zenitel

ANNUAL REPORT 2016

when communication is critical

THE ZENITEL GROUP

Zenitel has firmly established itself at the intersection of two domains - communication on the one hand, security and safety on the other. In 2016 Zenitel celebrated the 70th Anniversary of the product brand Vingtor-Stentofon. Even though the brand only became one entity as recently as 2014, the history of both Vingtor and Stentofon dates back to 1946. Today, the two brands are successfully merged into one as part of the Zenitel Group. Vingtor-Stentofon and Zenitel remain dedicated to eliminating unforeseen variables in the security market, because 'almost working' products are never good enough in critical situations.

Zenitel is a leading player in instant audio and data communication on land and at sea. Building on over 70 years of breakthrough innovations, its current technology utilizes secure and exceptionally intelligible SIP end-devices to provide solutions in IP Intercom, Video Intercom, Emergency Communications, and Public Address. Zenitel is the preferred choice in situations that involve the protection of human lives and assets or the management of critical activities. By providing a path to intelligibility - to hear, be heard, and be understood in every situation - Zenitel has exceeded the highest standards for critical communications. In addition, Zenitel ensures its critical communication solutions can be integrated into an organization by providing seamless interoperability with access control, video surveillance management, and IPBX and VoIP systems on a global basis.

Zenitel's core business practice of innovation and quality ensures its solutions meet the most stringent requirements of IT departments by delivering high availability, scalability, reliability and defensibility that are required for mission critical applications. There is continual investment in the Vingtor-Stentofon product portfolio to ensure that it continues to offer advanced offshore and onshore communication systems. An extensive worldwide distribution network comprises a head office in Horten, Norway and sales and service offices in 17 different countries. The key markets include: Building Security & Public Safety, Transportation, Industrial, Oil & Gas and Maritime.

Zenitel is listed on the Euronext stock exchange in Brussels, with its statutory headquarters situated in Belgium. Zenitel's operational headquarters is in Norway.

VISION

«The world leading provider of critical communication solutions»

MISSION

«As a company and individuals, we aim at providing the highest quality communication solutions available in the market, with the lowest possible impact on the environment.

We are committed to continuously improving our operations and enhancing our partners' and customers' experience»

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.

BRANDS

zenitel VINGTOR STENTOFON

For more information, visit: www.zenitel.com


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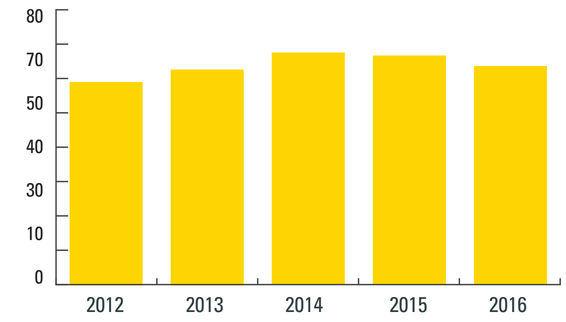
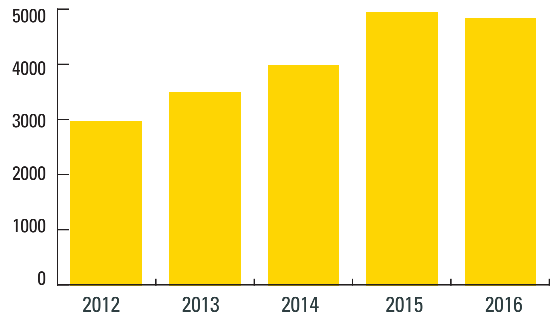
(1) These chapters form an integral part of the Report of the Board of Directors and contain the information required by the Belgian Company Code.

CONSOLIDATED KEY FIGURES

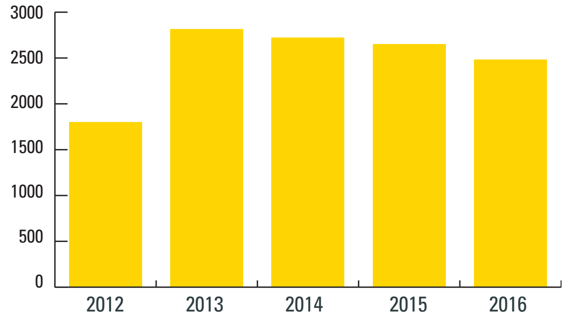
2016 REVENUE WAS € 63.5 MILLION COMPARED TO € 66.5 MILLION IN 2015.



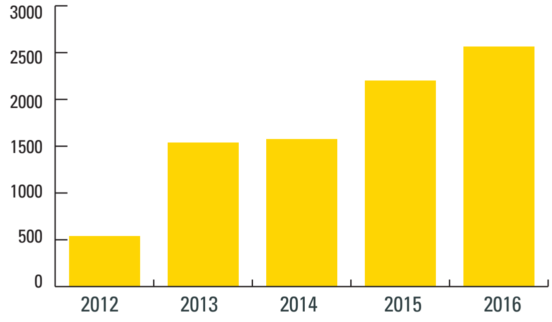
EBITDA OF € 4.8 MILLION IN 2016 AGAINST € 4.9 MILLION IN 2015.



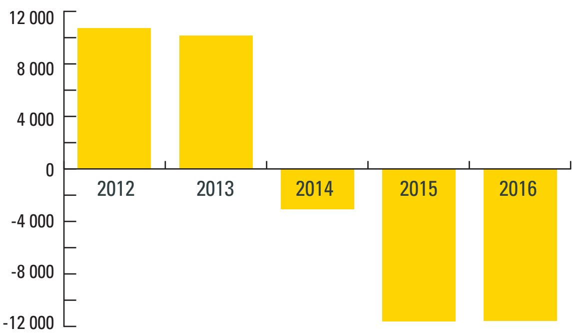
EBIT OF € 2.5 MILLION IN 2016 AGAINST € 2.6 MILLION IN 2015.



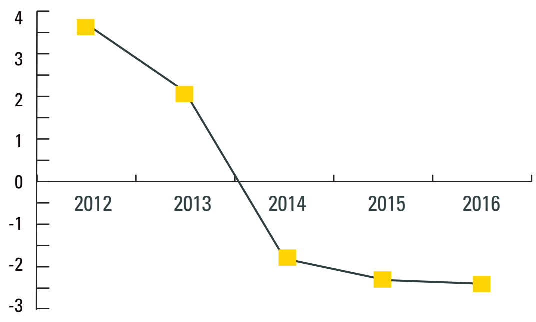
NET RESULT CONTINUING OPERATIONS OF € 2.6 MILLION IN 2016 AGAINST € 2.2 MILLION IN 2015.



NET DEBT AND PROVISIONS IN LINE WITH LAST YEAR.



NET DEBT AND PROVISIONS EQUALS -2.4 TIMES EBITDA (-2.3 IN 2015).



Zenitel stopped capitalizing R&D in 2016. Average annual capitalized R&D for 2012-2015 was 1.0 million euro per year.

(thousands of euro)	**2016**	**2015**	**2014***	**2013***	**2012***
FROM CONSOLIDATED STATEMENT OF PROFIT OR LOSS					
Revenue	63 473	66 498	67 375	62 454	58 877
Profit before tax	2 617	2 295	1 799	1 633	632
Profit of the year	2 561	7 329	2 214	1 761	883
FROM STATEMENT OF FINANCIAL POSITION					
Total assets	47 494	54 652	47 904	37 771	41 030
Shareholders' equity	26 718	27 889	21 229	6 884	7 845
Working capital	1 535	2 475	3 341	2 473	1 238
Total financial debt (2)	2 511	1 889	2 195	9 365	9 907
Total provisions (3)	5 215	4 081	4 316	4 664	5 762
Cash and cash equivalents	19 249	17 551	9 578	3 901	4 975
ALTERNATIVE PERFORMANCE MEASURES					
EBITDA (1)	4 828	4 928	3 983	3 497	2 927
Operating profit (EBIT)	2 483	2 649	2 721	2 815	1 799
RATIOS					
Shareholder's equity ratio	56.3%	51.0%	44.3%	18.2%	19.1%
Net debt (4) / EBITDA	-3.5	-3.2	-1.9	1.6	1.7
Net debt (4) and provisions (3) / EBITDA	-2.4	-2.3	-0.8	2.1	3.7
Weighted average number of shares (in thousands)**	33 058	33 108	33 108	16 441	16 441
Shareholder's equity/share (EUR)	0.81	0.84	0.64	0.42	0.48
Earnings/share (EUR)	0.08	0.22	0.07	0.11	0.05
ROCE (5)	30.9%	25.8%	22.9%	30.2%	16.9%
OTHER KEY FIGURES					
FTE	266	283	276	239	217

(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 divestment Caribbean Company in 2015

(**) Acquisition of treasury shares in 2016

Zenitel stopped capitalizing R&D in 2016. Average annual capitalized R&D for 2012-2015 was 1.0 million euro per year.

DEAR SHAREHOLDERS

We are pleased to report that 2016 has been another good year for Zenitel as we continue to focus on solid operational performance and improved results. We have a healthy balance sheet with an increased net cash position to support our current business initiatives and anticipated expansions.

Some financial highlights:

- Total revenue amounted to 63.5 million euro compared to 66.5 million euro in 2015.
- EBITDA was 4.8 million euro, which is in line with last year.
- EBIT amounted to 2.5 million euro, compared to 2.6 million euro in 2015.
- Net profit from continuing operations was 2.6 million euro, against 2.2 million euro last year.
- Financial cash position of 19.2 million euro at the end of the year, compared to 17.6 million euro at the end of 2015.

The uncertain European and global economic environment has remained unchanged in 2016. At the end of 2014, the world experienced a dramatic drop in oil prices, and this trend continued in 2015 with oil prices dropping under 30 USD per barrel. During 2016, the oil price increased slightly, and at the end of the year, we have seen prices around 50 USD per barrel. The activity level is still low and the actors have reduced their investments in the Oil and Gas sector to a minimum. Although the market does not expect a recovery in the short term, it is slightly more optimistic than a year ago.

