF INNOVATION FOR THE ENVIRONMENT

Because we care about the planet and its inhabitants, we continually strive toward setting and maintaining sustainable processes throughout the value chain.

1. REDUCE PRODUCTION WASTE:

Zenitel complies with the European WEEE (Waste Electrical and Electronic Equipment) directive for environmental conservation, ensuring that discarded equipment is recycled appropriately.

2. GREEN PASSPORT:

Zenitel Marine complies with the IMO resolution A.962 Clean Design/Green Passport by documenting all materials in a vessel's construction that may be hazardous to humans or the environment.

3. LEAN LOGISTICS:

We avoid wasteful activities in our supply chain to reduce environmental impacts. We keep stock levels to a minimum and source components locally where possible, to minimize

our carbon footprint from transport and storage. Globally, we encourage our suppliers, distributors and customers to conduct business in an environmentally responsible manner.

Zenitel uses DHL GoGreen Solutions, which optimizes transport routes, alternative drive vehicles and energy-efficient warehouses to reduce CO2 emissions and other potentially harmful environmental impacts stemming from the transportation and storage of goods.

SAFETY

Zenitel, including our contract manufacturers, is certified for the ISO 9001 Quality Standard, the ISO 14001 Environmental Standard and the OHSAS 18001 Health and Safety Standard. Zenitel Norway complies with the REACH European Directive N 1907/2006 related to the registration, evaluation and authorization of chemicals to protect human life and the environment.



Because we care about the planet and its inhabitants, we continually strive toward setting and maintaining sustainable processes throughout the value chain.

Zenitel products conform to RoHS 2 Directive 2011/65/EU. This restricts the use of certain hazardous materials (lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls, polybrominated diphenyl ethers) in electrical and electronic equipment.

We also care about the people at the other end of our production chain. Zenitel Norway AS uses SA8000® as our guideline and requirement for our Contract Manufacturer during production of our in-house designed products. The SA8000® Standard is the leading social certification standard for factories and organizations across the globe. Established by Social Accountability International in 1997 as a multi-stakeholder initiative, the Standard has evolved over the years into an overall framework that helps certified organizations demonstrate their dedication to the fair treatment of workers across industries and in any country.

THE COMMUNITIES WE LIVE IN (SOCIAL RESPONSIBILITY PROGRAMS/INITIATIVES)

Proven, reliable communication systems are vital to a safe and secure community. When standard communication systems fail during emergencies or at critical moments, Zenitel's Intelligent Communications solutions and systems come through. Apart from Zenitel's green focus across the organization, we view ensuring clear, critical communication as our most significant contribution to a wide, diverse set of communities, worldwide.



ENVIRONMENTAL STANDARDS



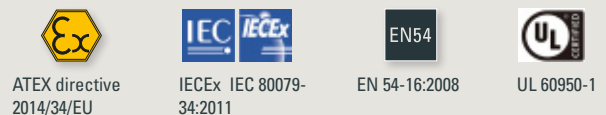
QUALITY STANDARDS



TYPE APPROVALS



CERTIFICATES



HIGHLIGHTS OF 2018

2018 was year full of successes and momentum for Zenitel, maintaining our proud history of high-quality, innovative Intelligent Communication solutions that allow people to hear, be heard and understood, every time. Our systems also can be seamlessly integrated with other systems around the world, including CCTV, access controls and alarm systems, for a comprehensive security solution.

TEAMWORK

APRIL 2018

SUCCESSFUL INTEGRATION WITH TECHNOLOGY PARTNER LENE

Zenitel announced that its AlphaCom Audio Server, award-winning SIP video intercom station, TCIV IP, and CP-CAM IP Vandal Resistant Video Intercom have received Lene factory re-certification with OnGuard 7.4, maintaining a more than 20-year business relationship with the Lene OpenAccess Alliance Program(OAAP). The AlphaCom Audio Server interfaces with the OnGuard® access control system, empowering organizations with a complete situational awareness solution by providing the eyes, ears, and voice to enterprise access control.

to be a part of such a remarkable vessel. While we equip all types of vessels, it is highly rewarding to support the continuing tradition of valuable Norwegian research work in the Arctic.

INNOVATION

JUNE 2018

NEW PA/INTERCOM PLATFORM

In 2018, Zenitel began developing a single technology basis for all our platforms. This will benefit the customers and Zenitel, with more flexibility and reduced maintenance overhead. First deliveries from this initiative will be seen in 2019.



INNOVATION

SEPTEMBER 2018

NEW SIP AMPLIFIERS

Zenitel premiered new Exigo Network Amplifiers with SIP mode at InnoTrans in Berlin. Our brand-new, SIP-mode Exigo Network Amplifiers (ENA2100-AC and ENA2200) can be connected directly to any third-party SIP PABX server, eliminating the need for a separate PA controller and greatly reducing complexity with conventional API-based integration. The Exigo Network Amplifier is part of the Exigo PA/GA system. Advanced features include local survivability with serverless mode, dynamic adjustment of output gain based on the ambient noise, and N+1 redundancy. The solution is also approved for EN54-16 and other relevant railway standards.

PRIDE

JUNE 2018

VINGTOR-STENTOFON ONBOARD NORWAY'S FIRST POLAR RESEARCH ICEBREAKER

Zenitel has delivered a complete communications system to the Icebreaker vessel, the Kronprins Haakon, a multi-purpose polar research vessel owned by the Institute of Marine Research and built by Fincantieri in Italy. When rolled out of its construction dock, it was the heaviest ship lift ever in Italy, at approx. 8000 tons. We are proud

ACCOUNTABILITY

SEPTEMBER 2018

ZENITEL WINS NEW PRODUCT OF THE YEAR AWARD FROM SECURITY TODAY

Announced at GSX in Las Vegas, the award was in the Intelligent Communications category for the Vingtor-Stentofon Intelligent Communications Platform, which fulfills IT and Security mandates for intelligent audio, intelligent interoperability with access control, video surveillance management and multi-modal communications. This award honors the outstanding product development achievements of security equipment manufacturers whose products are particularly noteworthy in their ability to improve security.



Photo credit: Frédéric Spauch and Robert Poulain

PRIDE

JULY 2018

SMART & SAFE CITY PROJECT IN MARSEILLE

As part of its “Safe City Project”, the city of Marseille, France, launched a new alert system for its public areas. Installed on the urban-protection video masts, the Vingtor-Stentofon Video Intercoms are used as emergency call stations. They enable any pedestrian to report a danger or incident 24/7 to the City Supervision Center, who can see both the caller and the calling area to deploy the necessary measures. The second-largest city of France is satisfied with this innovative solution.



PRIDE

OCTOBER 2018

ZENITEL ANNOUNCES ACQUISITION OF PHONTECH FROM JOTRON AS

Zenitel and Jotron AS signed an Asset Purchase Agreement for Zenitel Norway AS to acquire the Phontech operations from Jotron AS. Located in Horten, Norway, Phontech specializes in Intercom and Public Address & General Alarm solutions for the Maritime and Oil & Gas markets, with a worldwide market presence. This strategic acquisition has strengthened Zenitel’s position as a worldwide market leader for intelligent critical communication solutions in the Maritime and Oil & Gas industries.

Pictured: Merete Berdal, Managing Director at Jotron, and Kenneth Dåstøl, CEO at Zenitel.

INNOVATION

NOVEMBER 2018

ZENITEL CONTINUES ITS FOCUS ON VIDEO

We expanded our Video portfolio, introducing the newest member of the Turbine Video family, the TCIV-5, which offers simpler integration of video and audio and better video support (RTSP streaming and dual stream supports), while also offering significant improvements on video quality. We also released software providing more functionality for VMS integration, in co-operation and co-creation with our strategic technology partners.

ACCOUNTABILITY

DECEMBER 2018

EMEA ZENITEL SOLUTION PARTNER PROGRAM

Embracing the value of a true long-lasting Partnership, Zenitel is taking its Partner Program to new heights, with a strong intention to secure together optimal results. This new Zenitel Solution Partner program for EMEA partners kicked off in late 2018, reflecting and reinforcing our drive and commitment for mutual success, as well as the creation of opportunities for long-term sustainable growth, together. We believe we thus can create an unparalleled experience to our customers.

REPORT OF THE BOARD OF DIRECTORS

Zenitel ('the Company') maintained its positive market trend in 2018, including a revenue increase of 3.2%. The net result from operations was 2.7 million euro in 2018 compared to 2.3 million euro last year.

Zenitel is financially debt free and had 20.4 million euro net cash at the end of the year.

STRATEGY

We no longer identify ourselves only within a silo of critical communications. Our innovations can be woven into the fabric of innovative communications solutions to solve specific business problems. Zenitel solutions improve efficiency, drive optimization and deliver a high value proposition for our customers. We identify ourselves with communication needs in all areas of a business.

As a technology innovator, we aim to serve a broader need defined as Intelligent Communications.

Zenitel will continue to innovate, bringing our technologies together to deliver integrated solutions. We maintain our focus on:

- **Intelligibility** – Crystal-clear communications. The profound, fundamental need that is the first qualifier: hear, be heard and be understood, always.
- **Interoperability** – Integration with core systems.
- **The 'ilities'** – High availability, Reliability, Scalability and Defensibility.

We will continue to have a strong presence in both the onshore and offshore markets through our global brands, Vingtor-Stentofon and Phontech. We are committed to investing in the quality and innovation of our product portfolios, so we can offer advanced and intelligent communication systems and will continue to resell Two-Way Radio Systems from Motorola.

In 2018, Zenitel continued investing in the development of new products and solutions which resulted in, among others, the launch of more Turbine-based intercom edge devices as well as new amplifiers for our Exigo networked public announcements platform. We have also continued to launch new software-based solutions and features on our modern Intelligent Communication platform for all markets. The products have been very well received in the market, providing a solid basis for further product and market solutions in the coming years.

THE BOARD OF DIRECTORS: From the left: Hans Swinnen, Liesbet Van der Perre, Wenche Holen, Jo Van Gorp, Kenneth Dästøl, Koen Claerbout and Yves De Backer.



While focusing on growth, Zenitel is vigilant in ensuring that this growth remains profitable. 2018 was an extraordinary year when it comes to the overall component shortages worldwide. This has negatively affected our results with higher product cost and operating expenses. We foresee that this situation remains the same in 2019.

We are proud that we have created a stronger platform in the maritime market by acquiring the Phontech business. One-time integration costs have been taken in 2018 related to the acquisition and we also expect integration costs in 2019. In order to achieve profitable growth, we continue to monitor operating expenses closely. Continuous focus on operational efficiency enables us to gradually increase our profits. Our 2018 results confirm that these strategies are paying off.

Efficient capital management, together with profitable growth objectives, have resulted in positive operational cash flows that have secured continuous investments in product development. We have also invested in our sales channels despite the fact that we have seen less investment in some markets.

All things considered, we are very pleased with the operational performance of the Group in 2018. In 2015, we announced a change in our reporting methodology, as the technology is moving faster and faster. Therefore, we decided to expense all R&D costs directly into the P&L. In 2015, we capitalized 1.0 million euro. Previous capitalized development costs is fully amortized, by the end of 2018.

IFRS

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

consolidated financial statements are prepared under the historical cost convention, except for certain financial instruments, which are measured at fair value. In the current year, the Group has adopted all of the new and revised Standard and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2018, all of which were endorsed by the European Union.

An overview of the new standards that became applicable for 2018, and the standards and interpretations that will become applicable after 2018, is included in the Accounting Policies section in the Financial Report chapter. The company did not early adopt or determine the effect of the new standards applicable after 2018.

FINANCIAL YEAR 2018

The Board of Directors is pleased to present its report for the financial year 2018. The report covers both the consolidated (Group) and the unconsolidated (parent company) accounts in accordance with Article 119, second clause, of the Belgian Company Code.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Revenue amounted to 61.8 million euro in 2018. This represents an increase of 1.9 million euro or 3.2% compared to 2017.

Due to the focus on operational efficiency continuously, EBITDA (Earnings Before Interests, Taxes, Depreciation and Amortization) was 4.3 million euro in 2018, compared to restated 5.2 million euro in 2017.



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

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

(thousands of euro)	31 December	
	2018	2017 ^(*)
Revenue	61 831	59 915
EBITDA ***	4 267	5 184
Depreciation/amortization/impairments	-1 103	-1 627
Operating profit (EBIT)**	3 164	3 557

^(*) Restated upon adoption of IFRS 15

Operating profit or EBIT (Earnings Before Interest and Taxes) amounted to 3.2 million euro, compared to restated 3.6 million euro in 2017. R&D expenses were all expensed in 2017 and 2018.

Net financial income were 0.2 million euro, compared to net financial expenses of 0.6 million euro in 2017.

The total consolidated net result for the Zenitel Group shows a profit of 2.7 million euro in 2018, against a restated net result of 2.3 million euro in 2017. Earnings per share are 0.80 euro versus a restated 0.69 euro in 2017.

SEGMENT REPORTING

The Group is no longer organized into separate segments. The activities of the Group consist of operations in Norway, Belgium, Denmark, Singapore, China, France, Finland, Italy, Germany, The Netherlands, Croatia, Brazil, India, UK, USA, United Arab Emirates, Sweden, Colombia and a worldwide distributor network.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total assets amounted to 50.1 million euro in 2018, compared to restated 44.8 million euro in 2017, an increase of 5.4 million euro compared to 2017, mainly due to the result of the year and the acquisition of the Phontech business. Property, plant and equipment amounted to 0.8 million euro, 0.4 million euro higher than the previous year. Goodwill decreased to 3.2 million euro, due to the foreign currency translation impact.

Other intangible assets decreased to 0.4 million euro and are mainly due to the no longer activated R&D expenses in 2017 and 2018. Deferred taxes amounted to 0.8 million euro, a decrease of 0.3 million euro due to the utilization of the deferred tax assets. Long-term financial assets amounted to 0.2 million euro, which is in line with last year.

Inventories amount to 10.7 million euro, an increase of 3.2 million euro from the previous year. Contracts in progress decreased by 0.1 million euro to 0.1 million euro.

Trade and other receivables amount to 12.0 million euro, an increase of 1.3 million euro compared to the previous year.

Equity totals 29.3 million euro, an increase of 2.6 million euro, which can be mainly explained by the impact of the foreign currency translation and the positive result for the year. The equity ratio is 58.5% and slightly below last year.

Total non-current liabilities amount to 0.4 million euro, which is in line with last year.

Total current liabilities decreased by 2.7 million euro to 20.4 million euro in 2018. Trade and other payables amount to 13.9 million euro, a decrease of 3.0 million euro. Short-term borrowings increased by 0.6 million euro to 2.1 million euro. Total long-term and short-term borrowings increased by 0.5 million euro to 2.1 million euro because of the increased factoring amount. Short-term provisions amounted to 4.4 million euro, a decrease of 0.7 million euro compared to the previous year.

The Board of Directors has evaluated the positive consolidation differences, the deferred tax assets, the contracts in progress and the restructuring and other provisions and is of the opinion that the amortizations and provisions are sufficient.

As of 2016, the Board of Directors has decided to no longer capitalize the development costs.

SOURCES AND APPLICATIONS OF FUNDS

Net cash flow of the Zenitel Group amounted to 1.5 million euro in 2018, compared to 0.7 million euro in 2017. The outflow from investment activities amounted to 1.7 million euro in 2018, and the cash flow generated from operations before changes in working capital amounted to 4.4 million euro in 2018, which is 0.5 million euro lower than in 2017. At the end of 2018, Zenitel's net cash and cash equivalents amounted to 20.4 million euro.