The reduced investments in the Oil and Gas industry had an impact on Zenitel's business, hence a small decrease on our top line figures (- 4.5% compared to 2015). However, as our strategy is to focus on several business markets and regions, we have been able to partly compensate the reduced activity in the Oil and Gas markets with increased returns from the Building Security and Public Safety markets. Under these challenging circumstances, the dedication of our employees, and the commitment of our partners and customers around the world, have allowed Zenitel to continue to deliver profitable growth figures. We stayed focused on our strategy and continued to bring new state-of-the-art products to the market.

> **"Part of our product strategy is to replace hardware with software solutions based on our future proof IP product portfolio, with the least impact on the environment.**

We continue to create value for our shareholders. Our customer base remains loyal, and appreciates both our existing and newly developed modern product platforms that continue to generate stable revenues. By closely monitoring the profitability of our business and by carefully managing our expenses, we further grew our net results in 2016.

As the global market place is very price sensitive and may even become more challenging in the coming years, it is important to have products 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 to make it harder for the competition to maintain an edge in the market based on price alone.

During 2016 we introduced the "Lean" thinking to the organization and are continuing with the cost reduction program. Part of our product strategy is to replace hardware with software solutions based on our future-proof IP product portfolio, with the least impact on the environment. These programs are key elements that we constantly monitor to improve operational excellence and to further increase our results. Based on these initiatives, we have been able to modestly increase our margins in 2016.

Zenitel is a "Glocal" integrated organization doing business globally based on local knowledge and culture. The Group is marketed under one common brand: Vingtor-Stentofon. Last year we launched our new corporate website and we have highly increased our online visibility during 2016.

Last year, 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. When we apply the new methodology to the 2015 figures, we have a 22% improvement on EBITDA in 2016.

The Zenitel Group has been financially debt-free since June 2014 and reports net cash of 19.2 million euro compared to 17.6 million euro last year. The working capital level has decreased with 0.9 million euro due to a high focus on cash and a reduction of revenues related to large projects in the Oil & Gas sector. Our provisions increased by 1.1 million euro, due to a reclassification between provisions and short-term liabilities.

We paid out 5.0 million euro in one-time dividends in June. The ratio of Net debt and provisions over EBITDA has decreased from 3.7 at the end of 2012 to -2.3 in 2015. This ratio was -2.4 at the end of 2016.

In line with the goals that we have set ourselves, we strive to meet our targets and grow our business in a profitable way. We have not opened new subsidiaries in 2015 and 2016, but we will continue to expand our geographical footprint and to open new branch offices closer to our customers where and when it makes sense. We remain focused on the execution of our strategy and believe we are well positioned to meet and overcome tomorrow's challenges to further grow our company.

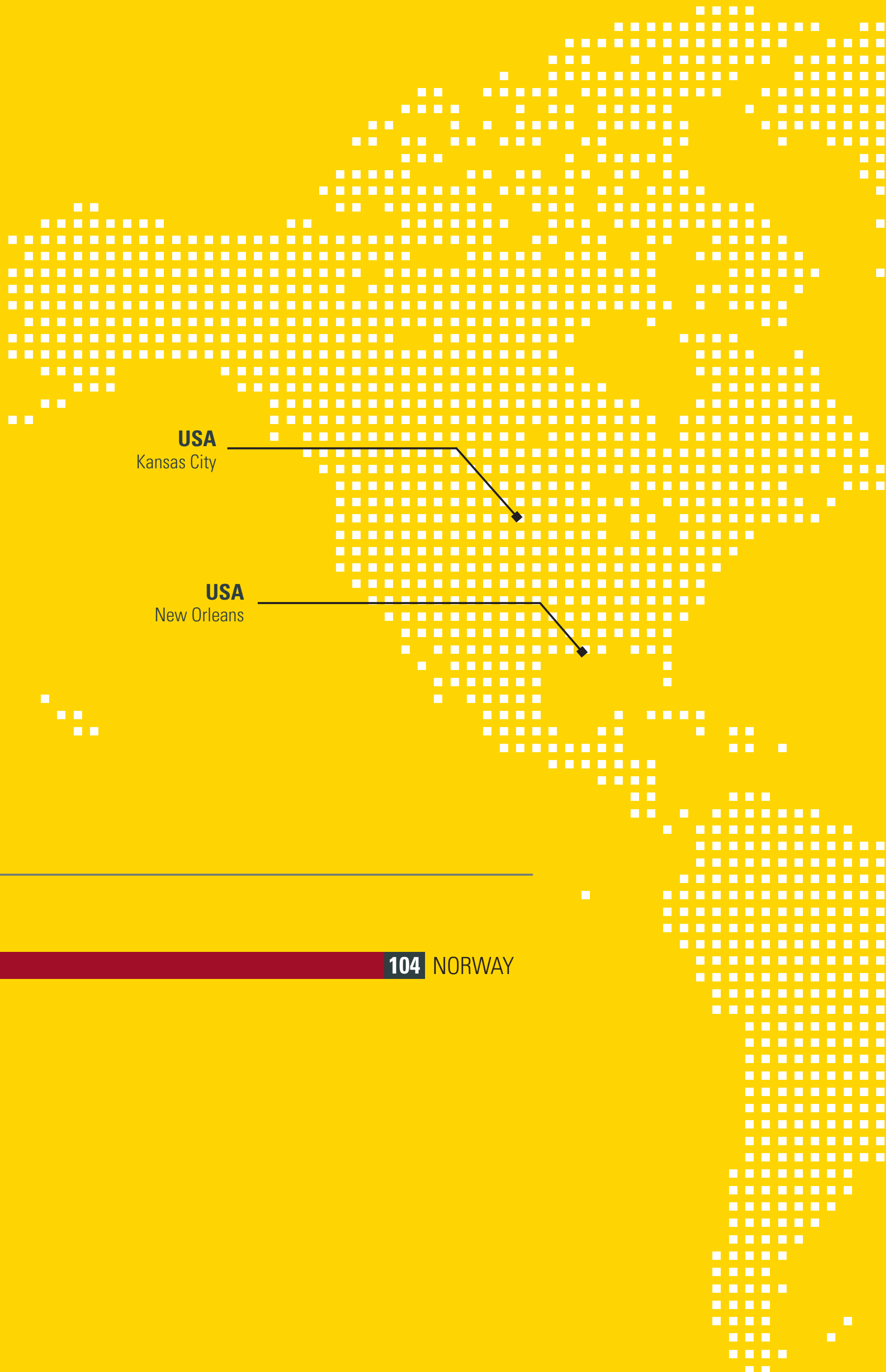
Finally, we would like to take the opportunity to extend our thanks and gratitude to our employees for their efforts and dedication, to our management and our Board of Directors for their commitment, and to our shareholders and customers for their faith and trust in Zenitel.

Beckers Consulting BVBA
Eugeen Beckers
Chairman

Kenneth Dåstøl
CEO

OUR WORLDWIDE PRESENCE

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



COUNTRIES WITH LOCAL OFFICES

17

FTE BY COUNTRY

UNITED KINGDOM*
CHINA*

*Related Offices

FTE WORLDWIDE

266

“Our vision remains the same: To be a world leading provider of critical communication solutions, whilst maintaining a sense of pride, both in our long and rich history, and in the future of the company that we are all helping towards meeting the demands of the next 70 years.

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 can continue for decades to come. At Zenitel, we recognize the importance of people to our development and growth. Our employees' satisfaction is closely monitored, with a focus on training and personal development.

OVERVIEW

Zenitel is recognized globally for offering advanced offshore and onshore communications. Our product brand, Vingtor-Stentofon's primary system offerings are Public Address, Intercom and Two-Way Radio. Markets include: Building Security and Public Safety, Transportation, Industrial, Oil and 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 by 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 is extremely important in providing good customer service. Consistent quality control, investments in type approvals and certifications, as well as surveys measuring customer satisfaction underlines 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.

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

When standard communication systems fail during emergencies or at critical moments, Zenitel's solutions and systems stand above all others. It's in those crucial moments that proven, reliable communication systems are vital. This is Zenitel's most significant contribution in helping to ensure a safe and secure environment, thus protecting life, property and assets.

OUR SHAREHOLDERS

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

OUR BRANDS

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

Vingtor-Stentofon is recognized globally for offering advanced 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.

OUR GREEN FUTURE

ENVIRONMENTAL POLICY, CERTIFICATIONS AND STANDARDS

To ensure that the way we run our company is of the highest possible standard, we are duty-bound to meet the highest internationally recognized standards of quality, environment and safety.

THREE STEPS OF INNOVATION FOR THE ENVIRONMENT

To ensure that we treat our planet right, we work towards having sustainable processes in place 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 eliminate wasteful activities in our supply chain to reduce the environmental impact. We keep stock levels to a minimum, and source components locally where possible to minimize transport and storage. Globally, suppliers, distributors and customers are encouraged to conduct business in an environmentally responsible manner

SAFETY

Zenitel, including our contract manufacturers, are 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.

QUALITY STANDARDS

ISO:9001 2015 · ISO:14001 2015 · OHSAS 18001 2007

CERTIFICATES

ATEX directive 94/9EC

IECEx IEC 60079

EN 54-16:2008

UL 60950-1

ENVIRONMENTAL STANDARDS

REACH N 1907/2006 · RoHS EU Directive · WEEE · GREEN PASSPORT IMO RESOLUTION A.962(23)

TYPE APPROVALS

Less upgrading and changing of systems mean less waste. Hence, we ensure that our products work on first delivery. Our products and solutions are developed according to a green profile – i.e. they use as little energy as possible.

OUR MARKETS

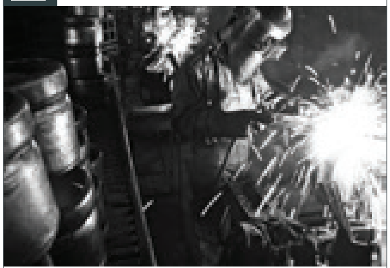
Our strategy for investing in new products and solutions relies on our knowledge of, and operational focus on targeted markets. We provide specific communication solutions and products to the following markets:

MARITIME

Zenitel has gained a reputation as a supplier of flexible, reliable and advanced systems for Critical Communication, Data, Safety and Entertainment for more than 70 years. Over 20 000 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

Our 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 make people able to hear, be heard and understood.

TRANSPORTATION

Integrated communication solutions for a wide range of projects such as toll booths, airports, parking facilities, roadside & tunnel assistance, harbor docks & ports, and trains & metros. Our solutions offer integrated communication for security announcements and alerts.