HUMAN RESOURCES

The number of full-time equivalents (FTEs) on 31 December 2018 is 300, compared to 264 on 31 December 2017. The increase of FTEs in 2018 is mainly due to the acquisition of the Phontech business.

IMPORTANT SUBSEQUENT EVENTS

There are no important subsequent events to report that took place after the end of the financial year 2018.

INFORMATION ON RESEARCH AND DEVELOPMENT

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

CONFLICTS OF INTEREST

There were no transactions and operations in 2018 that created a conflict of interest or that required the application of articles 523 or 524 of the Belgian Company Code.

STATEMENT ON AUDIT COMMITTEE

The Board of Directors confirms the independence and know-how of at least one member of the audit committee regarding accounting and audit. Also, collectively, the audit committee

has sufficient expertise in accounting and audit, given the careers and education of each of the members of the audit committee.

RISK FACTORS AND UNCERTAINTIES

The Board of Directors considers the following risk factors to be important and takes them into consideration when performing risk assessments, since these risk factors could impair the Group's business operation or have an adverse effect on the Group's cash flows, profitability, financial condition and the price of its shares.

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

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

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

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

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

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

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

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

USE OF FINANCIAL INSTRUMENTS

Financial risk management

Zenitel uses bank forward exchange contracts in order to secure Zenitel's commercial transactions in foreign currencies. Since most of the Norwegian business is exported in the euro currency, Zenitel Norway AS has a NOK deficit and a EUR surplus. The company has put in place hedging systems that secure the needed exchange between EUR/NOK on a rolling basis. Per 31 December 2018, Zenitel has secured its need of Norwegian kroner by monthly forward exchange contracts from euro until December 2019. No other hedging mechanisms are used.

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

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

Fees paid to the statutory auditor or associates offices:

Audit fees:

Zenitel NV:	20,926 euro
Zenitel Group:	98,950 euro

Non audit fees:

Tax compliance	11,750 euro
Other services:	0,00 euro

Other audit related fees:

Zenitel NV:	0,00 euro
Zenitel Group:	1,785 euro

OUTLOOK 2019

The global security market is expected to grow steadily over the coming years, and we aim to grow in parallel by identifying the problems our customers face and by designing, deploying and managing the solutions our customers require.

In 2018, we have seen the first signs of a cautious recovery in the Oil & Gas industry markets, and we feel confident that we can continue to increase our market share in Maritime and the Oil & Gas industry in 2019, based on our wide product portfolio and the Phontech acquisition.

DECLARATION WITH REGARDS TO CORPORATE GOVERNANCE

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

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

The Corporate Governance Charter of the Company was updated in February 2017 in order to be in line with the new Belgian rules and regulations with respect to Corporate Governance. An update has also been made in February 2018 to the Charter provisions of the Act of 20 December 2010 on the exercise of certain rights of shareholders in listed companies. A copy of this Corporate Governance Charter is available on the Zenitel website.

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

The chapter ‘Declaration with regards to Corporate Governance’ forms an integral part of this report of the Board of Directors.

STATUTORY ACCOUNTS OF ZENITEL NV (UNCONSOLIDATED)

BALANCE SHEET

Financial assets amount to 39.0 million euro and consist of the participations in Zenitel Group companies.

Receivables within one year amount to 0.5 million euro, which is mainly receivables from or loans given to other Zenitel Group entities.

Cash and deferred charges decreased to 4.5 million euro compared to 4.9 million euro in the previous year. The change in equity from 38.9 million euro to 39.5 million euro is entirely related to the result of the year.

Provisions for pensions decreased from 0.2 million euro at the end of 2017 to 0.1 million euro at the end of 2018 as a result of payments made in 2018. Provisions for risk and other liabilities amounted to 3.9 million euro, compared to 4.4 million euro in 2017.

There were no financial debts outstanding at the end of 2018.

INCOME STATEMENT

Other operating income decreased from 1.7 million euro to 1.3 million euro in 2018. The reported other operating income consists mainly of management and license fees charged to other Zenitel Group companies. The total amount of management and license fees charged amounted to 1.3 million euro in 2018.

Operating expenses in 2018 amounted to 0.8 million euro and are in line with last year.

The above mentioned changes resulted in an operating profit of 0.5 million euro in 2018 against an operating profit of 0.8 million euro in 2017.

Financial expenses amounted to 0.01 million euro in 2018 and are at the same level as in 2017. In 2017 and 2018, there were no extraordinary results reported.

RESEARCH AND DEVELOPMENT

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

APPROPRIATION OF RESULT

Considering the profit of 549,141.47 euro, the Board of Directors proposes to appropriate the result as follows:

Result carried forward prior year:	2,161,181.49 euro
Result of the year:	549,141.47 euro
Appropriation from other reserve:	78,662.22 euro
Appropriation to legal reserve	-27,457.07 euro
Result carried forward:	2,761,528.11 euro

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

Share capital:	20,000,000.00 euro
Share premium:	5,623,849.48 euro
Reserves:	11,111,295.68 euro
Result carried forward:	2,761,528.11 euro
Total:	39,496,673.27 euro

ADDITIONAL HONORARIA PAID TO STATUTORY AUDITOR

Audit fee:	20,926 euro
Other audit related fees:	0,00 euro
Non audit fees:	
Tax compliance:	11,750 euro
Other services:	0,00 euro

AUTHORIZED CAPITAL

The Board of Directors received the authority to increase the share capital in one or more transactions, during a period of five years as from the publication of the decision of the general meeting dated 28 April 2017 in the Annexes to the Belgian State Gazette, i.e., until 16 May 2022, with a maximum amount of 20,000,000 euro. Within the framework of the authorized capital, the Board of Directors is authorized to cancel or limit the existing shareholders' preferential right, also to the benefit of one or more determined persons, other than members of the company's or its subsidiaries' personnel, as set out in Article 595 and following of the Company Code.

The general meeting of 28 April 2017 has moreover, in accordance with Article 607, second paragraph, 2° of the Company Code, granted the Board of Directors the power to increase the share capital in one or more transactions, as of the date the company receives a notification from the Financial Services and Markets Authority that the latter has been notified of a public takeover bid on the shares of Zenitel NV, by contribution in cash with cancellation or limitation of the existing shareholders' preferential right or by contributions in kind, and/or by the issue of securities carrying voting rights, whether or not representing the share capital, or the issue of securities which give right to subscribe to or acquire such securities, also if such securities are not preferentially offered to the shareholders in proportion to the share capital represented by their shares. In such case, the transaction needs to meet the criteria set out in Article 607, second paragraph, 2°, a) to c) of the Company Code. This power is valid for a period of 5 years as from 28 April 2017, i.e., until 28 April 2022.

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

Please refer to the paragraph on risk factors and uncertainties where information is provided on the main risks and uncertainties that could negatively impact the development, financial results or market position of the Company.

RISK FACTORS AND UNCERTAINTIES

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

EXISTENCE OF BRANCH OFFICES

The company has no branch offices.

USE OF FINANCIAL INSTRUMENTS

We refer to the section on the use of financial instruments set out earlier in this report of the Board of Directors, which applies, mutatis mutandis, to Zenitel NV.

STOCK & SHAREHOLDER INFORMATION

SHARE QUOTATION

Per 31 December 2018, the subscribed capital amounted to 20,000,000.00 euro. It is represented by 3,310,884 shares without nominal value and is fully paid up. The par value of a share is 6.041 euro. The shares are quoted on Euronext Brussels (double fixing) with the symbol ZENT.

TRANSPARENCY

Zenitel NV has not received any notifications in accordance with Article 2 of the Act of 2 May 2007 on the publication of important participations in issuers whereof shares are admitted for trading on a regulated market in 2018.

SHAREHOLDERS AND CAPITAL STRUCTURE

The shareholder structure per 31 December 2018 is the following, as it appears from the notifications Zenitel NV received.

Shareholders	Number of shares	% of total
3D NV*	1 584 776	47.87%
QuaeroQ CVBA	496 230	14.99%
De Wilg GCV*	400 000	12.08%
Freefloat	829 878	25.06%
Total	3 310 884	100%

*Acting in concert

All shares have the same rights and obligations. There are no different kinds of shares. At the end of 2018, there were no warrants outstanding. The Company has not issued any non-voting shares. The Company has implemented a long term incentive plan for senior managers. Further information thereon is provided in the section on 'Declaration with regards to Corporate Governance'.

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

VOTING RIGHTS

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

TRANSFER OF SECURITIES

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

SHAREHOLDERS' AGREEMENTS

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

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

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

DIVIDEND

No dividend payments are planned.

ACQUISITION AND DIVESTMENT OF OWN SHARES

The Company has been authorized by means of a decision of the general meeting of 28 April 2017 to acquire its own shares or

bonus shares or certificates that relate thereto, or to divest them in accordance with Article 620 and following of the Company Code.

The general meeting of 28 April 2017, has explicitly granted the authority to the Board of Directors, in accordance with the provisions of Article 620 and following of the Company Code, to acquire by sale or exchange its own shares, bonus shares or certificates that relate thereto or to divest those, without the requirement of a prior decision of the general meeting, either directly or through a person who acts in its own name but on behalf of the company, or through a direct subsidiary in the meaning of Article 627 of the Company Code, if the acquisition or divestment is necessary to avoid a threatening serious disadvantage for the company. This power is valid for a period of three years as from the publication of this decision in the Annexes to the Belgian State Gazette, i.e., until 16 May 2020, and can be renewed.

The general meeting of 28 April 2017 has moreover granted the Board of Directors the power to acquire by sale or exchange the maximum number of shares, bonus shares or certificates that relate thereto as set forth in Article 620 §1 and 622 §2 of the Company Code, and to divest those, either directly or through a person who acts in its own name but on behalf of the company, or through a direct subsidiary in the meaning of Article 627 of the Company Code, against a consideration that cannot be more than 20% lower and cannot be more than 20% higher than the average stock exchange rate of the relevant security on Euronext during the five trading days preceding the acquisition or exchange or divestment. This power is valid for a period of 5 years as from the resolution of the general meeting of 28 April 2017, i.e., until 28 April 2022.

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

As per 31 December 2017, Zenitel Norway AS held 5,821 shares in Zenitel NV, representing 0.18% of the current share capital of Zenitel NV. This acquisition took place within the scope of the authority granted by the extraordinary general meeting of shareholders of Zenitel NV of 28 April 2017. Per 13 March 2018, all of the aforementioned 5,821 own shares were sold to the relevant managers of Zenitel management team within the framework of Zenitel NV's longterm share

incentive plan, at 11.28 euro per share. As a result of this transaction, Zenitel NV (and its subsidiaries) no longer held any own shares.

AUTHORIZED CAPITAL

The Board of Directors received the authority to increase the share capital in one or more transactions, during a period of five years as from the publication of the decision of the general meeting dated 28 April 2017, in the Annexes to the Belgian State Gazette, i.e., until 16 May 2022, with a maximum amount of 20,000,000 euro. Within the framework of the authorized capital, the Board of Directors is authorized to cancel or limit the existing shareholders' preferential right, also to the benefit of one or more determined persons, other than members of the company's or its subsidiaries' personnel, as set out in Article 595 and following of the Company Code.

The general meeting of 28 April 2017 has moreover, in accordance with Article 607, second paragraph, 2° of the Company Code, granted the Board of Directors the power to increase the share capital in one or more transactions, as of the date the company receives a notification from the Financial Services and Markets Authority that the latter has been notified of a public takeover bid on the shares of Zenitel NV, by contribution in cash with cancellation or limitation of the existing shareholders' preferential right or by contributions in kind, and/or by the issue of securities carrying voting rights, whether or not representing the share capital, or the issue of securities which give right to subscribe to or acquire such securities, also if such securities are not preferentially offered to the shareholders in proportion to the share capital represented by their shares. In such case, the transaction needs to meet the criteria set out in Article 607, second paragraph, 2°, a) to c) of the Company Code. This power is valid for a period of 5 years as from 28 April 2017, i.e., until 28 April 2022.

AGREEMENTS AFFECTED BY A CHANGE OF CONTROL OF THE COMPANY

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

STOCK PRICE EVOLUTION

The graph below shows the development of the closing share price of Zenitel shares from 1 January 2018 until 31 December 2018 (see also Euronext website: www.euronext.com).



FINANCIAL CALENDAR

15/02/2019	Press Release Results 2018 (8:00 AM)
15/03/2019	Publication Annual Report 2018 (8:00 AM)
29/04/2019	Annual General Shareholders' Meeting (11:00 AM)
09/08/2019	Press Release Half-Year Results 2019 (8:00 AM)

The financial statements were authorized for issue by the Board of Directors on 13 March 2019.

ABOLISHMENT OF BEARER SHARES

In accordance with the Act of 14 December 2005 on the annulment of bearer securities, any bearer securities which were not yet converted on 31 December 2013 into registered or dematerialized securities were automatically dematerialized and registered by the Company in its own name on a securities account.

In accordance with the aforementioned Act, the Company proceeded with selling those shares that had not yet been claimed by their rightful owner on the regulated market on 30 November 2015. The number of shares that was offered for sale on the regulated market on 30 November 2015, amounted to 9,070. All shares have been sold at euro 1.05 per share. The proceeds of the sale have been deposited with the Deposito- en Consignatiekas / Caisse des Dépôts et Consignations. Since 1 February 2016, the rightful owner can claim the proceeds relating to its shares by submitting its bearer shares with the Deposito- en Consignatiekas / Caisse des Dépôts et Consignations, taking into account a fine, which amounts to 10% per year of the proceeds of such shares (as from 1 January 2016).

The statutory auditor of the Company has confirmed in accordance with Article 1155 of the Act that the provisions of Article 11 of the Act have been complied with.



With a full range of IP products and solutions, built-in intelligence and security, the Zenitel portfolio is already providing organizations with maximum flexibility in scale and performance and is ready to reach unparalleled levels of deployment and usage

DECLARATION WITH REGARDS TO CORPORATE GOVERNANCE

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

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

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

The Board of Directors of Zenitel intends to comply with the Belgian Corporate Governance Code 2009, but it believes that certain deviations from the provisions and principles of the Belgian Corporate Governance Code 2009 are justified in view of Zenitel's particular situation and size. These deviations are further explained at the end of this declaration with regards to corporate governance.

The Board of Directors of Zenitel reviews its corporate governance charter from time to time and makes such changes as it deems necessary and appropriate. The charter is available free of charge on Zenitel's website (www.zenitel.com) and at the registered office of Zenitel NV.

transfer its competencies for special and specific activities to an authorized representative, even if this person is not a shareholder or a Director.

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

If a directorship position 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 a 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 Chair of the Board or by at least two Directors whenever the interests of the Company so require.

The Board of Directors met eight times during 2018. The following significant matters were discussed at the meetings of the Board of Directors during 2018:

- Approval of year-end figures, annual report, agenda of the general shareholders' meeting.
- Verification of the trading updates.
- Status discussions and decisions on ongoing litigation cases.

SHAREHOLDERS AND SHARES

The information as referred to in article 96§2,4° of the Belgian Company Code can be found at the end of the chapter 'Stock and Shareholder Information' of this Annual Report 2018.