BUILDING SECURITY

Zenitel has revolutionary IP Audio and VoIP Solutions for emergency communications, IP Video Door Intercom, Public Address, and mass notification. All solutions are based on the single most important criteria: Intelligibility - the ability to hear, be heard and, most importantly, be understood.

PUBLIC SAFETY

Even in noisy and challenging interior and exterior environments, Zenitel provides high definition (HD) voice quality communication. By introducing durable and rugged communication points, an additional level of security and well-being to the public is ensured.

HIGHLIGHTS OF 2016

2016 was the 70th Anniversary of Vingtor-Stentofon. Whilst we took time to look back at the achievements of the past, we continued to develop and expand our range of products and solutions in both the onshore and offshore communication markets.

INNOVATION DECEMBER 2016

NEW PRODUCT LAUNCH - ALPHAVIEW

Zenitel proudly announced the release of AlphaView, a new PC based system management package for the AlphaCom audio server. It is an ideal solution for control room operators, enabling them to act quickly and efficiently to calls and events.


AlphaView: View-Act-Store

TEAM WORK OCTOBER 2016

PARTNER MEETING 2016 CELEBRATES 70 YEARS OF INNOVATION

Zenitel celebrated 70 years of the Vingtor-Stentofon brand in Copenhagen, together with partners from across the globe. A new Partner Program for onshore partners was launched and several training sessions were held covering new product and solution developments. Many of the partners have long-standing relationships with Zenitel and it provided a great opportunity for us to receive feedback directly from the market.

INNOVATION SEPTEMBER 2016

GROUNDBREAKING PUBLIC ADDRESS PRODUCT FOR ROLLING STOCK

InnoTrans 2016 was the first time the new SIP-addressable Public Address Amplifier for Rolling Stock was presented at an exhibition. Public Address can now be done simply through SIP and standard redundant IPBX functionality. Volume and priority settings are done through SIP-headers. The result is less APIs to relate to, less call-cases to solve between communication sub-systems, and a freedom of choice due to open standards.

Turbine Video

PRIDE APRIL 2016

TURBINE VIDEO RECEIVES MOST VALUABLE PRODUCT AWARD

Continuing a 70-year history in audio communication excellence, Vingtor-Stentofon by Zenitel Group announced that the new and powerful Turbine IP Video Intercom Station (TCIV) was chosen as Security Sales and Integration Magazine's Most Valuable Product in the Access Control category for 2016. The TCIV turbine can be used with virtually any SIP server.

RESULTS MAY 2016

ZENITEL ANNOUNCES EN54 CERTIFICATION FOR EXIGO PAGA SYSTEM

Zenitel is proud to announce that the Vingtor-Stentofon Exigo system has received EN54-16 certification for use in Voice Alarm applications. EN54 certification opens up market opportunities in EU/ECC where voice alarm integration is required and wherever EN54-16 certification is requested by the project/customer.

ACCOUNTABILITY APRIL 2016

ZENITEL NORWAY RECEIVES MOTOROLA'S 2016 GOLD CERTIFICATE

Zenitel is one of the largest suppliers of Motorola Radio equipment in the Nordic region and has received the Gold Certificate of Authorization. The certificate is valid for the following technologies and sales territories:

- Mission Critical Systems Specialist in Norway.
- Professional & Commercial Radio Specialist in Norway.

70 YEARS OF INNOVATION AND COUNTING

Zenitel was 115 years old in 2016 and our product brand Vingtor-Stentofon celebrated its 70th anniversary. Vingtor-Stentofon is well established in the security market as a trustworthy brand. By sticking to our core values we will continue to foster a culture of innovation, providing unique high quality products and services to our chosen markets.

1946

STENTOR VINGTOR

STENTOFON FOUNDED IN TRONDHEIM, NORWAY
First named Stentor Radiofabrikk and was specialized in manufacturing radio communication systems for fishing boats, ships and other vessels.

VINGTOR FOUNDED IN HORTEN, NORWAY First named Vestfold Radio Elektro AS, and was also operating in the marked of radio equipment.

1949

CAR RADIOS
For a short period car radios were produced.

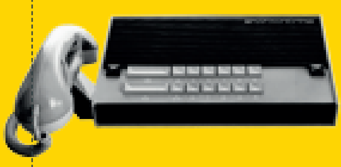
1952

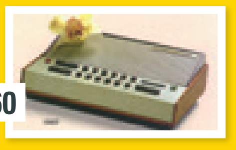
«A DREAM AMPLIFIER FOR GUITARS, ACCORDIONS AND BACKING VOCALISTS»
In our early days we produced amplifiers. Our amplifiers were known for their great sound quality and durability.

INTERCOM
Ring-Master Intercom on the market. Developed based on inspiration after working with Edison and his «Televoice».

1969

AWARDED BEST INDUSTRIAL DESIGN(Merket for God Design). Duplex Masterstation ECS (Electronic Crossbar). Designed by Jacob Jensen.





1960

KV STATION
With a switch technology (mechanical crossbar switch) that allows conversations between all stations. Koordinat velger (KV), Duplex.

1959

FACTORY
Stentor factory in Alvdal, Norway.

1957

INTERCOM BECOMES OUR MAIN PRODUCT AS SALES EXPAND Products with transistors came to Norway in 1956. Our development on intercom expands with this new technology.

BEST COMMUNICATIONS SYSTEM
RTS7 Ships Radio provides a new level of security at sea.

1972

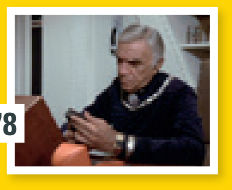
OUR FIRST PUBLIC ADDRESS SYSTEM
The Steenhans PEGFA System was the start of a new era for Vingtor-Stentofon.

1975

MOONLANDING TECHNOLOGY
MFC (Master Function Control) from Philips, was the first industrially produced product based on microprocessor in Europe. The processor used was a Rockwell PPS-8.

VSP
Batteryless Communication System.

POPULAR PAMEX
PAMEX (Pulse Amplitude Modulated Exchange) released. The L-6001 deskstation was produced in 12000 units this year.



1978

The 'Battlestar Galactica' uses the Stentofon Intercom to communicate. In 1979 James Bond 007 also uses the intercom in his spaceship 'Moonraker'.

1987

TOUCHLINE
A new generation of Intercom with display. Backwards compatible with PAMEX, replaced by the AlphaCom Technology in 1995. The Touchline was awarded Best design award (Merket for God Design) in 1991. Designed by J.Jensen.

1985

SVM (STORED VOICE MESSAGE)
«A better invention than the vacuum cleaner» ref. central board employee at one of our customers. Ring Master follows this up with SVIM (Stored Voice and Information Messages) the year after.

1982

VSS
Our Sound Reception System was developed in the 80's and was the first Sound Signal Reception system tested and compliant with the performance standard ISO14859:2012. the EU directive for Marine Equipment (MED), for VSS-V2.

VMP

1981

PAMEX MPC
(Pulse Amplitude Modulated Exchange – MicroProcessor Controlled).

70 YEARS OF INNOVATION

1946 - 2016

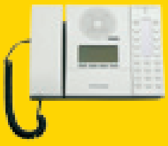
VINGTOR STENTOFON

ALPHACOM XE
IP-based VoIP System. AlphaCom XE is the most powerful and flexible communication platform on the market enabling your security system to act in the most effective and fastest possible way during critical situations.

2010

1ST IP HORN SPEAKER ON THE MARKET
We have been offering IP PoE speakers since 2010.

2009



IP DESK STATION
One of our best selling products.

2006

1ST INTERCOM SERVER WITH CRITICAL COMMUNICATION OVER IP
The AlphaCom Evolution (AlphaCom E) was the first in our industry with CCoIP, and we continue to lead and set the standards for CCoIP systems.

1995

THE AGE OF ALPHACOM BEGINS
The AlphaCom Intercom server is launched. Developed for the onshore and maritime market (ACM).

1990

PATIENT SIGNALLING, the system that gives patients in many hospitals more confidence and easier contact with the nursing staff.

1985

8500 NURSECALL. Developed for hospitals and clean rooms.

2011

BEST IN CLASS AUDIO «OUT OF THE BOX»
PULSE is unique in the market with its «Out of the box» VoIP Communication Platform.

2012

FLOWIRE TECHNOLOGY
Transmit IP signal and power over a single pair cable. Ideal for Retrofit projects.

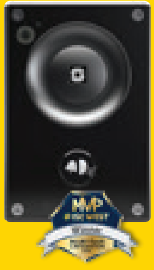
turbine

IP INTERCOM REDEFINED
Turbine is a new generation of Intercoms with Exceptional Audio, Extreme Robustness, Versatility and a Refined Design.

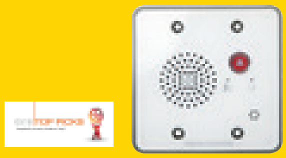
2013

NATIVE IP PUBLIC ADDRESS SYSTEM
The Exigo Public Address (PA) System delivers all the benefits of a networked audio solution into one package.

WE HAVE EQUIPPED 20 000 SAILING SHIPS
We have a worldwide distribution network and have delivered equipment for over 20 000 sailing ships around the world.



TURBINE IP VIDEO STATION
Our popular intercom station now with video. Awarded Most Valuable Product for Access Control by SSI Magazine in 2016.



COMPACT AND ELEGANT INDOOR INTERCOM STATION.
The Turbine mini has been selected as a Top Pick product by Security Magazine 05-16.

2015

INTERCOM MANAGEMENT TOOL
Configure your Vingtor-Stentofon Units with our dedicated VS-IMT Tool to discover, update and configure stations in bulk. This saves installers a tremendous amount of time and makes maintenance a much easier task.

VINGTOR STENTOFON

VINGTOR-STENTOFON BECOMES ONE BRAND
The two brands VINGTOR and STENTOFON merged into the brand Vingtor-Stentofon.

2014

IP INDUSTRIAL INTERCOM
Turbine Industrial IP Intercom is a rugged device, designed for harsh environments and meets industrial and offshore requirements.

2015

1ST IP EX INTERCOM AND PA STATIONS
Explosion Proof IP EX Intercom. Developed for Demanding Environments. First of its kind.

2016

WE ARE ENTERING THE ROLLING STOCK MARKET
The Onboard Rolling Stock Amplifier. Eliminate one entire subsystem by using your VoIP telephony system as your Public Address.

AND THE INNOVATION CONTINUES..

REPORT OF THE BOARD OF DIRECTORS

Zenitel ('the Company') maintained its positive market trend in 2016, despite a revenue decrease of 4.5 %. The net result from continuing operations increased from 2.2 million euro in 2015 to 2.6 million euro in 2016.

Zenitel is financially debt free and had 19.2 million euro net cash at the end of the year.

STRATEGY

Zenitel will remain focused on the Secure Communication Systems (SCS) activity, developing and selling its own Intercom and Public Address Systems under the brand Vingtor-Stentofon and will continue to resell Two-Way Radio Systems from Motorola. We are one of the few companies in our sector that is able to deliver fully integrated Communication Platforms including Intercom, Public Address, and Two-Way Radio Systems.

The Vingtor-Stentofon and Zenitel brands are very well established and recognized throughout the industry. They address specific markets such as audio and data communication. Our main business markets are Building Security and Public Safety, Oil & Gas, Industrial, Transportation, and Maritime. Communication is critical and we in Zenitel are committed to making products that allow people to "Hear, be Heard and be Understood" in all situations. We will never compromise on audio quality.

In 2016, Zenitel continued investing in the development of new products and solutions which resulted, among others, in the launch of new and updated video and other Turbine-based intercom solutions. We have also launched new solutions and features on our modern Intercom and Public Address Platform, as well as a new and modern GUI based Control Room Solution. The products have been very well received in the market, providing a solid basis for further product and segment solutions in the coming years.

While the strategic focus has shifted more towards growth, Zenitel is vigilant in ensuring that this growth remains profitable. In order to do so, operating expenses are closely monitored and kept at a strict minimum. Continuous focus on operational efficiency enables us to gradually increase our profits. The 2016 results confirm that these strategies are paying off.

Efficient capital management together with profitable growth objectives are important to ensure that operational cash flows are sufficient to continue investing in product development and to grow our sales channels in a period where we see less investments in the Oil & Gas industry.

We are very pleased with the operational performance of the Group in 2016. Last year, 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. When we apply the new methodology to the 2015 figures, we have a 22% improvement on EBITDA. Previous capitalized development costs will be fully amortized by the end of 2018.

THE BOARD OF DIRECTORS: From left: Wenche Holen, Jo Van Gorp, Liesbet Van der Perre, Eugeen Beckers, Peter Van de Weyer, Kenneth Dåstøl and Hans Swinnen.

* 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.

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 2016, all of which were endorsed by the European Union.

An overview of the new standards that became applicable for 2016, and the standards and interpretations that will become applicable after 2016, is included in the Valuation Rules section in the Financial Report chapter. The company did not early adopt or determine the effect of the new standards applicable after 2016.

FINANCIAL YEAR 2016

The Board of Directors is pleased to present its report for the financial year 2016. 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 63.5 million euro in 2016. This represents a decrease of 3.0 million euro or 4.5% compared to 2015. The revenues are impacted by reduced investments in the Oil & Gas industry.

Due to the continued focus on operational efficiency, and investment in the business for further growth, EBITDA (Earnings Before Interests, Taxes, Depreciation and Amortization) was 4.8 million euro, which is in line with last year.

(thousands of euro)	*Year ended December 31st*	
	2016	**2015**
Revenue	63 473	66 498
EBITDA *	**4 828**	**4 928**
Depreciation/amortization/impairments	**-2 345**	**-2 279**
Operating profit (EBIT)**	**2 483**	**2 649**

Operating profit or EBIT (Earnings Before Interest and Taxes) amounted to 2.5 million euro compared to 2.6 million euro in 2015. In 2015 we capitalized 1.0 million euro R&D costs. In 2016 R&D expenses were all expensed.

Net financial expenses were 0.01 million euro, compared to 0.7 million euro in 2015.

The total consolidated net result for the Zenitel Group shows a profit of 2.6 million euro in 2016, against a net result of 7.3 million euro in 2015 which included the profit from the Caribbean Company sale. Earnings per share are 0.08 euro versus 0.22 euro in 2015.

SEGMENT REPORTING

Due to the sale of our Caribbean network activities, the Group is no longer organized in 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, and a worldwide distributor network.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total assets amounted to 47.5 million euro, a decrease of 7.1 million euro compared to 2015, mainly due to the one-time dividend payment of 5.0 million euro in 2016.

Property, plant and equipment amounted to 0.6 million euro, 0.1 million euro lower than the previous year. Goodwill increased to 3.6 million euro, due to the foreign currency translation impact.

Other intangible assets decreased to 2.4 million euro and are mainly due to the no longer activated R&D expenses in 2015. Deferred taxes amounted to 2.1 million euro, an increase of 0.1 million euro due to the foreign currency translation impact. Long term financial assets amounted to 0.3 million euro, which is 0.1 million euro lower than the previous year.

Inventories amount to 6.4 million euro, a decrease of 0.6 million euro from the previous year. Contracts in progress decreased by 3.0 million euro to 0.1 million euro.

Trade and other receivables amount to 11.6 million euro, a decrease of 2.7 million euro compared to the previous year.

Equity totals 26.7 million euro, a decrease of 1.2 million euro which can be mainly explained by the impact of the dividend payment in May 2016 and the positive result for the year. The equity ratio increased from 51.0% to 56.3%.

Total non-current liabilities decreased from 0.6 million euro to 0.5 million euro. The decrease comes from the pension payments in 2016.

Total current liabilities decreased by 5.9 million euro to 20.3 million euro in 2016. Trade and other payables amount to 13.0 million euro, a decrease of 7.7 million euro. Short term borrowings increased by 0.6 million euro to 2.4 million euro. Total long term and short term borrowings increased by 0.6 million euro to 2.5 million euro because of the increased factoring amount. Short term provisions amounted to 4.7 million euro, an increase of 1.3 million euro compared to the previous year.

The Board of Directors has evaluated the net book value of capitalized development costs, 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 1.3 million euro in 2016, against 8.8 million euro in 2015. 6.3 million euro net cash was received in December 2016 as a result of the sale of the Caribbean company. The outflow from investment activities amounted to 2.5 million euro in 2016 and the cash flow generated from operations amounted to 8.2 million euro in 2016. At the end of 2016, Zenitel's net cash and cash equivalents amounted to 19.2 million euro.

HUMAN RESOURCES

The number of full-time equivalents (FTE) on 31 December 2016 is 266 compared to 283 on 31 December 2015.

The decrease of FTEs in 2016 mainly comes from less hirings and no replacements.

IMPORTANT SUBSEQUENT EVENTS

There are no important subsequent events to report which took place after the end of the financial year 2016.

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 2016 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 knowhow 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 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 2016, Zenitel has secured its need of Norwegian kroner by monthly forward exchange contracts from euro until December 2017. No other hedging mechanisms are used.

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

The Group has countered the price risk and the risk for inflation 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:	20,000 euro
Zenitel Group:	107,000 euro

Non audit fees:	
Tax & legal assistance:	0 euro

OUTLOOK 2017

Although there are indications of increased investments in the oil and gas industry because of the higher oil prices, we remain prudent, believing that the global economic environment remains uncertain in 2017. Zenitel remains focused on its strategy and continues to optimize its operations to generate profitable growth.

DECLARATION WITH REGARDS TO CORPORATE GOVERNANCE

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

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

The Corporate Governance Charter of the Company was updated in February 2016 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 2017 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 0.1 million euro, which is mainly receivables from or loans given to other Zenitel Group entities.

Cash and deferred charges increased to 4.3 million euro compared to 0.5 million euro in the previous year.

The change in equity from 37.7 million euro to 38.1 million euro is entirely related to the result of the year.

Provisions for pensions decreased from 0.5 million euro at the end of 2015 to 0.3 million euro at the end of 2016 as a result of payments made in 2016. Provisions for risk and other liabilities amounted to 4.0 million euro compared to 3.1 million euro in 2015.

There were no financial debts outstanding at the end of 2016.

INCOME STATEMENT

Other operating income decreased from 1.9 million euro to 1.8 million euro in 2016. The reported other operating income mainly consists of management and license fees charged to other Zenitel Group companies. The total amount of management and license fees charged amounted to 1.8 million euro in 2016.

Operating expenses decreased from 1.5 million euro in 2015 to 0.9 million euro in 2016, primarily related to less payments for professional services.

The above mentioned changes resulted in an operating profit of 0.9 million euro in 2016 against an operating profit of 0.3 million euro in 2015.

Financial expenses decreased from 0.04 million euro in 2015 to 0.01 million euro in 2016. This is explained by the lower foreign exchange conversion impact on liabilities to other Zenitel Group entities. The net extraordinary result amounted to 2.9 million euro in 2015 related to the sale of the Caribbean company. In 2016 an extraordinary result of -0.6 million euro was generated.

RESEARCH AND DEVELOPMENT

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

APPROPRIATION OF RESULT

Considering the profit of the year of 361,064.83 euro the Board of Directors proposes to appropriate the result as follows:

Result carried forward prior year:	1,087,095.23 euro
Result of the year:	361,064.83 euro
Appropriation to legal reserve	-18 053.24 euro
Result carried forward:	**1,430,106.82 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:	11,055,462.94 euro
Result carried forward:	1,430,106.82 euro
Total:	**38,109,419.24 euro**

ADDITIONAL HONORARIA PAID TO STATUTORY AUDITOR

During the year under review, no additional fees for tax and legal advice have been paid to the statutory auditor of Zenitel NV.

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 2014 in the Annexes to the Belgian State Gazette, i.e. until 19 May 2019, with a maximum amount of 10,000,000 euro.

In the framework of the capital increase which took place in June 2014, during which the Company's share capital was increased by 10,000,000 euro, to bring it from 10,000,000 euro to 20,000,000 euro, by the issuance of 16,554,422 new shares, without nominal value, identical to the existing shares and having the same rights and obligations as the existing shares, the Board of Directors exhausted its power to increase the share capital under the above-mentioned authority it received from the general meeting. The Board of Directors has not received a new authority from the general meeting to increase the share capital since this capital increase. Therefore, the Board of Directors is currently no longer authorized to increase the share capital within the framework of the authorized capital.