BOARD OF DIRECTORS

The Board of Directors of the Company may perform all acts necessary or useful for achieving the Company's corporate purpose, with the exception of those acts that are by law or the Company's articles of association expressly reserved to the shareholders' meeting. The Board of Directors can

- The Zenitel Group's financial performance and outlook.
- Status discussion on ongoing reorganization processes.
- Information and decisions on important projects.
- Strategy of the company and of the various business segments.
- Approval of 2019 budget.
- HR topics.
- Reporting of Audit Committee and Nomination and Remuneration Committee.
- Discussion of acquisition opportunities.
- Discussions on financing of the business.
- Functioning of the Board.

a climate of respect, trust and openness within the Board of Directors in general and between the non-executive members of the Board of Directors and the senior or executive management in particular.

INDEPENDENT DIRECTORS

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

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

CHAIR OF THE BOARD OF DIRECTORS

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

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

The Chair promotes regular interaction and dialogue among the Board of Directors. The Chair ensures that the Board of Directors receives up-to-date and relevant information about important aspects of the strategy, business activities and financial situation of Zenitel, including developments regarding competition. He takes initiatives to help establish

COMPOSITION OF THE BOARD OF DIRECTORS

As per 31 December 2018, the Board of Directors consists of seven members.

The Board of Directors convened eight times during 2018. On these occasions, either all or a large majority of the Directors at that point in time were present or attended through conference calls.

There is no familial relationship between any of these persons.

The general meeting of shareholders held on 30 April 2018 decided to appoint K-CL BVBA, represented by Koen Claerbout as an dependent Director of the Company with immediate effect until the general meeting of 2021 and to re-appoint Wenche Holen and Liesbet Van der Perre as independent Directors and Equity @ Work BVBA, represented by Hans Swinnen as an dependent Director of the Company with immediate effect until the general meeting of 2021.

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

Jo Van Gorp (representing Blanco Blad BVBA) (°1964) – Mr. Van Gorp is the Chair of Zenitel. He has been a member of

Name and position	Independent / Dependent	Executive / Non-Executive	Term*
Blanco Blad BVBA, represented by Johan Van Gorp, Chair	Independent	Non-executive	2019
Kenneth Dåstøl, CEO	Dependent	Executive	2019
Yves De Backer BVBA, represented by Yves De Backer	Dependent	Non-executive	2020
Wenche Holen	Independent	Non-executive	2021
K-CL BVBA, represented by Koen Claerbout	Dependent	Non-executive	2021
Liesbet Van der Perre	Independent	Non-executive	2021
Equity @ Work BVBA, represented by Hans Swinnen	Dependent	Non-executive	2021

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

Zenitel's Board of Directors since 2010. He is currently Managing Director at Tec ICT nv and advises companies in areas of general management, marketing, strategy, change management, organizational repositioning, legal and regulatory affairs and public policy. Since 2009, he acted as CEO or COO for several smaller and larger national and international companies. Mr. Van Gorp was a member of the Telenet executive team consecutively in his role of EVP & General Counsel (2004-2006) and Executive Vice President Residential Markets (2006-2009). Before joining Telenet in 2004, Mr. Van Gorp had been CEO at Level 3 Communications NV (1998-2004), Vice President Legal & Regulatory Affairs/Business Development at Verizon Business (1994-1998) and Senior Advisor European Regulation at BT Global Services (1992-1994). Mr. Van Gorp obtained Master's degrees in both Law at the KU Leuven and European Law at the Europa Institute of the University of Saarland.

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

Wenche Holen ( 1964) – Ms. Holen was appointed as an independent Director of Zenitel NV in April 2012. She currently holds the position as COO of Bama Gruppen. Before joining Bama Gruppen in 2010, she has held several executive functions at companies within the Telenor Group, primarily in the areas of products, services and media. Ms. Holen has a profound knowledge of marketing and media in particular. Ms. Holen has an extensive experience from board positions of several other Norwegian companies in the past. Mrs. Holen obtained an Engineering degree at Gjøvik School of Engineering and post-graduate degrees in Business Economics and Strategic Leadership at the Norwegian Business School and at the London Business School.

Liesbet Van der Perre ( 1969) – Mrs. Van der Perre is a professor at KU Leuven, Belgium, and guest Professor at Lund University, Sweden. She performs research on low-power and secure wireless communication solutions. Until 2015 she was a Director at imec. She has a profound knowledge of communications technologies and was on the advisory board of a few technology companies. She is an author and co-author of over 300 scientific publications. She received an honorary Doctorate degree in technology from Lund University (Sweden) in 2015. Mrs. Van der Perre received an M.Sc. degree in Electrical Engineering from K.U.Leuven, accomplishing her Master's thesis at the Ecole nationale sup rieure de t l communications in Paris, and graduated with a Ph.D. degree from KU Leuven.

Hans Swinnen (representing Equity @ Work BVBA) ( 1966) – Mr. Swinnen is Partner of 3D-Investors and as such engaged in the development of the Private Equity activities of the family-owned investment group 3D NV. As Chairman of Apart Audio, Community Professional Loudspeakers, Pauwels Consulting, Plastiflex and Aspel and Director of 3P, he is actively involved in the development and internationalization of these companies. Until 2006, Hans Swinnen was CEO of the Thomas Cook Group in Belgium and, in that role, responsible

for the airline, tour operating and retail activities of the group. Previously, he was Director of the travel companies Neckermann, Thomas Cook and Pegase. Mr. Swinnen holds a Master's degree in Applied Economic Sciences (TEW) from the University of Leuven (KUL).

Yves De Backer (representing Yves De Backer BVBA) ( 1979) – Yves De Backer BVBA, represented by Mr Yves De Backer, became a member of Zenitel's Board of Directors in 2017. Mr. De Backer is a director at 3D NV, engaged in the development of the Private Equity activities of the family-owned investment group 3D NV. Previously, he was a director at Deloitte Corporate Finance, where he advised clients on mergers and acquisitions and corporate strategy. Before that, he was corporate development manager at Enfinity NV, a renewable project developer. He also worked at Bekaert NV, where he focused on assessing strategic investment opportunities for the Bekaert Group. He holds a Master's degree in Business Engineering and a Corporate Finance master class degree from the Catholic University of Leuven.

Koen Claerbout (representing K-CL BVBA) ( 1972) – Mr Claerbout is CEO of Audioprof since 2013. Between 1995 and 2008, he held several management functions in multinationals such as BASF, Suez and Bekaert. He was active in R&D, production, marketing & sales and general management. Since 2008 he has been active as a General Manager of several SMEs such as Altachem, JORI and, since 2013, Audioprof. He obtained a Civil Engineering degree from the University of Ghent and has an MBA from the Vlerick Business School.

DIVERSITY OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Group strives actively towards diversity at the highest governance bodies. When considering candidates for vacancies, the Remuneration and Nomination Committee takes account of diversity criteria.

The general meeting of shareholders held on 30 April 2018 appointed/re-appointed two female Directors. One of the female Directors is a member of the Audit Committee and the Nomination and Remuneration Committee. As a result, the Company believes that it is compliant with the Belgian legislation and the recommendations of the Belgian Commission for Corporate Governance regarding this matter.

The Board of Directors consists of 2 female and 5 male Directors. The age of the Board Members and its Committees Members varies between 35-40 years (1 Director), 45-50 years (3 Directors) and 50-55 years (3 Directors). All members of the Board and Committees have an extensive experience on management, technology and international executive-level positions.

AUDIT COMMITTEE

The Board of Directors has appointed an Audit Committee (AC), which must consist of at least three members, all of whom are non-executive Directors, at least one of whom should be

independent. Currently the Audit Committee is composed of three non-executive Directors of whom two are independent. The Audit Committee assists the Board of Directors in fulfilling its monitoring responsibilities with respect to control in the broadest sense.

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

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

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

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

As of 31 December 2018, the Audit Committee consists of:

Name and position	Term*
Yves De Backer BVBA, represented by Yves De Backer, Chair	2020
Blanco Blad BVBA, represented by Jo Van Gorp, Independent Director	2019
Wenche Holen, Independent Director	2021

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

The Audit Committee met four times during 2018. The following significant matters were discussed at the meetings of the Audit Committee in 2018.

- Presentation of the external auditor and financial statements of 2017.
- Discussion and proposal of the new Company external auditor to the general assembly.

- Financial statements per 30 June 2018, and forecast.
- Impacts of the pending litigations.
- The financial performance including cash flows and outlooks for the year and beyond.
- Discussion and evaluation of internal controls and risk management.
- Discussions regarding fraud prevention.
- Discussion and evaluation of acquisitions.
- Tax risk assessment of the Zenitel Group.
- Internal audit report regarding the audits carried out at Zenitel France and Zenitel Singapore.
- Discussion with the statutory auditor in the absence of management.

NOMINATION AND REMUNERATION COMMITTEE

The Board of Directors decided to merge the Remuneration Committee and the Nomination Committee into one Committee. The Nomination and Remuneration Committee is responsible for the selection of suitable candidates for the appointment to the Board and may make recommendations to the Board of Directors with regards to the appointment of Directors and the members of the executive management. The Nomination and Remuneration Committee also makes recommendations to the Board of Directors on the remuneration policy of Zenitel and the remuneration of board members and the members of the executive management, and where appropriate, on the resulting proposal to be submitted by the Board of Directors to the general meeting of shareholders. It also prepares the remuneration report as set out further in this declaration with regards to corporate governance and provides explanations to this report at the annual general meeting of shareholders.

The Nomination and Remuneration Committee ensures that the procedure for appointing and reappointing Directors, Committee members, CEO, and senior managers of Zenitel and its subsidiaries is as objective as possible. The Committee ensures that the remuneration policy is applied objectively.

The Nomination and Remuneration Committee consists of three non-executive Directors, with two of them being independent. The CEO participates in the Nomination and Remuneration Committee meetings but leaves the meeting whenever he and/or his remuneration are being discussed. Furthermore, the Chairman of the Board of Directors has an open invitation to attend the Nomination and Remuneration Committee meetings.

The Nomination and Remuneration Committee advises the Board of Directors on applications for and the appointment of Directors, Committee members, CEO and senior managers; the scope and composition of the Board of Directors, the Committees and senior management; and the remuneration policy for the Directors, Committee members, CEO, and

senior managers. More information on the tasks of the Nomination and Remuneration Committee can be found in Zenitel's Corporate Governance Charter, which is available on the website: www.zenitel.com.

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

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

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

Name and position	Term*
Yves De Backer BVBA, represented by Yves De Backer, Chair	2020
Blanco Blad BVBA, represented by Jo Van Gorp, Independent Director	2019
Wenche Holen, Independent Director	2021

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

The Nomination and Remuneration Committee met four times in 2018.

The following significant matters were discussed at the meetings of the Nomination and Remuneration Committee in 2018.

- Proposal of appointment of a new Director.
- Evaluation of functioning of the Board of Directors
- Discussion and approval of the remuneration report 2017.
- Decision on 2017 bonus payments and timing of these payments.
- Decision on the 2018 bonus schedules and salary packages for the executive team and the senior management team.
- Approval of the motivation and the contents of the "Explain" paragraphs in the Declaration with regards to the corporate governance chapter of the Annual Report 2018.

REPORT OF ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

In the table below, an overview is given of the attendance of each Director at the various meetings in 2018:

Name	BOD (Total 8)	AC (Total 4)	NRC (Total 4)
Blanco Blad BVBA, represented by Jo Van Gorp	7/8	4/4	4/4
Kenneth Dåstøl	8/8	-	-
K-CL BVBA, represented by Koen Claerbout	4/5	-	-
Wenche Holen	8/8	4/4	4/4
Liesbet Van der Perre	7/8	-	-
Yves De Backer BVBA, represented by Yves De Backer	8/8	4/4	4/4
Equity@Work BVBA represented by Hans Swinnen	5/8	-	-

CHIEF EXECUTIVE OFFICER

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

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

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

EXECUTIVE TEAM

The Executive Team is appointed by the Board of Directors. The team consists of the Chief Executive Officer (Kenneth

Dåstøl) and the Chief Financial Officer (Mark Küpers), and reports to the Board of Directors.

The role of the Executive Team is, among others, to review envisaged acquisitions, mergers and divestments, review corporate restructuring programs, update and develop alternative long-term strategies, and present this to the Board of Directors and to execute actions based on decisions of the Board of Directors. The team is established to ensure the fast and efficient management and control of the activities and to enable adequate reporting and exchange of information with the Board of Directors and within the Senior Management Team. The Executive Team does not act as a management committee in the meaning of Article 524bis of the Belgian Company Code.

SENIOR MANAGEMENT TEAM

The operations of the Company are managed by a Senior Management Team. As of 31 December 2018, the Senior Management Team consisted of the following members: Kenneth Dåstøl, Mark Küpers, Jim Hoffpauir, Dragan Radosevic, Boon Keng Teo, Thomas Hæggh, Svein Damre, Hanne Eriksen, Tor Kristian Lystad and Ingrid Glad Bratvold.

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

The Senior Management Team has monthly meetings and discusses the operations of the Zenitel Group.

DIVERSITY OF THE SENIOR MANAGEMENT TEAM

At Zenitel, diversity is a priority on all levels and in all aspects. The Group strives for a healthy gender balance and geographical spread in addition to providing local employment in all communities in which we operate. We continually monitor, assess and evaluate gaps and areas for improvement in the composition of our senior management team, in terms of gender, age, capabilities, and expertise, as well as geography.

In 2018, the senior management consisted of 10 members, including 2 women. 5 members of the team are between 40 to 50 years and 5 members are older than 50 years. The senior management team's wide expertise focuses on management, technology, research & development and services. The geographical diversity in the senior management team contributes to a more international experience and local representation (US, Asia).

DIRECTOR AND EXECUTIVE MANAGEMENT CONFLICTS OF INTERESTS

Articles 523 and 524 of the Belgian Company Code contain special provisions, which must be complied with whenever a Director has a direct or indirect conflicting interest of a

patrimonial nature in a decision or transaction within the authority of the Board of Directors.

In 2017 and 2018, there were no transactions and operations that requires the application of articles 523 and 524 of the Belgian Company Code.

REMUNERATION REPORT

THE PROCEDURES APPLIED

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

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

The Remuneration and Nomination Committee on 14 February 2018, evaluated the 2017 variable remuneration, the 2018 salary increases and the 2018 bonus schemes for executive management and proposed its conclusions to the Board of Directors for their approval. The Board of Directors on 14 February 2018, approved the Remuneration and Nomination committee's proposals of 14 February 2018.

The remuneration of non-executive Directors comprises fixed amounts, and they did not change in 2018, compared to 2017.

THE APPLIED 2018 REMUNERATION POLICY

The Company's remuneration policy has been consistent with the remuneration policy in previous years. The executive management's remuneration is based on a fixed and a variable remuneration in cash. The variable part of the remuneration is, on the one hand, based on the realization of the budgeted group results, and on the other hand, of specifically defined quantitative and qualitative financial and operational targets in the relevant field of responsibility. In 2018, no remuneration was given based on shares, warrants or any other rights to acquire shares. The Directors' remuneration policy is based on a fixed remuneration in cash. No performance-based variable remuneration or remuneration based on shares, warrants or any other rights to acquire shares have been granted. Members of the Remuneration and Nomination Committee are not specifically remunerated for their tasks. The members of the Audit Committee receive an extra fixed remuneration in cash.

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

DIRECTORS' REMUNERATION

The annual remuneration for a non-executive Director is

a fixed fee of 20,000 euro. The Chairman receives double that amount. Similarly, the members of the Audit Committee receive a fixed fee of 7,500 euro and the Chairman of the Audit Committee 15,000 euro on an annual basis, for their specific tasks in the Audit Committee. No benefits in kind nor variable remuneration are granted to the non-executive members of the Board of Directors. No amounts have been set aside or accrued by Zenitel or its subsidiaries to provide pension, retirement or similar benefits to the non-executive Directors. The CEO, as the only executive director, is not remunerated for his work in the Board of Directors. No benefits in kind nor variable remuneration are granted to the members of the Board of Directors. A summary of the remuneration of the Board members in 2018 is shown in the table below.

Name and position	Remuneration in euro	
Blanco Blad BVBA, represented by Jo Van Gorp, Chair	Non-executive	47,500
Kenneth Dâstøl, CEO	Executive	NA
Liesbet Van der Perre	Non-executive	20,000
Wenche Holen	Non-executive	27,500
K-CL BVBA, represented by Koen Claerbout	Non-executive	12,500
Yves De Backer BVBA, represented by Yves De Backer	Non-executive	35,000
Equity @ Work BVBA, represented by Hans Swinnen	Non-executive	20,000

EVALUATION CRITERIA FOR THE REMUNERATION OF THE EXECUTIVE TEAM

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

Measurement of financial targets is typically EBIT, EBITDA and Turnover. Each target will have a weight and a score where the actual performance is measured against the set targets.

Annually, each executive member is reviewed and the actual performance on quantitative and qualitative operational targets, which were set and agreed upon in advance, are compared to the actual results. Based on this comparison between actual performance and agreed targets upfront, the variable remuneration is determined. The evaluation period follows the financial year of the Company.

In order to earn a bonus, the average score needs to be higher than 75% of the maximum score. All members of the Executive Team earned a bonus in 2018. The bonus level is based on a percentage of the annual salary.

REMUNERATION TO THE CEO AND EXECUTIVE TEAM

Remuneration to the CEO and the Executive Team is made in NOK. Amounts for both years are converted to euro with a NOK/ EUR rate of 9.63.

Group insurance premiums are pension costs associated to a direct contribution pension plan. Other benefits mainly consist of car benefits.

SHARES, SHARE OPTIONS AND OTHER RIGHTS TO ACQUIRE SHARES

No shares, share options or any other rights to acquire shares have been granted or exercised during the financial year 2018. In 2018, no remuneration was given based on shares and warrants. The Executive Team and members of the Senior Management Team were however granted a long-term share incentive plan in 2017. The plan includes a lock-up period of 3 years.

RECLAIM PROVISIONS

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

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

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

Remuneration in euro	CEO		Executive Team excluding the CEO	
	2018	2017	2018	2017
Basic Remuneration	221 402	213 915	114 746	111 630
Variable Remuneration*	57 944	98 650	21 343	41 918
Group insurance premiums	40 402	39 449	8 617	8 266
Other Benefits	29 108	29 166	7 457	7 422
Total	348 856	381 180	152 162	169 257

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

MOTIVATION AND DECISIONS OF THE BOARD OF DIRECTORS ON SEVERANCE PACKAGES

Not applicable.

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

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

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

INSIDER TRADING POLICY

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

THE STATUTORY AUDITOR

The statutory auditor of ZENITEL NV is Ernst & Young Bedrijfsrevisoren BCBVA, having its registered office at De Kleetlaan 2, 1831 Diegem, represented by its permanent representative Mr Marnix Van Dooren. EY Bedrijfsrevisoren was appointed for a period of three years at the general shareholders' meeting of 28 April 2016. The statutory auditor is a member of the Institute for Company Auditors ('Instituut der bedrijfsrevisoren'). The remuneration amounted to 20,926 euro in 2018. The total fee for EY for the Group audit amounted to 119,876 euro per year. The other audit related services amounted to 1,785 euro. EY invoiced an amount of 11,750 euro for tax compliance services.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

CONTROL ENVIRONMENT

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

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

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

RISK MANAGEMENT

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

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

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

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

CONTROL ACTIVITIES

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

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

Besides all controls based on the local entities' reporting, Group management makes sure that regular review meetings with local management and local controllers are held. During these meetings, all issues with respect to operations and financial reporting are discussed, and because of the involvement of Group management in the local operations,

Group management can ensure that operational and financial reporting issues are dealt with in a consistent and effective manner, in line with the goals set by the Company.

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

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

INFORMATION AND COMMUNICATION

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

The Company has to issue periodic financial information to the market on a half-year basis. All press releases are approved by the Board of Directors before they are issued. In case information is to be issued on an ad hoc basis, the approval of at least two board members is also required. The Company's relations and communications with regulators, analysts and shareholders are the responsibility of the executive management team. Internal communications are mainly conveyed via the Company's intranet, which has been specifically developed for these purposes. Via this communication tool, all Group guidelines, instructions, product information and market information are made available to all Zenitel employees. All information based on data information gathering and communication systems are subject to security measures protecting the confidentiality of, the restricted access to, and the consistency of the gathered and communicated information. Taking into account the size of the Company and the existing systems and procedures in place, executive management is of the opinion that these are sufficient in order to be able to comply with all legal information and communication requirements.

MONITORING

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

COMPLY OR EXPLAIN

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

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

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

zenitel



Building on over 70 years of breakthrough innovations, Zenitel systems are at the forefront of today's technology landscape, well positioned to drive the future of Intelligent Communications.



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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2018

(thousands of euro)

31 December

	Notes	2018	2017 ^(*)
CONTINUING OPERATIONS			
Revenue	1	61 831	59 915
Raw materials and consumables used	4	-26 701	-25 367
Employee benefits expense	5	-21 566	-20 957
Depreciation and amortization expenses	15,16,17	-1 076	-1 666
Net impairment on current assets	18	-27	39
Consulting expense		-1 930	-1 182
Facility expense	6	-4 143	-3 927
Other expenses	7	-3 224	-3 298
Operating Profit / (Loss)		3 164	3 557
Finance income	9	413	96
Finance costs	10	-337	-304
Net foreign exchange gains / (losses)	11	143	-281
PROFIT BEFORE TAX		3 383	3 068
Income tax expense	12	-730	-803
Profit for the year		2 653	2 265
Attributable to:			
Owners of the Company		2 653	2 265
EARNINGS PER SHARE			
Weighted average number of ordinary shares in issue ('000)⁽¹⁾		2 653	3 305
FROM CONTINUING OPERATIONS			
Basic earnings per share ⁽¹⁾	14,1	0.80	0.69
Diluted earnings per share ⁽¹⁾	14,2	0.80	0.69

⁽¹⁾ Restated due to the 1-for-10 Reverse share split in May 2017 (See note 31).

^(*) Restated upon the adoption of IFRS 15

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2018

<i>(thousands of euro)</i>		<i>31 December</i>	
	Notes	2018	2017⁽¹⁾
PROFIT FOR THE YEAR		2 653	2 265
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		-134	-2 251
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
OCI actuarial gains & losses		13	7
Other comprehensive income for the period (net of income tax)		-121	-2 244
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2 532	21
Attributable to:			
Owners of the Company		2 532	21

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

⁽¹⁾ Restated upon the adoption of IFRS 15

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ZENITEL GROUP AT 31 DECEMBER 2018

<i>(thousands of euro)</i>		<i>31 December</i>	
	Notes	2018	2017⁽¹⁾
ASSETS			
Non-current assets			
Property, plant and equipment	15	806	446
Goodwill	16	3 246	3 279
Other intangible assets	17	360	987
Deferred tax assets	13	822	1 255
Financial assets	19	238	240
Total non-current assets		5 472	6 208
Current assets			
Inventories	20	10 705	7 525
Contracts in progress	21	83	180
Trade and other receivables	22	12 016	10 751
Deferred charges and accrued income		1 491	1 149
Cash and cash equivalents	23	20 371	18 950
Total current assets		44 666	38 555
TOTAL ASSETS		50 138	44 763

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

⁽¹⁾ Restated upon the adoption of IFRS 15

<i>(thousands of euro)</i>		<i>31 December</i>	
EQUITY AND LIABILITIES	Notes	2018	2017^(*)
Capital and reserves			
Capital		20 000	20 000
Share premium account		5 340	5 340
Reserves		-651	-517
Retained earnings		4 638	1 972
Treasury shares		-	-65
Equity attributable to equity holders of the parent		29 327	26 730
Total equity		29 327	26 730
Non-current liabilities			
Borrowings	25	61	81
Retirement benefit obligations	26	357	312
Deferred tax liabilities	13	28	25
Total non-current liabilities		446	418
Current liabilities			
Trade and other payables	24	13 874	10 888
Borrowings	25	2 059	1 525
Retirement benefit obligations	26	-	59
Provisions	27	4 432	5 143
Total current liabilities		20 365	17 615
TOTAL EQUITY AND LIABILITIES		50 138	44 763

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

(*) Restated upon the adoption of IFRS 15

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2018

(thousands of euro)

31 December

	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of the parent	Total
BALANCE ON 1 JANUARY 2017							
As previously reported	20 000	5 340	-55	1 734	-301	26 718	26 718
Profit for the year	-	-	-	-	2 459	2 459	2 459
OCI actuarial gain and losses	-	-	-	-	7	7	7
Other comprehensive income for the year, net of income tax	-	-	-	-2 251	-	-2 251	-2 251
Total comprehensive income for the year	-	-	-	-2 251	2 466	215	215
Acquisition of treasury shares	-	-	-10	-	-	-10	-10
BALANCE AT 31 DECEMBER 2017	20 000	5 340	-65	-517	2 165	26 923	26 923

(thousands of euro)

31 December

	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of the parent	Total
BALANCE AT 31 DECEMBER 2017	20 000	5 340	-65	-517	2 165	26 923	26 923
Change in accounting policy IFRS 15					-193	-193	-193
BALANCE ON 1 JANUARY 2018 (RESTATED*)	20 000	5 340	-65	-517	1 972	26 730	26 730
Profit for the year	-	-	-	-	2 653	2 653	2 653
OCI actuarial gains & losses	-	-	-	-	13	13	13
Other comprehensive income	-	-	-	-134	-	-134	-134
Total comprehensive income for the year				-134	2 666	2 532	2 532
Acquisition/sale of treasury shares			65			65	65
BALANCE AT 31 DECEMBER 2018	20 000	5 340	-	-651	4 638	29 327	29 327

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

(*) Restated upon the adoption of IFRS 15

CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2018

<i>(thousands of euro)</i>		<i>31 December</i>	
	Notes	2018	2017 ⁽¹⁾
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit / (Loss) for the year		2 653	2 265
Income tax expense recognized in profit or loss	12	730	803
Finance cost recognized in profit or loss	10	337	304
Finance income recognized in profit or loss	9	-413	-96
Impairment loss recognized on trade receivables	20	-101	-226
Impairment loss recognized on inventory	20	128	187
Depreciation and amortization of non-current assets	15,16,17	1 076	1 666
Cash generated from operating activities before changes in working capital		4 410	4 903
Changes in working capital	32	-1 268	-2 761
Interest paid		-238	-302
Income taxes paid		177	-133
Net cash generated from operating activities		2 728	1 707
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received			17
Proceeds received from minority interest		-	42
Net Cash outflow on acquisitions		-1 275	-
Payments for property, plant and equipment	15	-314	-224
Proceed from disposal of tangible assets		1	-
Payments for intangible assets	17	-179	-77
Net cash (used in) / generated by investing activities		-1 749	-242
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of treasury shares		65	-10
Movement in used factoring facility		512	-753
Repayment of borrowings	25	-19	-28
Net cash received / (used) in financing activities		558	-791
Net (decrease)/increase in cash and cash equivalents		1 535	673
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At start of the year		18 950	19 249
Increase / (decrease)		1 535	673
Effect of exchange rate changes on the balance of cash held in foreign currencies		-114	-972
At the end of the year		20 371	18 950
Total cash and cash equivalents	23	20 371	18 950
Net cash and cash equivalents at the end of the year		20 371	18 950

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

⁽¹⁾ Restated upon the adoption of IFRS 15

ACCOUNTING POLICIES AND FINANCIAL RISK FACTORS

Zenitel (the 'Company' or the 'Group') is a limited liability company registered in Belgium. The consolidated financial statements of the company for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and jointly controlled entities. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Group are described in this annual report.

The financial statements were authorized for issue by the Board of Directors for publication on 13 March 2019.

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. The consolidated financial statements are presented in euro and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

AMENDMENTS TO IFRS AFFECTING AMOUNTS REPORTED IN THE FINANCIAL STATEMENTS

During the current financial year, the Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, that are relevant to its operations and effective for the accounting year starting on 1 January 2018. The Group has not applied any new IFRS requirements that are not yet effective as per 31 December 2018.

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments are applied for the first time in 2018, they did not have a material impact on the annual consolidated financial statements of the Group / the interim condensed consolidated financial statements of the Group.

The nature and the impact of each of the following new standards, amendments and/or interpretations are described below:

- Amendments to IFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 Insurance Contracts – Applying IFRS 9 Financial instruments with IFRS 4 Insurance Contracts
- IFRS 9 Financial Instruments
- Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation
- IFRS 15 Revenue from Contracts with Customers, including amendments to IFRS 15: Effective date of IFRS 15 and Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 40 Investment Property – Transfers of Investment Property
- IFRIC 22 Foreign Currency Transactions and Advance Considerations
- Annual Improvements Cycle - 2014-2016

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

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

- Amendments to IFRS 3 Business Combinations – Definition of a business, effective 1 January 2020⁴
- Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation, effective 1 January 2019
- IFRS 16 Leases, effective 1 January 2019
- IFRS 17 Insurance Contracts, effective 1 January 2021⁴
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of material, effective 1 January 2020⁴
- Amendments to IAS 19 Employee Benefits - Plan Amendments, Curtailment or Settlement, effective 1 January 2019⁴
- Amendments to IAS 28 Investments in Associates and Joint Ventures - Long-term Interests on Associates and Joint Ventures, effective 1 January 2019⁴
- IFRIC 23 Uncertainty over Income Tax Treatments, effective 1 January 2019
- Annual Improvements Cycle – 2015-2017, effective 1 January 2019⁴

⁴ Not yet endorsed by the EU as at 2 November 2018

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018) establishes a new comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue and IAS 11 Construction Contracts. The group has completed its IFRS 15 analysis. Based on this analysis, the Group has identified an impact on projects exceeding year-end related to the installation of communication systems on ships. In IAS18, the revenues were recognized using the percentage of completion method, whereas in IFRS 15 revenues are recognized based on performance obligations. The key performance obligation in a project relates to the commissioning of the communication system on the ship. As at 31 December 2017 some projects were under construction and hence exceeding year-end. The application of IFRS 15 have led to a decrease of revenues by 0.7 million euro in 2017, a decrease of gross margin by 0.4 million euro and a decrease of net result 0.2 million euro and equity by 0.2 million euro. The Group has applied the full retrospective approach in 2018 which resulted in an increase of revenues by 0.7 million euro in 2018, an increase of gross margin by 0.3 million euro, an increase of net result of 0.2 million euro and an increase of equity by 0.2 million euro.