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.

"As experts within safety and communication, it is our goal and focus to maintain the highest quality in every stage of production, in our work place, and finally, in the end-product to our customers.

STOCK & SHAREHOLDER INFORMATION

SHARE QUOTATION

Per 31 December 2016, the subscribed capital amounted to 20,000,000.00 euro. It is represented by 33,108,844 shares without nominal value and is fully paid up. The par value of a share is 0.6041 euro. The shares are quoted on Euronext Brussels (double fixing) with the symbol ZENT.

TRANSPARENCY

In accordance with Article 2 of the Act of 2 May 2007 on the publication of important participations in issuers whereof shares are admitted for trading on a regulated market, 3D NV did a transparency notification in 2016. Zenitel NV has not received any other notifications since this notification.

SHAREHOLDERS AND CAPITAL STRUCTURE

The shareholder structure per 31 December 2016 is the following as it appears from the notifications Zenitel NV received.

Shareholders	Number of shares	% of total
3D NV*	15 847 772	47.87%
QuaeroQ CVBA	4 962 300	14.99%
De Wilg GCV*	4 000 000	12.08%
The Company	50 781	0.15%
Freefloat	8 247 991	24.91%
Total	**33 108 844**	**100%**

*Acting in concert

All shares have the same rights and obligations. There are no different kinds of shares. At the end of 2016 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 legal limitations or limitations in the articles of association of Zenitel NV with respect to the exercise of the voting rights which could have an impact in the event of a public takeover bid.

TRANSFER OF SECURITIES

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

SHAREHOLDERS' AGREEMENTS

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

The general meeting of 28 April 2016 decided to distribute a one-time dividend of 0.15 euro per share (gross) in respect of the results of 2015, corresponding to a total amount of 4,966,326.80 euro. No further 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 2014, to acquire its own shares or bonus shares or VVPR-strips or certificates which relate thereto, or to divest them in accordance with Article 620 and following of the Company Code.

The general meeting of 28 April 2014 has explicitly granted the authority to the Board of Directors, in accordance with the provisions of Article 620 and following of the Company Code, to acquire by sale or exchange its own shares, VVPR-strips, bonus shares or certificates which relate thereto or to divest those, without the requirement of a prior decision of the general meeting, either directly or through a person which acts in its own name but on behalf of the company, or through a direct subsidiary in the meaning of Article 627 of the Company Code, if the acquisition or divestment is necessary to avoid a threatening serious disadvantage for the company. This power is valid for a period of three years as from the publication of this decision in the Annexes to the Belgian State Gazette, i.e. until 19 May 2017, and can be renewed.

The general meeting of 28 April 2014 has moreover granted the Board of Directors the power to acquire by sale or exchange the maximum number of shares, VVPR-strips, bonus shares or certificates which relate thereto as set forth in Article 620§1 and 622 §2 of the Company Code, and to divest those, either directly or through a person which acts in its own name but on behalf of the company, or through a direct subsidiary in the meaning of Article 627 of the Company Code, against a consideration which cannot be lower than 20% and cannot be higher than 20% of the average stock exchange rate of the relevant security on Euronext during the five trading days preceding the acquisition or exchange or divestment. This power is valid for a period of 5 years as from the resolution of the general meeting of 28 April 2014, i.e. until 28 April 2019.

The Board of Directors is furthermore also empowered in accordance with Article 630 §1 of the Company Code, to take a pledge, directly or indirectly through a subsidiary or a person who acts in its own name but on behalf of that subsidiaryor the company, as stipulated in Article 630 §1 of the Company Code, on its own shares, VVPR-strips, bonus shares or certificates which relate thereto and this in accordance with the conditions and duration for acquisition and divestmentof 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.

In the course of 2016, Zenitel Norway AS, a direct subsidiary of Zenitel NV, acquired 50,781 shares in Zenitel NV. As per 31 December 2016, Zenitel Norway AS held 50,781 shares in Zenitel NV, representing 0.153% of the current share capital of Zenitel NV. The acquired shares had a par value of 0.6041 euro per share. This acquisition took place within the scope of the authority granted by the extraordinary general meeting of shareholders of Zenitel NV of 28 April 2014, at an average purchase price of 0.889 euro per share, corresponding to a total purchase price of 54,767.64 euro.

The shares were purchased within the framework of a long term share incentive plan for the management team. Under this program, which started on 12 September 2016, Zenitel NV (via Zenitel Norway AS) may acquire its own shares up to a maximum of 150,000 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 2014 in the Annexes to the Belgian State Gazette, i.e. until 19 May 2019, with a maximum amount of 10,000,000 euro.

In the framework of the capital increase which took place in June 2014, during which the Company's share capital was increased by 10,000,000 euro, to bring it from 10,000,000 euro to 20,000,000 euro, by the issuance of 16,554,422 new shares, without nominal value, identical to the existing shares and having the same rights and obligations as the existing shares, The Board of Directors exhausted its power to increase the share capital under the above-mentioned authority it received from the general meeting. The Board of Directors has not received a new authority from the general meeting to increase the share capital since this capital increase. Therefore, the Board of Directors is currently no longer authorized to increase the share capital within the framework of the authorized capital.

At the annual general meeting to be held in 2017, it will be proposed to renew the Board of Directors' authority to increase the share capital within the framework of the authorized capital.

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 2016 until 31 December 2016. (see also Euronext website: www.euronext.com)

FINANCIAL CALENDAR

17/02/2017	Press Release Results 2016 (8:00 AM)
17/03/2017	Publication Annual Report 2016 (8:00 AM)
28/04/2017	Annual General Shareholders' Meeting (11:00 AM)
9/08/2017	Press Release Half-Year Results 2017 (8:00 AM)

The financial statements were authorized for issue by the Board of Directors on 14 March 2017.

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. 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 Minister of Finance will announce the date as of which such claims can be made in a notice which will be published in the Belgian State Gazette.

The statutory auditor of the Company has confirmed in accordance with Article 11§5 of the Act that the provisions of Article 11 of the Act have been complied with.

“ We have outfitted more than 20 000 ships with our communication systems.

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.

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 2016.

BOARD OF DIRECTORS

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

The Board of Directors of the Company is composed of a minimum of three and a maximum of twelve members. Currently, there are seven Board members, of whom six members are non-executive Directors. 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 Chairman of the Board or by at least two Directors whenever the interests of the Company so require.

The Board of Directors met six times during 2016. The following significant matters were discussed at the meetings of the Board of Directors during 2016:

- 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.
- 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 2017 budget.
- HR issues.
- Reporting of Audit Committee and Nomination and Remuneration Committee.
- Discussion of acquisition opportunities.
- Discussions on financing of the business.
- Functioning of the Board.
- Discussion and approval of the share purchase plan

CHAIRMAN OF THE BOARD OF DIRECTORS

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

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

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

INDEPENDENT DIRECTORS

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

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

COMPOSITION OF THE BOARD OF DIRECTORS

As per 31 December 2016, the Board of Directors consists of seven members.

The Board of Directors convened six times during 2016. 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 family relationship between any of these persons.

The general meeting of shareholders held on 28 April 2016 decided to re-appoint Kenneth Dastøl as the executive director of the Company with immediate effect until the general meeting of 2019, and Blanco Blad BVBA, represented by Johan Van Gorp as an independent director of the Company with immediate effect until the general meeting of 2019.

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.

Name and Position	Independent / Dependent	Executive / Non-Executive	Term*
Beckers Consulting BVBA, represented by Eugeen Beckers, Chairman	Dependent	Non-executive	2017
Blanco Blad BVBA, represented by Jo Van Gorp	Independent	Non-executive	2019
Kenneth Dåstøl, CEO	Dependent	Executive	2019
Value Research Group BVBA, represented by Peter Van de Weyer	Dependent	Non-executive	2017
Wenche Holen	Independent	Non-executive	2018
Liesbet Van der Perre	Independent	Non-executive	2018
Equity @ Work BVBA, represented by Hans Swinnen	Dependent	Non-executive	2018

*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.

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

Jo Van Gorp (representing Blanco Blad BVBA) (°1964) – Mr. Van Gorp has been a member of Zenitel's Board of Directors since 2010. He is currently advising 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 Dåstøl (°1969) – Mr. Dåstøl became CEO and Managing Director of Zenitel in 2010. He has worked for Zenitel since 2000. As from 2005 he became Executive Vice President of the SCS operations. Before joining Zenitel, he worked as Controller and afterwards as Finance Manager for Kongsberg Norcontrol Systems AS (1995-2000). He holds a Master's degree in Management and a degree in Commercial Economics and Organizational Development.

Wenche Holen (°1964) – Ms. Holen was in April 2012 appointed as an independent Director of Zenitel NV. 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 K.U.Leuven, performing 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's an author and co-author of over 300 scientific publications. She received an honorary doctor's 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 masters thesis at the Ecole nationale supérieure de télécommunications in Paris, and graduated with a PhD degree from K.U.Leuven.

Hans Swinnen (representing Equity @ Work BVBA) (°1966) – Mr. Swinnen is a Director of 3D-Participaties 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 he is actively involved in the development and internationalization of these companies. He is a member of the Board of Serax and Master Marketeer. 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).

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

GENDER DIVERSITY OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

The general meeting of shareholders held on 28 April 2015 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.

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 four 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 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 2016, the Audit Committee consists of:

Name and position	Term*
Beckers Consulting BVBA, represented by Eugeen Beckers	2017
Blanco Blad BVBA, represented by Jo Van Gorp, Chairman and independent Director	2019
Value Research Group BVBA, represented by Peter Van de Weyer	2017
Wenche Holen, Independent Director	2018

* 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 2016. The following significant matters were discussed at the meetings of the Audit Committee in 2016.

- Presentation of the external auditor and financial statements of 2015.
- Discussion and proposal of the new Company external auditor to the general assembly.
- Financial statements per 30 June 2016 and forecast.
- Impacts of the pending litigations.
- The financial performance including cash flows and outlooks for the year and beyond.
- Discussion and evaluation of internal controls and risk management.
- Discussions regarding fraud prevention.
- Internal audit report regarding the audits carried out at Zenitel Marine Asia, Zenitel Finland and Zenitel Etronic.
- 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*
Blanco Blad BVBA, represented by Jo Van Gorp	2019
Value Research Group BVBA, represented by Peter Van de Weyer, Chairman	2017
Wenche Holen	2018

*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 2016.