The summary on the consolidated statements of profit or loss and consolidated statement of financial position at 31 December 2017 of the IFRS 15 adoption is as follows:

<i>(thousands of euro)</i>	<i>31 December</i>			
CONTINUING OPERATIONS	Reported	IAS 8	IFRS 15	Restated⁽¹⁾
Revenue	60 585	0	-670	59 915
Raw materials and consumables used	-25 782	0	415	-25 367
Employee benefits expense	-20 957	0	0	-20 957
Depreciation and amortization expenses	-1 666	0	0	-1 666
Net impairment on current assets	39	0	0	39
Consulting expense	-1 182	0	0	-1 182
Facility expense	-3 927	0	0	-3 927
Other expenses	-3 298	0	0	-3 298
Operating Profit / (Loss)	3 812	0	-254	3 558
Finance income	96	0	0	96
Finance costs	-304	0	0	-304
Net foreign exchange gains / (losses)	-281	0	0	-281
Profit before tax	3 323	0	-254	3 069
Income tax expense	-864	0	61	-803
Profit from continuing operations	2 459	0	-193	2 266

<i>(thousands of euro)</i>		<i>2017, 31 December</i>			
ASSETS	Reported	IAS 8	IFRS 15	Restated^(*)	
Non-current assets					
Property, plant and equipment	447	0	0	447	
Goodwill	3 279	0	0	3 279	
Other intangible assets	987	0	0	987	
Deferred tax assets	1 194	0	61	1 255	
Financial assets	240	0	0	240	
Other assets	0	0	0	0	
Total non-current assets	6 147	0	61	6 208	
Current assets					
Inventories	7 525	0	0	7 525	
Contracts in progress	180	0	0	180	
Trade and other receivables	10 751	0	0	10 751	
Financial assets	0	0	0	0	
Deferred charges and accrued income	1 149	0	0	1 149	
Cash and cash equivalents	18 950	0	0	18 950	
Total current assets	38 555	0	0	38 555	
TOTAL ASSETS	44 702	0	61	44 763	
	Reported	IAS 8	IFRS 15	Restated^(*)	
Total equity	26 923	0	(193)	26 730	
Non-current liabilities					
Borrowings	81	0	0	81	
Retirement benefit obligations	312	0	0	312	
Deferred tax liabilities	25	0	0	25	
Provisions	0	0	0	0	
Total non-current liabilities	418	0	0	418	
Current liabilities					
Trade and other payables	10 634	0	254	10 888	
Borrowings	1 525	0	0	1 525	
Current tax liabilities	0	0	0	0	
Retirement benefit obligations	59	0	0	59	
Provisions	5 143	0	0	5 143	
Total current liabilities	17 361	0	254	17 615	
TOTAL EQUITY AND LIABILITIES	44 702	0	61	44 763	

The Group applied the full retrospective method for first application of IFRS15. The application of IFRS 15 had an impact on opening equity as of 1 January 2018 since there were contracts exceeding period end as at 31 December 2017. There were however no contracts exceeding period end as at 31 December 2016 and therefore, the column 'IAS 8' in the above table is zero.

As at 31 December 2017, the application of IFRS 15 led to a decrease of equity by 0.2 million euro. The statement of financial position has been restated in this respect as indicated in the table above.

IFRS 9 Financial instruments (effective 1 January 2018) reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. During 2018, the Group has performed an impact assessment of all three aspects of IFRS 9. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required. Furthermore the Group does not apply hedge accounting. Finally, the Group did not have significant impact on allowances on receivables because the amounts written off in 2017 and 2018 only amounted to 0.1% of total revenues. As a result, based on available information, the Group did not have significant impacts on its financial statements.

IFRS 16 Leases (effective 1 January 2019) sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance-sheet model. It replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases incentives and SIC 27 Evaluating Substance of Transactions involving the Legal Form of a Lease. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard. The Group has started in 2018 an initial assessment of the potential impact on its consolidated financial statements. Based on this assessment, the group has following operating lease contracts (currently disclosed in note 30 – Commitments) that are in scope of IFRS 16: (i) office and site premises, (ii) cars and (i) IT equipment. During 2018, the Group has performed a detailed impact assessment of IFRS 16. The Group plans to adopt IFRS 16 using the modified retrospective transition method to each prior reporting period presented. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. Due to the adoption of IFRS 16, the Group's operating profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

In summary the impact of IFRS 16 adoption is expected to be, as follows:

<i>(thousands of euro)</i>				<i>31 December</i>
ASSETS	Reported	IAS 17	IFRS 16	Restated^(*)
Non-current assets				
Property, plant and equipment	806	0	3 450	4 256
Goodwill	3 246	0	0	3 246
Other intangible assets	360	0	0	360
Deferred tax assets	822	0	0	822
Financial assets	238	0	0	238
Other assets	0	0		0
Total non-current assets	5 472	0	3 450	8 922
Current assets				
Inventories	10 705	0	0	10 705
Contracts in progress	83	0	0	83
Trade and other receivables	12 016	0	0	12 016
Financial assets	0	0	0	0
Deferred charges and accrued income	1 491	0	0	1 491
Cash and cash equivalents	20 371	0	0	20 371
Total current assets	44 666	0	0	44 666
TOTAL ASSETS	50 138	0	3 450	53 588
	Reported	IAS 17	IFRS 16	Restated^(*)
Total equity	29 327	0	0	29 327
Non-current liabilities				
Borrowings/ Lease liabilities	61	0	2 123	2 184
Retirement benefit obligations	357	0	0	357
Deferred tax liabilities	28	0	0	28
Provisions	0	0	0	0
Total non-current liabilities	446	0	2 123	2 569
Current liabilities				
Trade and other payables	13 874	0	0	13 874
Borrowings/ Lease liabilities	2 059	0	1 327	3 386
Current tax liabilities	0	0	0	0
Retirement benefit obligations	0	0	0	0
Provisions	4 432	0	0	4 432
Total current liabilities	20 365	0	1 327	21 692
TOTAL EQUITY AND LIABILITIES	50 138	0	3 450	53 588

(*) Restated upon adoption of IFRS 16

The following is an analysis of the expected impact of the adoption of IFRS 16 and the existing off-balance lease obligation as of 31 December 2018:

<i>(thousands of euro)</i>	<i>31 December</i>
	2018
Off Balance lease obligation as of 31 December 2018	4 033
Effect from discounting at the incremental borrowing rate as of 1 January 2019	-583
Expected lease liabilities due to the initial application of IFRS 16 as of 1 January 2019	3 450
Lease liabilities from finance leases as of 1 January 2019	82
Total expected lease liabilities as of 1 January 2019	3 532

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 when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

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

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

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

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

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

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

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

FOREIGN CURRENCIES

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

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

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

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

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

INTANGIBLE ASSETS

ACQUIRED INTANGIBLE ASSETS

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

COMPUTER SOFTWARE DEVELOPMENT COSTS

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

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

INTERNALLY GENERATED INTANGIBLE ASSETS - RESEARCH AND DEVELOPMENT EXPENDITURE

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

Until 31 December 2015, 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 costs 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.

Due to short life cycles, the unpredictability of which development projects will become successful, the volatility of technologies and the markets Zenitel operates in, the Board of Directors concluded that Zenitel's development expenses in 2017 and 2018 no longer meet the criteria of IAS38.57. As the criteria of IAS38.57 are no longer fulfilled, capitalization of development expenses in 2017 and 2018 was not allowed. The remaining capitalized development costs are amortized on a systematic basis over their expected useful lives, being 3 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 that are expected to benefit from the synergies of the combination. The cash-generating unit(s) to which the goodwill has been allocated is tested for impairment annually, and whenever there is an indication that it may be impaired, by comparing its carrying amount with its recoverable amount. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

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

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

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

TANGIBLE ASSETS

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Industrial buildings:	40 years
Office buildings:	50 years
Machine tools and heavy equipment:	10 years
Network infrastructure:	7-10 years
Electronic measuring appliances:	5 years
Quality control appliances:	10 years
Workshop and laboratory equipment:	4 years
Furniture in industrial buildings:	10 years
Vehicles - cars:	4-5 years
Vehicles - trucks:	4 years
Office furniture:	10 years

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

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

LEASING

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

ZENITEL AS LESSEE

Finance Leases

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

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

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

Operating Lease

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

CAPITAL MANAGEMENT

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

The Board of Directors reviews the capital structure on a quarterly basis. As a part of this review, the Board of Directors considers the cost of capital and the risk associated with each class of capital. Based on the recommendations of the Board of Directors, the Group balances its overall capital structure through new share issues and the issue of new debt or the redemption of existing debt. When analyzing the capital structure of the Group, the same debt/equity classifications are used as that of 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 FINANCIAL TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent 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 weighted average cost method. The cost of work in process and finished goods comprise all the costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The conversion costs include the cost of production and the related fixed and variable production overhead costs (including depreciation). Net realizable value represents the estimated sale price less all estimated costs of completion and costs to be incurred in marketing, sales and distribution.

FINANCIAL INSTRUMENTS

Trade Receivables and Other Receivables

Trade receivables and other 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. The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Cash & Cash Equivalents

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

Available-for-sale financial assets

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

Financial Liabilities and Equity

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

Bank Borrowings

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

Trade Payables

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

Equity Instruments

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

Derivative Financial Instruments

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

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

Derivatives that do not qualify for hedge accounting

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

Treasury Shares

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

Derecognition (including factoring)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

In the framework of the factoring agreement that the Group holds in Norway, not all risks related to these factoring receivables have been transferred. Hence the receivables have not been derecognized and the associated factored amounts have been recognized in the short-term financial liabilities.

NON-CURRENT ASSETS HELD FOR SALE

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

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

GOVERNMENT GRANTS

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

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

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

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

PROVISIONS

Provisions are recognized in the consolidated statement of position when:

- (a) there is a present obligation (legal or constructive) as a result of a past event; and
- (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

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

Restructurings

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

Warranty

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

Onerous Contracts

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

REVENUE RECOGNITION

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

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

Sale of Goods

The Group is in the business of providing communication systems. The Group's contracts with customers for the sale of goods generally include one performance obligation. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer. The Group also has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the product.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). As no variable consideration, significant financing components, noncash consideration or consideration payable to customers are included in the contracts, the transaction price is fully allocated to the sale of equipment.

Rendering of services /Contracts in progress

The Group considers whether there are promises in the contract that are separate performance obligations to which separate transaction prices are allocated. The Group is responsible for the overall management of the project and identifies various separate performance obligations to be provided, including design work, procurement of materials, test phases, installation and finishing work. The Group accounts each of these performance obligations separately because each of these provide a service to the group's customers.

The considerations in the Group's contracts do not include variable amounts, do not contain significant financing components and finally there are no non-cash considerations or considerations payable to customers.

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 Income

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

Dividends

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

Rental Income

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

INCOME TAXES

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

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

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

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

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

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

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

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

EMPLOYEE BENEFITS

Pension Obligations

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

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

Other Long-Term Employee Benefits

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

Termination Benefits

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

Profit-Sharing & Bonus Plans

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

FINANCIAL RISK FACTORS

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

FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

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

FOREIGN EXCHANGE RISKS

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

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

Further information on these Hedges is given in note 28.

TRANSACTIONAL FOREIGN CURRENCY RISK

As far as foreign currency risk on borrowing is concerned, it is the Company's policy to have debt in the subsidiaries as much as possible in the functional currency of the subsidiary. The transactional currency risk mainly arises from the open foreign currency positions outstanding of group companies against, respectively, the NOK, DKK, USD and SGD. On the basis of the average volatility during the last 5 years of these currencies against the euro for respectively 2018 and 2017, we estimated the reasonably possible changes of exchange rate of these currencies as follows:

1 euro equals	Closing Rate 31 Dec 2018	Possible volatility of rates in %	Rates used for the sensitivity analysis	Closing rate 31 Dec 2017	Possible volatility of rates in %	Rates used for sensitivity analysis
NOK	9.94	4.6%	9.49 - 10.39	9.84	6.5%	9.20 - 10.48
DKK	7.47	0.1%	7.46 - 7.48	7.45	0.1%	7.44 - 7.46
USD	1.14	6.2%	1.07 - 1.21	1.20	8.5%	1.10 - 1.30
SGD	1.56	3.4%	1.51 - 1.61	1.60	4.2%	1.53 - 1.67

If the above-indicated currencies had weakened/strengthened during 2018 and 2017 by the above estimated changes against the euro, with all of the other variables held constant, the 2018 and 2017 net result would not have been significantly affected in 2018 (less than 0.1 million euro) and 2017 (less than 0.1 million euro). Neither would there have been a material impact on other components of equity both in 2018 and 2017.

TRANSLATIONAL FOREIGN CURRENCY RISK

100 percent of Zenitel's revenue is generated by its subsidiaries. 85 percent (2017: 85 percent) of revenue is coming from subsidiaries located in a non-euro currency country. A currency translation risk arises when the financial data of these foreign operations are converted into Zenitel's presentation currency, the euro.

The foreign currencies in which the main Zenitel subsidiaries operate are the NOK, DKK, USD and SGD. On the basis of the average volatility during the last 5 years of these currencies against the euro for respectively 2018 and 2017, 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 2018	Ave. Rate 2018	Possible volatility of rates in 2018	Rates as used in the sensitivity analysis for 2018		Closing rate 31 Dec 2017	Ave. rate 2017	Possible volatility of rates in 2017	Rates as used for the sensitivity analysis for 2017	
				Possible closing rate	Possible average rate				Possible closing rate	Possible average rate
NOK	9.94	9.63	4.57%	9.49 - 10.39	9.19 - 10.07	9.84	9.37	6.47%	9.20 - 10.48	8.76 - 9.98
DKK	7.47	7.45	0.13%	7.46 - 7.48	7.44 - 7.46	7.45	7.44	0.13%	7.44 - 7.46	7.43 - 7.45
USD	1.14	1.18	6.21%	1.07 - 1.21	1.11 - 1.25	1.20	1.14	8.53%	1.10 - 1.30	1.04 - 1.24
SGD	1.56	1.59	3.41%	1.51 - 1.61	1.54 - 1.64	1.60	1.56	4.18%	1.53 - 1.67	1.49 - 1.63

If the euro had weakened/strengthened during 2018 and 2017 by the above estimated possible changes against the above listed currencies with all other variables held constant, the 2018 profit would have been 0.1 million euro or 0.6% of net income higher/lower (2017: 0.2 million euro or 7.3% of net income) while the translation reserves in equity would have been 0.1 million euro or 0.5% of total equity higher/lower (2017: 1.9 million euro or 6.9% of total equity).

CREDIT RISKS

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

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

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

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

<i>(millions of euro)</i>	<i>31 December</i>	
	2018	2017
Other financial assets	0.2	0.2
Trade & other receivables	12.0	10.8
Bank deposits	0.8	0.7
Total	13.0	11.7

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

LIQUIDITY RISKS

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

The following table sets forth details of the remaining contractual maturities of financial liabilities as of 31 December 2018 and 2017.