The following significant matters were discussed at the meetings of the Nomination and Remuneration Committee in 2016.

- Proposal of reappointment of two Directors.
- Evaluation of functioning of the Board of Directors
- Discussion and approval of the remuneration report 2015.
- Decision on 2015 bonus payments and timing of these payments.
- Discussion and proposal of the long term incentive plan for senior management
- Decision on the 2016 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 2016.

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 2016:

Name	BOD (Total 6)	AC (Total 4)	NRC (Total 4)
Beckers Consulting BVBA, represented by Eugeen Beckers	6/6	4/4	-
Blanco Blad BVBA, represented by Jo Van Gorp	6/6	4/4	4/4
Kenneth Dåstøl	6/6	-	-
Value Research Group BVBA, represented by Peter Van de Weyer	6/6	4/4	4/4
Wenche Holen	5/6	4/4	4/4
Liesbet Van der Perre	6/6	-	-
Equity@Work BVBA represented by Hans Swinnen	4/6	-	-

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 Chairman of the Board. He works in close cooperation with the Board of Directors and its Committees to enable the Board, the Chairman and the Committees to exercise their responsibilities. The Managing Director and the Chairman of the Board meet regularly to discuss 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 2016 the Senior Management Team consisted of the following members: Kenneth Dåstøl, Mark Küpers, Jim Hoffpauir, Dragan Radosevic, Boon Keng Teo, Thomas Hægh, Svein Damre, Hanne Eriksen, Cecilie Bergenstjerna, 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.

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 2015 and 2016 there where 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 of 23 February 2016 evaluated the 2015 variable remuneration, the 2016 salary increases and the 2016 bonus schemes for executive management and proposed its conclusions to the Board of Directors for their approval. The Board of Directors of 23 February 2016 approved the Remuneration and Nomination committee's proposals of 23 February 2016.

The remuneration of non-executive Directors comprises fixed amounts and they did not change in 2016 compared to 2015.

THE APPLIED 2016 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 2016 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. The Executive Team and members of the Senior Management Team were however granted a long term share incentive plan in 2016. The plan includes a lock-up period of 3 years and includes a loan to each of the members that will be repaid over 12 months. Members of the Remuneration and Nomination Committee are not specifically remunerated for their tasks. The members of the Audit Committee receive an extra fixed remuneration in cash.

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

DIRECTORS' REMUNERATION

The annual remuneration for a non-executive Director is a fixed fee of 20,000 euro. The Chairman receives 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 2016 is shown in the table below.

Name and Position		Remuneration in euro
Beckers Consulting BVBA, represented by Eugeen Beckers, Chairman	Non-executive	47,500
Blanco Blad BVBA, represented by Jo Van Gorp	Non-executive	35,000
Kenneth Dåstøl, CEO	Executive	NA
Liesbet Van der Perre	Non-executive	20,000
Wenche Holen	Non-executive	27,500
Value Research Group, Represented by Peter Van de Weyer	Non-executive	27,500
Equity @ Work BVBA, represented by Hans Swinnen	Non-executive	20,000

As of 1 January 2010, Beckers Consulting BVBA entered into a separate consulting agreement with Zenitel NV. Conforming to this agreement, Beckers Consulting BVBA reports directly to the Board of Directors and the scope of its advisory services covers limited and well defined areas. This agreement has been discussed by the Remuneration & Nomination Committee in 2010, and approved by the Board in 2010 with respect to the conflict of interest procedure. The agreement foresees assistance by Mr. Eugeen Beckers on a time and material basis. The fees have been set at arm's length. With reference to this agreement, Beckers Consulting BVBA invoiced 32,500 euro in 2016 to the Company for consulting services performed besides the above mentioned remuneration for his Directorship.

EVALUATION CRITERIA FOR THE REMUNERATION OF THE EXECUTIVE TEAM

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

Measurement of financial targets is typically 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 2016. 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 9.29.

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

SHARES, SHARE OPTIONS AND OTHER RIGHTS TO ACQUIRE SHARES

No shares, share options or any other rights to acquire shares have been granted, exercised or lapsed during the financial year 2016. In 2016 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. The plan includes a lock-up period of 3 years and includes a loan to each of the members that will be repaid over 12 months.

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	
	2016	**2015**	**2016**	**2015**
Basic Remuneration	215 285	215 285	113 025	110 334
Variable Remuneration*	102 260	102 260	44 150	34 345
Group insurance premiums	40 463	40 063	7 788	3 567
Other Benefits	24 645	26 247	7 565	7 795
Total	**382 654**	**383 856**	**172 527**	**159 815**

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

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

INSIDER TRADING POLICY

The Company has drawn up a policy with respect to insider trading which has been signed by all key employees 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 20,000 euro in 2016. The total fee for EY for the Group audit amounted to 107,000 euro per year.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

CONTROL ENVIRONMENT

The Board of Directors is responsible for the definition and creation of the Zenitel company culture. In order to do so it sets the tone with respect to integrity and ethics. One of the instruments in setting the tone at the top is the Corporate Governance Charter which defines clearly the responsibilities of the governing bodies of the company and the code of conduct with respect to transactions in Zenitel shares. This Corporate Governance Code is 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 advices 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 as well as a financial reporting point of view. Furthermore, internal audits focus on compliance with the Group rules, local rules and regulations and adequate internal controls. The findings of these internal audits are communicated to the Audit Committee and follow-up is carried out on the specific remedial actions taken as a result of these internal audits. Changes in rules and regulations that affect the consolidated financial statements are monitored centrally and appropriate instructions and guidance are sent to the local reporting entities in order to be able to manage and comply with these changes in an effective 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 Chairman 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.

We take pride in increasing Zenitel's market value, protecting our shareholders investments, while sustaining a healthy and controlled company growth.

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2016

(thousands of euro)			*Year ended 31 December*
	Notes	**2016**	**2015**
CONTINUING OPERATIONS			
Revenue	1	63 473	66 498
Raw materials and consumables used	4	-28 769	-31 055
Employee benefits expense	5	-21 008	-21 558
Depreciation and amortization expenses	15,16,17	-1 830	-1 384
Net impairment on current assets	18	-515	-895
Consulting expense		-1 225	-1 148
Facility expense	6	-4 124	-4 392
Other expenses	7	-3 519	-3 418
Operating Profit / (Loss)		**2 483**	**2 649**
Finance income	9	139	371
Finance costs	10	-364	-414
Net foreign exchange gains / (losses)	11	359	-311
PROFIT BEFORE TAX		**2 617**	**2 295**
Income tax expense	12	-56	-95
Profit from continuing operations		**2 561**	**2 200**
DISCONTINUED OPERATIONS			
Profit / (loss) on discontinued operations, net of tax		-	5 129
Profit for the year		**2 561**	**7 329**
Attributable to:			
Owners of the Company		2 561	7 329
EARNINGS PER SHARE			
Weighted average number of ordinary shares in issue ('000)		**33 058**	**33 108**
FROM CONTINUING AND DISCONTINUED OPERATIONS			
Basic earnings per share	14,1	0.08	0.22
Diluted earnings per share	14,2	0.08	0.22
FROM CONTINUING OPERATIONS			
Basic earnings per share	14,1	0.08	0.07
Diluted earnings per share	14,2	0.08	0.07

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2016

(thousands of euro)		*Year ended 31 December*	
	Notes	**2016**	**2015**
PROFIT FOR THE YEAR		**2 561**	**7 329**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		1 284	-844
Items that will not be reclassified subsequently to profit or loss:			
OCI actuarial gains & losses		5	6
OCI reclass.adj.to foreign operations disposed of in the year		-	208
OCI on disposal of partial interest on Stentofon Baudisch		-	-39
Other comprehensive income for the period (net of income tax)		1 289	-669
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**3 850**	**6 660**
Attributable to:			
Owners of the Company		3 850	6 660

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ZENITEL GROUP AT 31 DECEMBER 2016

(thousands of euro)		*Year ended 31 December*	
ASSETS	**Notes**	**2016**	**2015**
Non-current assets			
Property, plant and equipment	15	569	705
Goodwill	16	3 553	3 371
Other intangible assets	17	2 382	3 737
Deferred tax assets	13	2 072	2 023
Financial assets	19	260	414
Total non-current assets		**8 836**	**10 250**
Current assets			
Inventories	20	6 392	6 959
Contracts in progress	21	75	3 109
Trade and other receivables	22	11 603	14 283
Deferred charges and accrued income		1 339	2 500
Cash and cash equivalents	23	19 249	17 551
Total current assets		**38 658**	**44 402**
TOTAL ASSETS		**47 494**	**54 652**

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

(thousands of euro)			*Year ended 31 December*
EQUITY AND LIABILITIES	**Notes**	**2016**	**2015**
Capital and reserves			
Capital		20 000	20 000
Share premium account		5 340	5 340
Reserves		1 734	450
Retained earnings		-301	2 099
Treasury shares		-55	-
Equity attributable to equity holders of the parent		26 718	27 889
Total equity		**26 718**	**27 889**
Non-current liabilities			
Borrowings	25	107	127
Retirement benefit obligations	26	380	481
Deferred tax liabilities	13	11	17
Total non-current liabilities		**498**	**624**
Current liabilities			
Trade and other payables	24	13 026	20 676
Borrowings	25	2 404	1 762
Current tax liabilities	12	13	99
Retirement benefit obligations	26	107	136
Provisions	27	4 728	3 465
Total current liabilities		**20 278**	**26 138**
TOTAL EQUITY AND LIABILITIES		**47 494**	**54 652**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2016

(thousands of euro) *Year ended 31 December*

	Share capital	Share premium	Cost of Capital increase	Treasury shares	Foreign currency translation reserve	Retained Earnings	Attributable to equity holders of the parent	Total
BALANCE ON 1 JANUARY 2015								
As previously reported	**20 000**	**5 624**	**-284**	**-**	**1 294**	**-5 405**	**21 229**	**21 229**
Profit for the year	-	-	-	-	-	7 329	7 329	7 329
OCI actuarial gain and losses	-	-	-	-	-	6	6	6
Other comprehensive income for the year, net of income tax	-	-	-	-	-636	-	-636	*-636*
Reclass.Adj.On Foreign operations disposed of in the year	-	-	-	-	-208	208	-	-
OCI on disposal of partial interest on Stentofon Baudisch	-	-	-	-	-	-39	-39	-39
Total comprehensive income for the year	-	-	-	-	-844	7 504	6 660	6 660
BALANCE AT 31 DECEMBER 2015	**20 000**	**5 624**	**-284**	**-**	**450**	**2 099**	**27 889**	**27 889**