<i>(millions of euro)</i>	<i>31 December</i>				<i>31 December</i>			
	2018				2017			
	Total	Payment due within 1 year or less	Payment due later than 1 year but not later than 5 years	Payment due later than 5 years	Total	Payment due within 1 year or less	Payment due later than 1 year but not later than 5 years	Payment due later than 5 years
Used factoring credit facility	2.0	2.0	-	-	1.5	1.5	-	-
Trade payables	13.9	13.9	-	-	10.9	10.9	-	-
Finance lease liabilities*	0.1	-	0.1	0.0	0.1	-	0.1	0.0
Total	16.0	15.9	0.1	0.0	12.5	12.4	0.1	0.0

* including future undiscounted interest payment

INTEREST RATE RISKS

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The Group manages the risk by maintaining an appropriate mix between fixed and floating rate borrowings. As per year-end 2018 and 2017, the Group has no interest rate swap contracts or forward interest rate contracts. The following table sets forth details of the remaining outstanding debt as per year-end, with their corresponding average interest rates:

	Outstanding debt 31 Dec 2018	Interest charge 2018	Ave. interest rate 2018	Possible volatility of rate in 2018	Outstanding debt 31 Dec 2017	Interest charge 2017	Ave. interest rate 2017	Possible volatility of rate in 2017
Used factoring facility	2.0	0.1	2.89%	1.9%	1.5	0.1	2.19%	1.7%
Finance lease liabilities	0.1	-	5.26%	Fixed Rate	0.1	-	5.26%	Fixed Rate
Total	2.1	0.1			1.6	0.1		

INTEREST RATE SENSITIVITY

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

When we apply the reasonably possible increase/decrease in the market interest rate (volatilities as indicated in the table above), with all other variables held constant, the 2018 net result would have been 0.01 million euro lower/higher (2017: 0.01 million euro lower/higher). The impact on interest income on interest bearing financial assets (such as finance lease receivables and cash deposits) was not included in this calculation, as this impact is only limited.

The estimated volatilities in 2018 and 2017, 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 Beijing Nera Stentofon Communication Equipment in China (10%) and Zenitel UK (15%). Refer to Note 19 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 judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

IMPAIRMENT OF GOODWILL

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

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

The (pre-tax) discount rate applied to cash flow projections is the weighted average cost of capital (WACC) of 11.6% (pre-tax discount rate 2017: 12.2%). The components for the determination of the WACC are based on sector-specific parameters received from various banks and analysts and taking into account the financial position of Zenitel and historical performance of the individual CGU. The cash flow forecast is calculated over a 5-year time frame including a terminal value at the end of 2023. The cash flow is based on actual performance and estimated development of key drivers. The following assumptions are made:

- Growth rate of 2.0% (2017: 2.0%) applied on revenues.
- Growth rate of 2.0% (2017: 2.0%) applied on terminal value.
- Inflation rate of 2.71% (2017: 1.47%) applied on operating expenses (weighted average inflation rate of each country included in the CGU).
- Cost of Goods as a % of revenue sold kept stable for the following years.

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

The calculation shows a cushion (difference between value in use and carrying value) of 51.3 million euro, and the sensitivity analysis shows that 3.6% (2017: 2.6%) is to be subtracted from the growth rate before goodwill is impaired. CGU SCS requires a WACC exceeding 28.7% before goodwill is impaired (2017: 35.3%).

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

CONTINGENCIES

Critical judgment was applied in evaluating and determining the contingent assets and liabilities as further disclosed in Note 27 & 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REVENUE

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

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Revenue from the sale of goods	61 756	59 499
Revenue from the rendering of services	75	416
Total revenue	61 831	59 915

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

Due to the sale in 2015 of Zenitel's Caribbean company, the Zenitel group is no longer organized in different business segments.

ENTITY-WIDE DISCLOSURES

Information about geographical areas:

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Revenues		
Belgium (Country of domicile)	-	-
Norway	38 741	33 691
Singapore	3 585	3 962
Finland	3 701	4 090
France	4 925	4 707
USA	8 021	9 329
Other foreign countries	2 858	4 136
Total	61 831	59 915

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Non current assets, located in		
Belgium (Country of domicile)	-	-
Norway	4 055	4 318
Other foreign countries	356	394
Total	4 411	4 712

3. BUSINESS COMBINATION

In November 2018, Zenitel acquired the Phontech operations from Jotron AS. Phontech is specialized in Intercom and Public Address & General Alarm solutions for the Maritime and Oil & Gas markets with worldwide market presence. This strategic acquisition will strengthen Zenitel its position as a worldwide market leader for intelligent critical communication solutions in the Maritime industry. The purchase price was fully paid by own funds.

The long-term growth strategy of Zenitel remains focused on presence in multiple markets as well as possible acquisitions.

The revenue of the Phontech operations after acquisition date amounted to 0.6 million euro and operating profit resulted in -0.2 million euro.

<i>(thousands of euro)</i>	<i>31 December</i>
	Fair value
Property, plant and equipment	310
Inventories	1 390
TOTAL ASSETS	1 700
Trade and other payables	85
TOTAL LIABILITIES	85
Total identifiable net assets at fair value	1 615
Gain on bargain purchase	-378
Purchase consideration transferred	1 237

The transaction costs in the amount of 0.2 million euro were booked as consulting expenses and the gain on bargain purchase of 0.4 million euro was booked in the line Finance income of the consolidated statement of profit or loss for the year ended 31 December 2018.

The initial purchase price allocation was finalized per 31 December 2018 and no adjustments were identified.

4. RAW MATERIALS AND CONSUMABLES USED

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Supplies	29 513	26 152
Subcontractors	235	205
Changes in inventories of finished goods and work in progress	-3 211	-1 114
Other	164	124
Total raw materials and consumables used	26 701	25 367

5. EMPLOYEE BENEFITS EXPENSES

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Wages and salaries	17 645	17 090
Social security costs	2 371	2 257
Other employee benefits	814	834
Short-term employee benefits	20 830	20 181
Pension costs – defined contribution plans	736	744
Pension costs – defined benefit plans	-	32
Pension costs	736	776
TOTAL EMPLOYEE BENEFITS EXPENSES	21 566	20 957
Average number of employees	300	264
Employees	286	249
Management	14	15

In 2018 and 2017, there were no reorganization expenses.

6. FACILITY EXPENSES

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Housing costs (rent & common charges)	2 237	2 195
Telecom expenses	307	352
Insurances	66	60
Utilities	384	466
Other facility costs	1 149	854
Total facility expenses	4 143	3 927

7. OTHER EXPENSES

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Advertising, publicity and trade fairs	677	760
Travel & related costs	1 632	1 544
Car expenses	600	593
Other	315	401
Total other expenses	3 224	3 298

8. RESEARCH & DEVELOPMENT COSTS

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Research and development costs	2 941	2 531

Whereof 2.2 million euro (2.0 million in 2017) was included in the Employee benefits expense (Wages and salaries).

In 2018 and 2017, development costs were no longer capitalized.

9. FINANCE INCOME

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Gain and bargain purpose (note 3)	378	0
Other (aggregate of immaterial items)	35	96
Total finance income	413	96

10. FINANCE COSTS

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Interest on bank overdrafts, used factoring facility and loans	59	46
Interest on obligations under finance lease	-6	1
Other financial charges	284	257
Total finance costs	337	304

The weighted average interest rate on funds borrowed generally is 1.9% per annum (2017: 1.7% per annum).

11. NET FOREIGN EXCHANGE GAINS / (LOSSES)

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Foreign exchange rate losses	-662	-2 032
Foreign exchange rate gains	805	1 751
Net foreign exchange gains/(losses)	143	-281

12. INCOME TAXES

<i>(thousands of euro)</i>		<i>31 December</i>	
	Notes	2018	2017
Current tax expense / (income)		174	6
Adjustments recognized in the current year in relation to current tax of prior years		176	50
Deferred tax expenses	13	380	747
Total income tax expense/(income) relating to continuing operations		730	803

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

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Profit before tax	3 383	3 068
Tax calculated at tax rate of 29.58% (2018) and 33.99% (2017)	1 001	1 043
Effects of:		
- Different tax rates in other countries	-175	-238
- Adjustments recognized in the current year in relation to current tax of prior years	176	34
- Income not subject to tax	-427	-170
- Expenses not deductible for tax purposes	330	347
- Utilization of previously unrecognized tax losses	-159	-54
- Other	124	42
- Recognition of tax losses	-159	-324
- Unrecognized tax losses of the current year	19	123
Total income tax expense/(income)	730	803

The tax rate used for the 2018 and 2017 reconciliation is the corporate tax rate of 29.58 % (2018) and 33.99% (2017) payable by corporate entities in Belgium on taxable profits under tax law in that jurisdiction.

No income tax has been recognized directly in equity or in other comprehensive income in 2018 nor in 2017.

13. DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 23.0% (2017: 24.0 %). This percentage is 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 assets relate to the tax losses carried forward of Zenitel Norway AS and a part of Zenitel NV.

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
At the beginning of the year		
- deferred tax liability	-25	-11
- deferred tax asset	1 194	2 072
Income statement income/(charge)	-380	-747
Other changes	5	-145
At the end of the year	794	1 169
Recognized in the balance sheet as		
- deferred tax liability	-28	-25
- deferred tax asset	822	1 194

The other changes mainly relate to exchange differences.

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
At 31 December 2016	432	1 486
(Charged)/credited to P/L	-124	-631
Other changes	-29	-47
At 31 December 2017	279	808
(Charged)/credited to P/L	-52	-280
Other changes	-1	6
At 31 December 2018	226	534

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:

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Deferred tax assets	822	1 194
Deferred tax liabilities	-28	-25
Total	794	1 169

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.

The following companies have unrecognized tax losses (and credits):

<i>(thousands of euro)</i>	<i>31 December</i>		
Company	2018	2017	Expiry date
Zenitel NV	49 508	53 685	None
Zenitel Finance Netherlands BV	7 846	8 110	10 years
Zenitel France S.A.	0	1 512	None
Zenitel Finland Oy	1 074	1 423	10 years
Zenitel Denmark A/S	4 437	4 280	None
Zenitel Italy SRL	910	977	None

Some tax losses carried forward as per year-end 2018 indicated in the table above do have an expiry date. Tax losses carried forward as per year-end 2017 also had an expiry date.

14. EARNINGS PER SHARE

14.1 BASIC EARNINGS PER SHARE

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

	<i>31 December</i>	
	2018	2017*
Basic earnings per share continuing operations (euro)	0.80	0.69

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

Net profit/(loss) attributable to shareholders (thousands of euro)	2 653	2 265
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	3 310 884	3 305 063

(*) Restated upon the adoption of IFRS 15

14.2 DILUTED EARNINGS PER SHARE

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

	<i>31 December</i>	
	2018	2017
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures) – See Note 31	3 310 884	3 305 063
Adjustments for warrants	-	-
Weighted average number of ordinary shares for diluted earnings per share	3 310 884	3 305 063
Diluted earnings per share (euro)	0.80	0.69

15. PROPERTY, PLANT & EQUIPMENT

<i>(thousands of euro)</i>	Land & buildings	Installations & machinery	Furniture, fixtures & vehicles	Other tangible assets	Total
Cost or valuation					
Balance as at 1 January 2017	-	3 693	2 698	1 547	7 938
Additions	-	56	33	134	223
Disposals	-	-	-	-14	-14
Transfer from one heading to another	-	-54	54	-	-
Net foreign currency exchange differences	-	-271	-192	-88	-551
Balance as at 1 January 2018	-	3 424	2 593	1 579	7 596
Additions	-	86	37	192	314
Additions acquired through business combinations		178	86	46	310
Disposals	-	-1	-1	-1	-3
Net foreign currency exchange differences	-	13	1	14	28
Balance as at 31 December 2018	-	3 700	2 716	1 829	8 246
Accumulated depreciation and impairment					
Balance as at 1 January 2017	-	-3 385	-2 600	-1 384	-7 369
Depreciation expense	-	-108	-78	-122	-308
Eliminated on disposals of assets	-	-	-	14	14
Net foreign currency exchange differences	-	254	182	78	513
Balance as at 1 January 2018	-	-3 239	-2 496	-1 415	-7 150
Depreciation expense	-	-102	-49	-107	-257
Eliminated on disposals of assets	-	1	1	1	3
Net foreign currency exchange differences	-	-17	-3	-16	-36
Balance as at 31 December 2018	-	-3 357	-2 547	-1 536	-7 440
Carrying amount					
As at 31 December 2017	-	185	97	164	446
As at 31 December 2018	-	343	170	293	806

16. GOODWILL

<i>(thousands of euro)</i>	<i>31 December</i>	
Cost	2018	2017
Balance at beginning of year	54 682	57 896
Effect of foreign currency exchange differences	-386	-3 213
Balance at end of year	54 296	54 682
Accumulated impairment losses		
Balance at beginning of year	-51 403	-54 342
Effect of foreign currency exchange differences	353	2 939
Balance at end of year	-51 050	-51 403
Carrying amount		
At the beginning of the year	3 279	3 553
At the end of the year	3 246	3 279

Of which all is related to the SCS Business

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

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

The (pre-tax) discount rate applied to cash flow projections is the weighted average cost of capital (WACC) of 11.6% (pre-tax 2017: 12.2%). The components for the determination of the WACC are based on sector-specific parameters received from various banks and analysts and taking into account the financial position of Zenitel and historical performance of the individual CGU.

A growth rate of 2.0% (2017: 2.0%) has been used and the assumed inflation rate is 2.71% (2017: 1.47%).

Sensitivity analysis shows that 3.6% (2017: 2.6%) is to be subtracted from the growth rate before goodwill is impaired. CGU SCS requires a WACC exceeding 28.7% (2017: 35.3%) before goodwill is impaired.

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

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

17. OTHER INTANGIBLE ASSETS

<i>(thousands of euro)</i>			<i>31 December</i>
Cost	Capitalized development, others	Software, licenses	Total
Balance at 1 January 2017	7 371	1 061	8 431
- of which internally generated	6 413	-	6 413
- of which externally acquired	958	1 061	2 019
Additions (including internally generated)	-	77	77
Net foreign currency exchange differences	-522	-64	-586
Balance at 1 January 2018	6 849	1 074	7 922
- of which internally generated	5 968	-	5 968
- of which externally acquired	881	1 074	1 955
Additions (including internally generated)	-	179	179
Net foreign currency exchange differences	-64	-6	-70
Balance at 31 December 2018	6 785	1 248	8 031
- of which internally generated	5 901	-	5 901
- of which externally acquired	884	1 248	2 131
Accumulated amortization and impairment			
Balance at 1 January 2017	-5 247	-803	-6 049
Amortization expense	-1 172	-180	-1 352
Amortization cancelled (disposals)	-	-	-
Net foreign currency exchange differences	415	51	466
Balance at 1 January 2018	-6 004	-932	-6 935
Amortization expense	-684	-134	-818
Net foreign currency exchange differences	77	5	82
Balance at 31 December 2018	-6 611	-1 061	-7 672
Carrying amount			
As at 31 December 2017	845	142	987
As at 31 December 2018	173	186	360

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

The amortization expense has been included in the line item 'Depreciation and amortization expenses' in the statement of comprehensive income.

Development costs are no longer capitalized since 1 January 2016 – we refer to the Accounting Policies.

18. NET IMPAIRMENT ON CURRENT ASSETS

<i>(thousands of euro)</i>			<i>31 December</i>
Continuing operations	Notes	2018	2017
Net impairment on inventories	20	128	187
Net impairment on receivables	22	-101	-226
Total impairment on current assets		27	-39

*The net impairment includes the recovery of an amount of 0.1 million euro related to the settlement of a bankruptcy.

19. FINANCIAL ASSETS

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Available for sale investments	238	240
Total	238	240
of which current	-	-
of which non-current	238	240

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Available for sale investments	2018	2017
At the beginning of the year	240	260
Acquisition	-	-
Disposals	-	-
Impairments	-	-
Net foreign currency exchange differences	-2	-20
At the end of the year	238	240

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
The breakdown of the outstanding balance is as follows:	2018	2017
- BNSC - Beijing Nera Stentofon Comm. Equipment (China):	238	240
Total	238	240

The available-for-sale investments are accounted at fair value. Fair values are assessed on a regular basis and at the end of 2018, no objective evidence indicates that available-for-sale investments are impaired.

20. INVENTORIES

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Raw materials	904	804
Goods purchased for resale	9 801	6 721
Total inventories	10 705	7 525

Total inventory write offs amounted to 0.1 million euro in 2018 (0.2 million euro in 2017). Inventory expenses are included in the 'Raw materials and consumables used' line of the income statement.

21. CONTRACTS IN PROGRESS

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Contracts in progress	83	180
Total contracts in progress	83	180

22. TRADE & OTHER RECEIVABLES

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Trade receivables	11 916	10 639
Allowance for doubtful debts	-520	-509
Total	11 396	10 130
OTHER RECEIVABLES		
Tax receivables other than income tax	256	137
Income tax receivable	90	79
Other receivables	274	405
Total other receivables	620	621
Total trade and other receivables	12 016	10 751

The total amount of trade receivables is presented after deduction of a bad debt allowance of 0.5 million euro (2017: 0.5 million euro). The aging of our current trade and other receivables can be detailed as follows:

<i>(thousands of euro)</i>	Gross amount as of 31 December 2018	Of which: not past due on the reporting date	<i>Of which:</i>						Valuation allowance for doubtful debtors	Net carrying amount as at 31 December 2018
			Past due less than 30 days	Past due between 30 and 59 days	Past due between 60 and 89 days	Past due between 90 and 179 days	Past due between 180 and 359 days	Past due more than 360 days		
Trade receivables	11 916	5 908	3 548	1 189	482	413	225	152	-520	11 397
Tax receivables, other than income tax	256	256	-	-	-	-	-	-	-	256
Income tax receivable	90	90	-	-	-	-	-	-	-	90
Other receivables	274	274	-	-	-	-	-	-	-	274
Total	12 536	6 527	3 548	1 189	482	413	225	152	-520	12 016

<i>(thousands of euro)</i>	Gross amount as of 31 December 2017	Of which: not past due on the reporting date	<i>Of which:</i>						Valuation allowance for doubtful debtors	Net carrying amount as at 31 December 2017
			Past due less than 30 days	Past due between 30 and 59 days	Past due between 60 and 89 days	Past due between 90 and 179 days	Past due between 180 and 359 days	Past due more than 360 days		
Trade receivables	10 639	5 186	2 030	1 356	420	347	48	252	-509	10 130
Tax receivables, other than income tax	137	90	7	40	-	-	-	-	-	137
Income tax receivable	79	79	-	-	-	-	-	-	-	79
Other receivables	405	299	102	-	-	-	1	3	-	405
Total	11 260	5 654	3 139	1 396	420	347	49	255	-509	10 751

The average credit period on sales of goods and services is 69.4 days (2017: 63.2 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.

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Movement of the allowance for doubtful debtors		
Balance at beginning of the year	-509	-773
Amounts written off during the year	53	75
Amounts recovered during the year	17	6
Decrease / (Increase) in allowance recognized in profit or loss	-81	131
Translation difference	1	52
Balance at end of year	-520	-509

In determining the recoverability of a trade receivable, the Group considers periodically any change in the credit quality of the trade receivable from the date credit was originally granted up to the reporting date. Concentration of credit risk with respect to trade receivables is limited due to the Group's large number of customers who are internationally dispersed. The two largest customers account for approximately 5.9% and 3.1% respectively of Group net sales. There is no other significant concentration of credit risk. Therefore, management is of the opinion that inherent credit risk in the group's receivables is limited.

23. CASH AND CASH EQUIVALENTS

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Cash at bank and in hand	19 576	18 251
Short-term bank deposit	795	699
Total cash and cash equivalents	20 371	18 950

The weighted average effective interest rate on short-term bank deposits amounts to -0.173 % (2017: -0.145%).

24. TRADE AND OTHER PAYABLES

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Trade payables	7 415	4 991
Remuneration & staff related liabilities	3 581	3 572
Accrued expenses	1 367	742
Advances received on contracts	23	188
Other	1 487	1 395
Other payables	6 458	5 897
Total trade and other payables	13 873	10 888

The fair value of the derivative financial instrument amounted to 0.3 million euro (2017: 0.4 million euro) are included in the line 'other'. Further information on these financial instruments is given in note 28.

25. BORROWINGS

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Non-current		
Finance lease liabilities	61	81
	61	81
Current		
Used factoring facility	2 037	1 504
Finance lease liabilities	22	21
	2 059	1 525
Total borrowings	2 120	1 606
		<i>31 December</i>
The weighted average interest rate per year amounts to (%):	2018	2017
Leasing	5.26	5.26
Used factoring facility	2.89	2.19

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

(thousands of euro)	31 December 2018			31 December 2017		
	Total future payments	Unexpired interest expenses	Present value	Total future payments	Unexpired interest expenses	Present value
Not later than one year	2 037	-	2 037	1 504	-	1 504
Total	2 037	-	2 037	1 504	-	1 504

The financial lease liabilities are payable as follows :

(thousands of euro)	31 December 2018			31 December 2017		
	Total future payments	Unexpired interest expenses	Present value	Total future payments	Unexpired interest expenses	Present value
Not later than one year	22	5	17	21	5	16
Between one and five years	61	13	48	81	18	63
Later than five years	-	-	-	-	-	-
Total	83	18	65	102	23	79

NON-CURRENT BORROWINGS

Lease agreements in which Group companies are the lessee, give rise to financial liabilities on the balance sheet, equal at the inception of the lease to the fair value of the leased property, or if lower, at the present value of the minimum lease payments.

CURRENT BORROWINGS

Zenitel Norway AS has a factoring agreement of NOK 35 million (equaling 3.5 million euro). This factoring agreement allows for borrowing up to 80% of the value of customer invoices. As per 31 December 2018, 2.0 million euro of this credit facility was used against 1.5 million euro as per 31 December 2017. The interest rate on this facility on average amounted to 2.9% in 2018 (2.2% in 2017). At the same time, a credit line up to a maximum of 1.9 million euro is available. As per year end of 2018 and 2017, this credit facility was not used.

Included in the amount, the company holds lines for bank guarantees at different credit institutions for in total almost 3.1 million euro (2017: 2.7 million euro) of which 1.9 million euro are used to secure the completion of customer contracts.

26. RETIREMENT BENEFIT OBLIGATIONS

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

The obligation resulting from defined benefit pension plans is determined using the projected unit credit method. Gains and losses arising from changes in actuarial assumptions are recognized in other comprehensive income.

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

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

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

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Present value of funded obligations	1 276	1 412
Fair value of plan assets	-1 153	-1 274
Funded status	123	138
Present value of unfunded obligations	234	233
Net liability	357	371
Amounts recognized in the balance sheet		
Recognized as non current liability / retirement benefit obligations	357	312
Recognized as current liability / retirement benefit obligations	-	59
Net liability	357	371

The amounts recognized in the income statements are as follows:

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Current service cost	21	20
Interest costs	15	16
Expected return on plan assets	-11	-12
Total pension costs	25	24
Actual return on plan assets	46	34

The total pension cost as indicated in the table above is included in the Employee benefits expense-line of the statement of profit and loss.

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Opening defined benefit obligation as previously reported	1 645	2 039
Service cost	21	20
Interest cost	15	16
Plan participants' contributions	1	1
Actuarial losses (gains)	22	15
Net transfer in/(out)	-	-101
Exchange differences on foreign plans	-2	-18
Benefits paid	-192	-327
Closing defined benefit obligation	1 510	1 645

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

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Opening fair value of plan assets	1 274	1 552
Expected return	11	12
Actuarial gains and (losses)	35	22
Contributions by employer	26	126
Plan participants' contributions	1	1
Net transfer in/(out)	-	-92
Exchange differences on foreign plans	-2	-20
Benefits paid	-192	-327
Closing fair value of plans assets	1 153	1 274

The group expects to contribute less than 0.1 million euro to its defined benefit pension plans in 2019.

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Defined benefit obligation	1 510	1 645
Plan assets	1 153	1 274
Surplus/(deficit)	357	371

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

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Fair value of plan assets		
Debt instruments	643	1 031
Other	510	243
Weighted average expected return	1 153	1 274

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:

	<i>31 December</i>	
	2018	2017
Assumptions to determine benefit obligations	%	%
Discount rate	0.92	0.86
Rate of compensation increase	2.35	2.27
Rate of price inflation	2.00	1.99

27. PROVISIONS

<i>(thousands of euro)</i>	Technical Guarantees	Other	Total
On 1 January 2017	756	3 972	4 728
Additions to provisions	504	386	890
Utilization	-92	-	-92
Reversal of provisions	-320	-	-320
Exchange differences	-63	-	-63
On 31 December 2017	785	4 358	5 143
Non-current	-	-	-
Current	785	4 358	5 143
Total	785	4 358	5 143
On 1 January 2018	785	4 358	5 143
Additions to provisions	18	29	47
Utilization	-296	-445	-741
Reversal of provisions	-21	-	-21
Exchange differences	4	-	4
On 31 December 2018	490	3 942	4 432
Non-current	-	-	-
Current	490	3 942	4 432
Total	490	3 942	4 432

Technical Guarantees

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

Other

The other provisions cover principally a risk related to legal claims.

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

28. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

<i>(thousands of euro)</i>	<i>31 December 2018</i>		<i>31 December 2017</i>			
	Carrying value	Fair value	Carrying value	Fair value	Level	Balance sheet caption
Financial assets available for sale	238	238	240	240		Financial assets
Available for sale investments	238	238	240	240	3	Financial assets
Loans and receivables	12 016	12 016	10 751	10 751		
Trade receivables	11 396	11 396	10 130	10 130	3	Trade and other receivables
Other receivables	620	620	621	621	3	Trade and other receivables
Financial liabilities at amortized cost	15 993	15 993	12 494	12 494		
Interest bearing loans and borrowings	2 120	2 120	1 606	1 606	3	Interest bearing loans and borrowings LT and ST
Trade payables	7 415	7 415	4 991	4 991	3	Trade and other payables
Other payables	6 458	6 458	5 897	5 897	3	Trade and other payables

NET FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

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

Since most of the Norwegian business is export in the euro currency, Zenitel Norway AS has a NOK deficit and a euro surplus. The company has put in place short-term FX forward contracts that secure the needed exchange between EUR/NOK on a rolling 12-month basis. The fair value of these contracts amounts to 0.3 million euro (2017: 0.4 million euro) at 31 December 2018.

29. CONTINGENCIES

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

30. COMMITMENTS

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

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

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Not later than 1 year	1 738	1 761
Later than 1 year and not later than 5 years	2 295	2 042
Later than 5 years	-	-
Total	4 033	3 803

Lease payments recognized in the income statement for the current period amount to 2.0 million euro (2017: 2.1 million euro). Operating lease agreements relate to office premises, site rents, car lease and IT equipment.

COMMITMENTS FOR EXPENDITURE BY GROUP COMPANIES

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

31. ORDINARY SHARES, TREASURY SHARES & WARRANTS

The total number of Zenitel shares on 31 December 2018 amounted to 3,310,884.

Ordinary shares & treasury shares:

	Number of ordinary shares	Treasury shares	Total
On 31 December 2016*	3 305 806	5 078	3 310 884
On 31 December 2017*	3 305 063	5 821	3 310 884
On 31 December 2018	3 310 884	-	3 310 884
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	3 310 884		

(*) Restated due to the 1-for-10 Reverse share split in May 2017.

All issued shares are fully paid. Shares have no par value. The total authorized capital is per 31 December 2018 euro 20,000,000.

Warrants were granted in the past to directors and to employees. However there are no warrants outstanding anymore as at year end 2018.

32. MOVEMENT IN WORKING CAPITAL

<i>(thousands of euro)</i>		<i>31 December</i>	
	Notes	2018	2017
Movements in working capital:			
(Increase) / decrease in trade and other receivables		-1 265	852
(Increase) / decrease in inventories		-1 790	-1 133
(Increase) / decrease contract work in progress		97	-105
(Increase) / decrease in other assets		-281	190
Increase / (decrease) in trade and other payables		2 901	-2 137
Increase / (decrease) in provisions and retirement benefit obligations		-770	367
Increase / (decrease) in tax liabilities		-	-13
Effect of exchange rate changes on working capital components*		-159	-782
Total movement in working capital		-1 267	2 761

* The components of working capital were mainly impacted by currency translation effect due to the NOK/EUR conversion in 2018 and 2017.

33. RELATED-PARTY TRANSACTIONS

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

A) Landlord of office building in Zellik

3D NV is one of the reference shareholders of the Zenitel Group and is the landlord of the building in which Zenitel NV has its offices in Zellik (Belgium). The rent charged by 3D NV to Zenitel NV is determined on an at arms' length basis and amounts to 60 K- euro per year.

B) BNSC and Zenitel UK

In 2018, the group sold goods to the related parties BNSC and Zenitel UK for a total of 1.8 million euro (2017: 2.4 million euro). The receivables related to these sales amounted to 0.3 million euro at 31 December 2018 (2017: 0.5 million euro).

C) Directors's remuneration

<i>(thousands of euro)</i>		<i>31 December</i>	
		2018	2017
Director's remuneration (thousands of euro)		163	159

D) Key management remuneration

<i>(thousands of euro)</i>		<i>31 December</i>	
		2018	2017
KEY MANAGEMENT REMUNERATION (thousands of euro)*			
Short term employee benefits		464	513
Post-employment benefits		37	37
Other long-term benefits		-	-
Share-based payments (see warrants above)		-	-
Termination benefits		-	-
Total key management remuneration (cost to the Company)**		501	550
KEY MANAGEMENT - AVERAGE FTE		2.0	2.0

The CEO's total remuneration package for 2018 amounted to 0.3 million euro fixed remuneration and 0.1 million euro variable remuneration. Remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. Remuneration to the Key Management is made in NOK. Amounts for both years are converted to euro with a NOK/EUR rate of 9.63.

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

** See also the Remuneration Report included in the chapter 'Declaration with regards to Corporate Governance' in this Annual Report.

34. PRINCIPAL SUBSIDIARY UNDERTAKINGS

Europe	Ownership	Country of incorporation
Zenitel Norway AS	100 %	Norway
Nor Electronics AS	100 %	Norway
Zenitel Denmark A/S	100 %	Denmark
Zenitel Etronic ApS	100 %	Denmark
Zenitel Finland Oy	100 %	Finland
Zenitel France S.A.	100 %	France
Zenitel Italy SRL	100 %	Italy
Zenitel Finance Netherlands B.V.	100 %	Netherlands
Zenitel Mediterranean d.o.o.	100%	Croatia
Zenitel UK Ltd.	15 %	United Kingdom
North America		Country of incorporation
Zenitel USA Inc	100 %	United States
Zenitel USA Marine Inc	100 %	United States
Rest of World		Country of incorporation
Zenitel Marine Asia Pte. Ltd.	100 %	Singapore
BNSC (China)	10 %	China

35. POST BALANCE-SHEET EVENTS

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



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Independent auditor's report to the general meeting of Zenitel NV for the year ended 31 December 2018

As required by law and the Company's articles of association, we report to you as statutory auditor of Zenitel NV (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2018 and the disclosures (all elements together the "Consolidated Financial Statements") and includes as well our report on other legal and regulatory requirements. These two reports are considered as one report and are inseparable.