(thousands of euro) *Year ended 31 December*

	Share capital	Share premium	Cost of Capital increase	Treasury shares	Foreign currency translation reserve	Retained Earnings	Attributable to equity holders of the parent	Total
BALANCE ON 1 JANUARY 2016	**20 000**	**5 624**	**-284**	**-**	**450**	**2 099**	**27 889**	**27 889**
Profit for the year	-	-	-	-	-	2 561	2 561	2 561
OCI actuarial gains & losses	-	-	-	-	-	5	5	5
Other comprehensive income	-	-	-	-	1 284	-	1 284	1 284
Total comprehensive income for the year			-	-	1 284	2 566	3 850	3 850
Cash dividends	-			-	-	-4 966	-4 966	-4 966
Acquisition of treasury shares	-			-55	-	-	-55	-55
BALANCE AT 31 DECEMBER 2016	**20 000**	**5 624**	**-284**	**-55**	**1 734**	**-301**	**26 718**	**26 718**

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

CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ZENITEL GROUP FOR THE YEAR ENDED 31 DECEMBER 2016

(thousands of euro)		*Year ended 31 December*	
	Notes	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit / (Loss) for the year		**2 561**	**7 329**
Income tax expense recognized in profit or loss	12	56	95
Finance cost recognized in profit or loss	10	364	414
Investment revenue recognized in profit or loss	9	-139	-371
Impairment loss recognized on trade receivables	20	231	429
Impairment loss recognized on inventory	20	284	466
Depreciation and amortization of non-current assets	15,16,17	1 830	1 384
Profit on sale of discontinued operations	3.A.	-	-5 129
Development costs expensed*	8	-	2 101
Cash generated from operating activities before changes in working capital		**5 187**	**6 718**
Changes in working capital	32	839	1 454
Interest paid		-364	-416
Income taxes paid		-4	-140
Net cash generated from operating activities		**5 658**	**7 616**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		35	371
Proceeds received from minority interest		42	82
Net cash outflow on acquisitions of subsidiaries	3.B.	-	-708
Payments for property, plant and equipment	15	-220	-576
Disposal of discontinued operations, net of cash disposed of	3.A.	186	6 305
Payments for intangible assets	17	-35	-2 136
Development costs paid*	8	-	-2 101
Net cash (used in) / generated by investing activities		**8**	**1 237**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid to holders of the parent		-4 966	-
Proceeds from acquiring subsidiary		-	294
Acquisition of treasury shares		-55	-
Movement in used factoring facility		642	-290
Repayment of borrowings	25	-19	-15
Net cash received / (used) in financing activities		**-4 398**	**-11**
Net (decrease)/increase in cash and cash equivalents		**1 267**	**8 841**
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At start of the year		17 551	9 577
Increase / (decrease)		1 267	8 841
Effect of exchange rate changes on the balance of cash held in foreign currencies		431	-867
At the end of the year		**19 249**	**17 551**
Total Cash and cash equivalents	23	19 249	17 551
Net cash and cash equivalents at the end of the year		**19 249**	**17 551**

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

*) in 2016 development costs are no longer capitalized. See also note 8 of the annual report.

VALUATION RULES AND FINANCIAL RISK FACTORS

Zenitel (the "Company" or the "Group") is a limited liability company registered in Belgium. The consolidated financial statements of the company for the year ended 31 December 2016 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 14 March 2017.

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 2016. The Group has not applied any new IFRS requirements that are not yet effective as per 31 December 2016.

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. 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 2016, 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 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception, effective 1 January 2016
- Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations, effective 1 January 2016
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative, effective 1 January 2016
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation, effective 1 January 2016
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Bearer Plants, effective 1 January 2016
- Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions, effective 1 February 2015
- Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements, effective 1 January 2016
- Annual Improvements to IFRSs 2010-2012 Cycle (issued December 2013), effective 1 February 2015
- Annual Improvements to IFRSs 2012-2014 Cycle (issued September 2014), effective 1 January 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 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions[1], effective 1 January 2018
- Amendments to IFRS 4 Insurance Contracts – Applying IFRS 9 Financial instruments with IFRS 43, effective 1 January 2018
- IFRS 9 Financial Instruments, effective 1 January 2018
- 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[2], effective 1 January 2018
- IFRS 16 Leases3, effective 1 January 2019
- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative3, effective 1 January 2017
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses3, effective 1 January 2017
- Amendments to IAS 40 Investment Property – Transfers of Investment Property3, effective 1 January 2018
- IFRIC 22 Foreign Currency Transactions and Advance Consideration3, effective 1 January 2018
- Annual Improvements to IFRSs 2014-2016 Cycle (issued December 2016)3, effective 1 January 2017 and 1 January 2018

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. The Group is reviewing the potential impact of all three aspects of IFRS 9 on its financial statements resulting from the application of IFRS 9. The preliminary assessment is based on currently available information and might evolve based on further detailed analysis still to be performed in the course of 2017. The Group expects no significant impact on its balance sheet and equity;

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 recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue and IAS 11 Construction Contracts. The Group did not yet elect the transition method (either full retrospective, either modified retrospective application), and is currently reviewing the potential impact on its financial statements resulting from the application of IFRS 15. At this stage the Group anticipates no significant impacts from the application because the major part of the business is delivery of goods and short term projects not exceeding year-end. The group expects to be able to provide a quantitative analysis in 2017.

IFRS 16 Leases (effective 1 January 2019 – not yet endorsed) 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 recognises 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 an initial assessment of the potential impact on its consolidated financial statements. The Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements by the end of 2017.

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, except that:

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquirer's identifiable net assets. The choice of measurement is made on a transaction-by-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 2016 no longer meet the criteria of IAS38.57. As the criteria of IAS38.57 are no longer fulfilled, capitalization of development expenses in 2016 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 cost of the business combination, the excess remaining after reassessment is recognized immediately into profit and loss.

TANGIBLE ASSETS

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Industrial buildings:	40 years
Office buildings:	50 years
Machine tools and heavy equipment:	10 years

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic 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 TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but 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 revaluated amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

INVENTORIES

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

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

CONTRACTS IN PROGRESS

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

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

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

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

CONTRACT REVENUE

Contract revenue comprises:

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

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

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

CONTRACT COSTS

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

FINANCIAL INSTRUMENTS

Trade Receivables

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

Other Receivables & Financial Assets related to Divestments

In 2015 the Company sold its Caribbean company. The transaction price was composed of a fixed amount that was paid in December 2015 and an earn-out amount that was paid in January 2016.

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 derecognised (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 recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises 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

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

- The significant risks and rewards of the ownership of goods are transferred to the buyer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;

- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred with respect to the transaction can be measured reliably.

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

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

Rendering of Services

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

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

Royalties

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

Interest

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

Dividends

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

Rental Income

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

INCOME TAXES

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

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

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

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

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

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

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

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

EMPLOYEE BENEFITS

Pension Obligations

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

The Group's commitments under defined benefits plans, and the related costs, are valued using the "projected unit credit method" with actuarial valuations being carried out at each statement of position date. Actuarial gains and losses of the Group's defined benefit obligation are recognized 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 2016 and 2015, we estimated the reasonably possible changes of exchange rate of these currencies as follows:

1 euro equals	Closing Rate 31 Dec 2016	Possible volatility of rates in %	Rates used for the sensitivity analysis	Closing rate 31 Dec 2015	Possible volatility of rates in %	Rates used for sensitivity analysis
NOK	9.08	7.4%	8.41 - 9.75	9.57	5.9%	9.01 - 10.13
DKK	7.43	0.1%	7.42 - 7.44	7.45	0.1%	7.45 - 7.47
USD	1.05	8.1%	0.96 - 1.14	1.09	6.3%	1.02 - 1.16
SGD	1.52	4.1%	1.46 - 1.58	1.55	4.3%	1.48 - 1.62

If the above-indicated currencies had weakened/strengthened during 2016 and 2015 by the above estimated changes against the euro, with all of the other variables held constant, the 2016 and 2015 net result would not have been significantly affected in 2016 (less than 0.1 million euro) and 2015 (less than 0.01 million euro). Neither would there have been a material impact on other components of equity both in 2016 and 2015.

TRANSLATIONAL FOREIGN CURRENCY RISK

100 percent of Zenitel's revenue is generated by its subsidiaries. 85 percent (2015: 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 2016 and 2015, we estimated the reasonably possible change of the exchange rate of these currencies against the euro as follows.

				Rates as used in the sensitivity analysis for 2016					*Rates as used for the sensitivity analysis for 2015*	
1 euro equals	Closing rate 31 Dec 2016	Ave. Rate 2016	Possible volatility of rates in 2016	Possible closing rate	Possible average rate	Closing rate 31 Dec 2015	Ave. rate 2015	Possible volatility of ates in 2015	Possible closing rate	Possible average rate
NOK	9.08	9.29	7.40%	8.41 -9.75	8.60 - 9.98	9.57	8.98	5.90%	9.01 - 10.13	8.45 - 9.51
DKK	7.43	7.45	0.12%	7.42 - 7.44	7.44 - 7.46	7.46	7.45	0.11%	7.45 - 7.47	7.44 - 7.46
USD	1.05	1.11	8.11%	0.96 - 1.14	1.02 - 1.20	1.09	1.11	6.29%	1.02 - 1.16	1.04 - 1.18
SGD	1.52	1.53	4.08%	1.46 - 1.58	1.47 - 1.59	1.55	1.52	4.33%	1.48 - 1.62	1.45 - 1.59

If the euro had weakened/strengthened during 2016 and 2015 by the above estimated possible changes against the above listed currencies with all other variables held constant, the 2016 profit would have been 0.3 million euro or 11.3% of net income higher/lower (2015: 0.2 million euro or 2.6% of net income) while the translation reserves in equity would have been 2.3 million euro or 8.6% of total equity higher/lower (2015: 1.6 million euro or 5.7% of total equity).