We have been appointed as statutory auditor by the shareholders meeting of 28 April 2016, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee. Our mandate expires at the shareholders meeting that will deliberate on the annual accounts for the year ending 31 December 2018. We performed the audit of the Consolidated Financial Statements of the Group for 3 years.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Zenitel NV, which consists of the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2018 and the disclosures, which show a consolidated balance sheet total of € 50.138 thousands and of which the consolidated income statement shows a profit for the year of € 2.653 thousands.

In our opinion the Consolidated Financial Statements of the Group give a true and fair view of the consolidated net equity and financial position as at 31 December 2018, as well as its consolidated results and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further

described in the "Our responsibilities for the audit of the consolidated financial statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including those in respect of independence.

We have obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current reporting period.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

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* handelend in naam van een vennootschap/agissant au nom d'une société

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Valuation of provisions for litigations

▸ Description of the matter

As at 31 December 2018, the other provisions included in the provisions in the statement of financial position and disclosed in Note 27 of the Consolidated Financial Statements amount to € 3.942 thousands. These other provisions mainly relate to provisions to cover the risks in respect of pending claims, litigations and disputes in which the Group is involved.

Since the outcome of the pending claims and litigations cannot be predicted with certainty, the ultimate outcome could have a material effect on the Consolidated Financial Statements of the Group. Therefore, the valuation of provisions for these pending claims and litigations is complex and requires judgement from management. Due to the uncertainty of the outcome and the significant exposures involved, the valuation of the claims and litigations is significant to our audit.

▸ Summary of audit procedures performed

We have, amongst others, performed following procedures:

- Evaluating management's assessment of the likely outcome and potential exposures arising from all significant claims and litigations.
- Assessing the progress of all significant claims and litigations by holding discussions with management and those charged with governance.
- Inspecting the meeting minutes of the board of directors and the audit committee, in which these claims and litigations are discussed.
- Reading and analyzing pertinent and new correspondence between the parties involved in the claims and litigations.
- Obtaining confirmation on the status of these claims and litigations directly from the Group's external legal counsel. We have also held meetings with the Group's external counsel handling these claims and litigations to confirm the fact patterns and confirm certain assertions and information provided by the management of the Group.
- Assessing the recognition and valuation of claims, litigations and disputes in accordance with IAS 37 Provisions.

- Assessing the appropriateness of the information on claims and litigations as disclosed in note 27 of the Consolidated Financial Statements.

Goodwill impairment

▸ Description of the matter

As at 31 December 2018, the Consolidated Financial Statements include goodwill for an amount of € 3.246 thousands.

The Group reviews the carrying amount of its sole cash generating unit ("CGU") annually or more frequently if impairment indicators are present. The impairment assessment involves a comparison of the estimated recoverable amount of the CGU to its carrying amount. Additional information is provided in Note 16 and the section "Valuation rules and financial risk factors" of the Consolidated Financial statements.

The Group's assessment of impairment of goodwill is a judgmental process which requires estimates concerning the future cash flows, the weighted average cost of capital ("WACC"), and the growth rate of revenue and costs to be applied in determining the value in use.

▸ Summary of audit procedures performed

We have, amongst others, performed following procedures:

- Challenging and assessing each of the key assumptions and methodology used in the annual impairment test of the CGU with the assistance of in collaboration with our internal valuation specialists. These key assumptions include the WACC, the growth rate of revenue and costs, and projected cash flows.
- Assessing the reasonableness of the projected cash flows as included in the goodwill impairment test based on historic performance and the available business plan, and evaluating the Group's historic forecasting accuracy.
- Testing the accuracy of the underlying impairment model.
- Assessing management's sensitivity analyses.
- Assessing the appropriateness and completeness of the disclosures as included in Note 16 and in the section "Valuation rules and financial risk factors" of the Consolidated Financial Statements.





Audit report dated 14 March 2019 on the Consolidated Financial Statements of Zenitel NV as of and for the year ended 31 December 2018 (continued)

Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium. This responsibility involves implementing internal controls relevant to the preparation of the Consolidated Financial Statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern. The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit, in accordance with ISAs, we exercise professional judgment and we maintain professional scepticism throughout the audit. We also perform the following tasks:

- ▶ Identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and

appropriate to provide a basis for our opinion. The risk of not detecting material misstatements is larger when these misstatements are due to fraud, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- ▶ Obtaining insight in the system of internal controls that are relevant for the audit and with the objective 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;
- ▶ Evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- ▶ Conclude on the appropriateness of Board of Director's use of the going-concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to event or conditions that may cast significant doubt on the Company or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company or Group to cease to continue as a going-concern;
- ▶ Evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and whether these financial statements reflect the underlying transactions and events in a true and fair view.

We communicate with the Audit Committee within the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audits of the subsidiaries. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may

reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee within the Board of Directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Director's report and other information included in the annual report.

Responsibilities of the auditor

In the context of our mandate and in accordance with the additional standard to the ISA's applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Director's report and other information included in the annual report, as well as to report on these matters.

Aspects relating to Board of Director's report and other information included in the annual report

In our opinion, after carrying out specific procedures on the Board of Director's report, the Board of Director's report is consistent with the Consolidated Financial Statements and has been prepared in accordance with article 119 of the Belgian Companies Code.

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Director's report and other information included in the annual report, being:

- ▶ Consolidated key figures (pages 4 to 5)
- ▶ Letter to the shareholders (pages 6 to 7)

contain any material inconsistencies or contain information that is inaccurate or otherwise

misleading. In light of the work performed, we do not need to report any material inconsistencies. In addition, we do not express any form of reasonable assurance regarding the individual elements included in the annual report.

Independence matters

We have not performed any services that are not compatible with the audit of the Consolidated Financial Statements and we have remained independent of the Company and the Group during the course of our mandate.

The fees for additional services that are compatible with the audit of the Consolidated Financial Statements intended by article 134 of the Belgian Companies Code have been correctly disclosed and detailed in the disclosures to the Consolidated Financial Statements.





**Audit report dated 14 March 2019 on the Consolidated Financial Statements
of Zenitel NV as of and for the year ended 31 December 2018 (continued)**

Other communications

- ▶ This report is consistent with our supplementary declaration to the Audit Committee as specified in article 11 of the regulation (EU) no. 537/2014.

Ghent, 14 March 2019

Ernst & Young Bedrijfsrevisoren BCVBA
Statutory auditor
Represented by

A handwritten signature in blue ink, consisting of several loops and a vertical line, positioned below the text 'Represented by'.

Marnix Van Dooren
Partner*
*Acting on behalf of a BVBA/SPRL

Ref. : 19MVD0121

EXTRACT FROM THE BELGIAN GAAP NON-CONSOLIDATED FINANCIAL STATEMENTS OF ZENITEL NV

BALANCE SHEET AFTER APPROPRIATION

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
ASSETS		
Fixed assets	38 979	38 979
Formation expenses	-	-
Intangible assets	-	-
Tangible assets	-	-
Financial assets	38 979	38 979
Current assets	5 094	5 028
Amounts receivable more than one year	-	-
Amounts receivable within one year	627	144
Cash at bank and in hand	4 454	4 835
Deferred charges and accrued income	13	49
TOTAL ASSETS	44 073	44 007

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
EQUITY AND LIABILITIES		
Capital and reserves	39 497	38 948
Issued capital	20 000	20 000
Share premium account	5 624	5 624
Reserves	11 111	11 163
Result carried forward	2 762	2 161
Provisions and deferred taxation	4 090	4 593
Pensions and similar obligations	149	235
Other liabilities and charges	3 941	4 358
Creditors	486	466
Amounts payable after one year	-	-
Amounts payable within one year	486	466
Current portion of amounts payable after one year	-	-
Financial debt	-	-
Suppliers	361	443
Taxes, remuneration and social security	125	23
Other amounts payable	-	-
Accrued charges and deferred income	-	-
TOTAL EQUITY AND LIABILITIES	44 073	44 007

INCOME STATEMENT AND RESULT APPROPRIATION

<i>(thousands of euro)</i>	<i>31 December</i>	
	2018	2017
Operating income	1 305	1 679
Turnover	-	-
Other operating income	1 305	1 679
Operating Charges	-780	-877
Services and other goods	-621	-191
Remuneration, social security costs and pension costs	-648	-396
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	-	-
Decrease in provisions for obsolete inventory and doubtful customer receivables	-	-
Decrease/(increase) in provisions for liabilities and charges	493	-286
Other operating charges	-4	-4
Operating profit / (loss)	525	802
Financial income	27	38
Income from financial fixed assets	2	2
Income from current assets	-	-
Other financial income	25	36
Financial charges	-3	-2
Interest and other debt charges	-	-
Write offs of current assets excluding inventory and customer receivables: addition (-); reversal (+)	-	-
Other financial charges	-3	-2
Profit / (loss) on ordinary activities before taxes	549	838
Extraordinary income	-	-
Reversal of provisions for exceptional risks and charges	-	-
Other extraordinary income	-	-
Extraordinary charges	-	-
Provisions for extraordinary liabilities and charges (increase: -, decrease: +)	-	-
Other extraordinary charges	-	-
Profit / (loss) for the period before taxes	549	838
Income taxes	-	-
Income taxes (-)	-	-
Adjustment of income taxes & write-back of tax provisions	-	-
Profit / (loss) for the period	549	838
Profit / (loss) for the period available for appropriation	549	838
Profit / (loss) to be appropriated	549	838
Profit / (loss) for the period available for appropriation	549	838
Profit / (loss) brought forward	-	-
Profit / (loss) to be carried forward	549	838

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

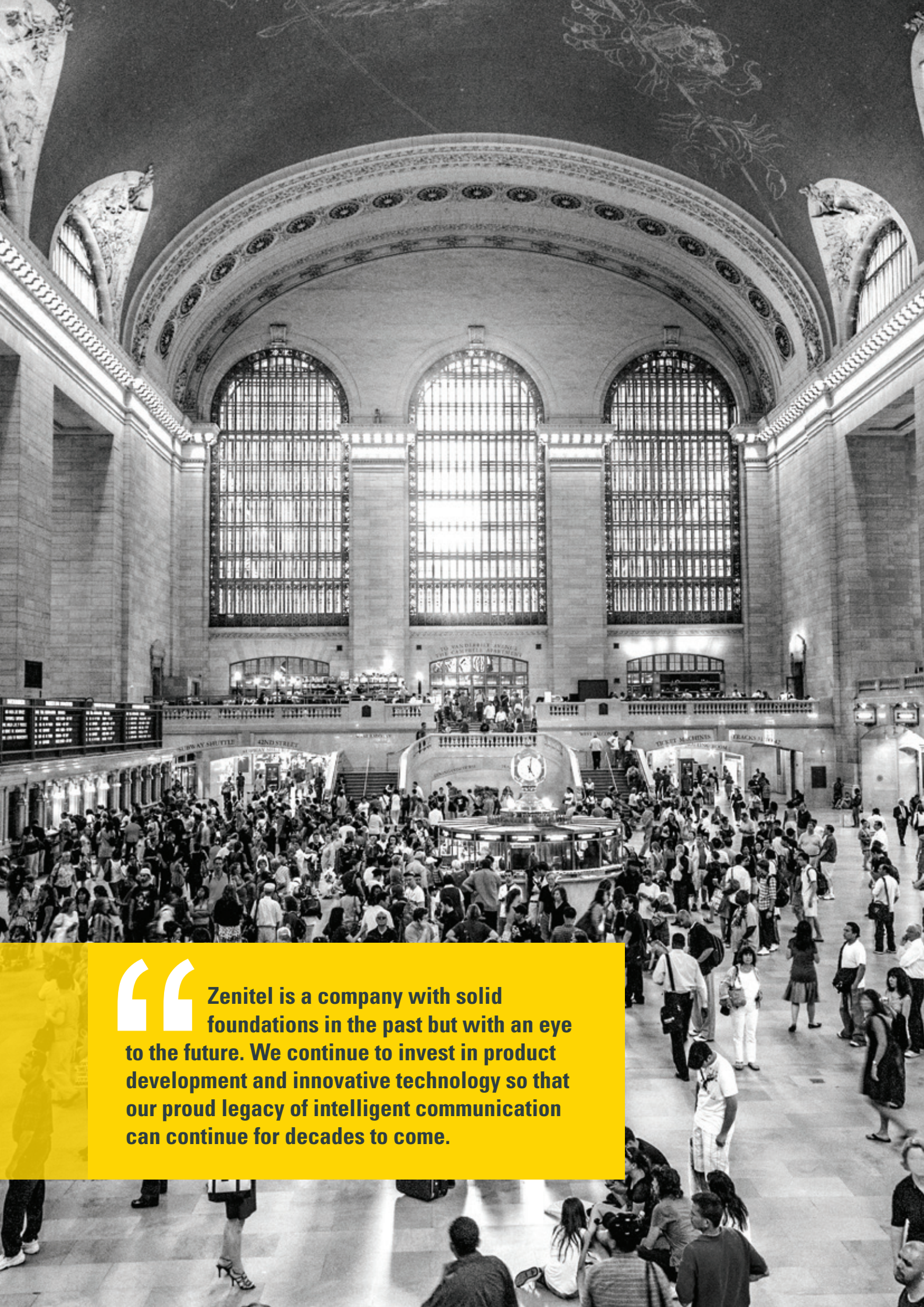
These financial statements were prepared in conformance with the accounting and reporting laws and regulations applicable in Belgium ("Belgian GAAP").

DIVIDEND POLICY

No dividend payments are planned.

LEGAL AND ARBITRATION PROCEEDINGS

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



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Zenitel is a company with solid foundations in the past but with an eye to the future. We continue to invest in product development and innovative technology so that our proud legacy of intelligent communication can continue for decades to come.

CONTACT INFORMATION

This Annual Report 2018 will be made available to investors at no cost at the registered office of Zenitel NV, Z.1 Research Park 110, 1731 Zellik, Belgium. This Annual Report is also available via the internet on the following website: www.zenitel.com under 'Investor Relations'.

Zenitel has arranged for an electronic Dutch translation of this Annual Report 2018 and takes responsibility for consistency between the texts in these two language versions. Should there be any difference of interpretation between the English and the Dutch language versions, then the English language version alone is legally binding.

COMPANY DOCUMENTS

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

To obtain information on Zenitel, please contact:

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The Annual Report 2018 is also available on www.zenitel.com (investor relations > financial reports) as from 15 March 2019. Het jaarverslag 2018 is ook verkrijgbaar in het Nederlands op www.zenitel.com (investor relations > financial reports) vanaf 15 maart 2019.

PERSONS RESPONSIBLE

RESPONSIBILITY FOR AUDITING THE ACCOUNTS

The consolidated and statutory annual accounts of the Company as at and for the period ended on 31 December 2018, prepared respectively in accordance with the International Financial Reporting Standards (IFRS) and the Belgian Generally Accepted Accounting Principles, have been audited by Ernst & Young Bedrijfsrevisoren BCBVA, De Kleetlaan 2, 1831 Diegem, represented by Mr. Marnix Van Dooren.

RESPONSIBILITY FOR THE CONTENTS OF THE ANNUAL REPORT

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

Kenneth Dåstøl
CEO

Mark Küpers
CFO

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