CREDIT RISKS

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

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

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

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

(millions of euro)		*Year ended 31 December*
	2016	**2015**
Other financial assets	0.3	0.4
Trade & other receivables	11.6	14.3
Bank deposits	0.7	0.6
Total	**12.6**	**15.3**

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 2016 and 2015.

(millions of euro)	*Year ended 31 December*				*Year ended 31 December*			
	2016				**2015**			
	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	2.4	2.4	-	-	1.7	1.7	-	-
Trade payables	13.0	13.0	-	-	20.7	20.7	-	-
Bank borrowings*	-	-	-	-	-	-	-	-
Shareholder loans	-	-	-	-	-	-	-	-
Finance lease liabilities*	0.1	-	0.1	0.0	0.2	-	0.1	0.1
Total	**15.5**	**15.4**	**0.1**	**0.0**	**22.6**	**22.4**	**0.1**	**0.1**

* including future undiscounted interest payment

INTEREST RATE RISKS

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The Group manages the risk by maintaining an appropriate mix between fixed and floating rate borrowings. As per year-end 2016 and 2015, 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 2016	Interest charge 2016	Ave. interest rate 2016	Possible volatility of rate in 2016	Outstanding debt 31 Dec 2015	Interest charge 2015	Ave. interest rate 2015	Possible volatility of rate in 2015
Used factoring facility	2.4	0.1	2.27%	1.7%	1.7	0.1	2.45%	2.0%
Bank borrowings	-	-	-	-	-	-	-	-
Shareholder loans	-	-	-	-	-	-	-	-
Finance lease liabilities	0.1	-	2.88%	Fixed Rate	0.2	-	2.88%	Fixed Rate
Other financial liabilities	-	-	-	NA	-	-	-	NA
Total	**2.5**	**0.1**			**1.9**	**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 2016 net result would have been 0.01 million euro lower/higher (2015: 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 2016 and 2015 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%). All equity instruments are at costs minus impairments. Refer to Note 19 of these financial statements.

The available-for-sale investments are accounted at fair value and fair values are assessed on a regular basis. In 2011, the company started a joint venture called StentofonBaudisch with 1/3rd participation in Germany together with Baudisch GmbH and Scanvest GmbH. This investment was accounted for using the equity method and this investment was sold in December 2015.

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 net identified assets of the acquired subsidiary at the date of acquisition. In accordance with IAS 36, goodwill arising on consolidation is tested annually for impairment or more frequently if there are indications that the goodwill might be impaired, in accordance with IAS 36 Impairment of Assets. This standard also requires that the goodwill should, from the acquisition date, be allocated to each of the cash generating units (CGUs) or groups of cash generating units that are expected to benefit from the synergies of the business combination. The CGUs to which goodwill has been allocated were tested for impairment at the balance sheet date by comparing the carrying amount of the unit with the recoverable amount (higher of its fair value less cost to sell and its value in use). 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 11.3% (pre-tax discount rate 2015: 9.1%). 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 2021. The cash flow is based on actual performance and estimated development of key drivers. The following assumptions are made:

- Growth rate of 3.0% (2015: 2.0%) applied on revenues.
- Growth rate of 2.0% (2015: 2.0%) applied on terminal value.

- Inflation rate of 2.5% (2015: 1.5%) applied on operating expenses (weighted average inflation rate of each country included in the CGU).
- Cost of Goods 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 29.3 million euro, and the sensitivity analysis shows that 1.9% (2015: 1.0%) is to be subtracted from the growth rate before goodwill is impaired. CGU SCS requires a WACC exceeding 19.0% before goodwill is impaired (2015: 15.1%).

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

CONTINGENCIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REVENUE

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

(thousands of euro)		*Year ended 31 December*
Continuing operations	**2016**	**2015**
Revenue from the sale of goods	63 133	65 210
Revenue from the rendering of services	340	1 288
Total revenue	**63 473**	**66 498**
Revenue from sale of goods/services from discontinued operations	0	5 535

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. The Group has one operating segment, the SCS business.

ENTITY-WIDE DISCLOSURES

Information about geographical areas:

(thousands of euro)		*Year ended 31 December*
	2016	**2015**
Revenues		
Belgium (Country of domicile)	-	-
Norway	35 475	33 586
Singapore	5 947	10 106
Finland	4 280	4 489
France	4 295	4 512
USA	9 945	9 180
Other foreign countries	3 531	4 625
Total	**63 473**	**66 498**

(thousands of euro)		*Year ended 31 December*
	2016	**2015**
Non current assets, located in		
Belgium (Country of domicile)	-	-
Norway	5 951	7 084
Other foreign countries	554	729
Total	**6 505**	**7 813**

Information about major customers

Zenitel has no revenues with a single external customer amounting to 10% or more of the Group's revenue.

3.A DISCONTINUED OPERATIONS

DISPOSAL OF ZENITEL CARIBBEAN BV

In November 2015 the Group sold its 100% interest in Zenitel Caribbean BV which is the only operation presented as discontinued operations in 2015. The proceeds of this sale consisted of a fixed payment and an earn-out amount. The earn-out amount has been paid in January 2016.

In 2015, the post-tax gain on the disposal of discontinued operations was determined as follows:

(thousands of euro)	
	2015
Transaction result from discontinued operations:	
Cash consideration received	7 035
Other consideration	-419
Total consideration received	6 616
Cash disposed of	-660
Net cash inflow on disposal of discontinued operations	**5 956**
Net assets disposed (other than cash):	
Property, plant and equipment	1 421
Intangibles	-
Inventories	416
Trade and other receivables	1 886
Provisions	-40
Trade and other payables	-1 653
Tax Liability	-11
Total	**2 019**
Pre-tax transactional gain on disposal of discontinued operations	3 937
Exchange rate difference	132
Corrections ICO	79
Transactional gain on disposal of discontinued operation	**4 148**

(thousands of euro)	*Year ended 31 December*	
	2015	**2014**
Business result of discontinued operations:		
Revenue	5 535	4 564
Expenses other than finance cost	-4 550	-3 881
Finance costs	-4	-25
Tax (expense)/credit	-	-
Business gain on disposal of discontinued operations	**981**	**653**
Transactional gain from selling discontinued operations after tax	4 148	-
Tax expense	-	-
Total gain from discontinued operations	**5 129**	**653**

3.B BUSINESS COMBINATIONS

ACQUISITION OF NOR ELECTRONICS AS

In April 2015 Zenitel acquired 100% of the shares of Nor Electronics AS (located in Kristiansund, Norway) to strengthen its position in the Oil & Gas and Industrial markets. The company specializes in PAGA solutions (Public Address & General Alarm) focused on the Oil and Gas industry and has been a solid Partner of Zenitel for the past couple of years. The revenue of Nor Electronics AS resulted in 2.1 million euro and operating loss amounted to 0.3 million euro in 2015.

(thousands of euro)			*Year ended 31 December*
		2015	
	Book value	**Adjustments**	**Fair value**
Non-current assets	47	-	47
Current assets	1 407	-	1 407
Total	**1 454**	**-**	**1 454**

Additionally to the above, the purchase price included an amount of 0.9 million euro that can be allocated to know-how and client portfolio and that is shown in the other intangible assets of the consolidated financial statements.

In 2016, the initial purchase price allocation was finalized as a result of the closing of the measurement period and no adjustments were identified.

4. RAW MATERIALS AND CONSUMABLES USED

(thousands of euro)		*Year ended 31 December*
Continuing operations	**2016**	**2015**
Supplies	25 094	30 573
Subcontractors	337	619
Changes in inventories of finished goods and work in progress	3 103	-676
Other	235	538
Total raw materials and consumables used	**28 769**	**31 055**

5. EMPLOYEE BENEFITS EXPENSES

(thousands of euro)		*Year ended 31 December*
Continuing operations	**2016**	**2015**
Wages and salaries	17 275	17 714
Social security costs	2 235	2 249
Other employee benefits	729	818
Short term employee benefits	**20 239**	**20 781**
Pension costs - defined contribution plans	743	758
Pension costs - defined benefit plans	26	18
Pension costs	**769**	**776**
TOTAL EMPLOYEE BENEFITS EXPENSES	**21 008**	**21 558**
Average number of employees	**266**	**283**
Employees	251	268
Management	15	15

In 2016 and 2015 there were no reorganization expenses.

6. FACILITY EXPENSES

(thousands of euro)		*Year ended 31 December*
Continuing operations	**2016**	**2015**
Housing costs (rent & common charges)	2 294	2 221
Telecom expenses	374	417
Insurances	46	273
Utilities	500	499
Other facility costs	910	982
Total facility expenses	**4 124**	**4 392**

7. OTHER EXPENSES

(thousands of euro)		*Year ended 31 December*
Continuing operations	**2016**	**2015**
Advertising, publicity and trade fairs	815	889
Travel & related costs	1 556	1 809
Car expenses	672	654
Other	476	65
Total other expenses	**3 519**	**3 418**

8. RESEARCH & DEVELOPMENT COSTS

(thousands of euro)		*Year ended 31 December*
Continuing operations	**2016**	**2015**
Research and development costs	**2 542**	**2 101**

Whereof 2.0 million euro (1.9 million in 2015) were included in the Employee benefits expense (Wages and salaries).

Since 2016 development costs are no longer capitalized (1.0 million euro in 2015). We refer to the valuation rules in this respect.

9. FINANCE INCOME

(thousands of euro)		*Year ended 31 December*
Continuing operations	**2016**	**2015**
Other (aggregate of immaterial items)	139	371
Total finance income	**139**	**371**

10. FINANCE COSTS

(thousands of euro)		*Year ended 31 December*
Continuing operations	**2016**	**2015**
Interest on bank overdrafts, used factoring facility and loans	51	52
Interest on obligations under finance lease	2	8
Other financial charges	311	354
Total finance costs	**364**	**414**

The weighted average interest rate on funds borrowed generally is 1.9% per annum (2015: 2.0% per annum).

11. NET FOREIGN EXCHANGE GAINS / (LOSSES)

(thousands of euro)		*Year ended 31 December*
Continuing operations	**2016**	**2015**
Foreign exchange rate losses	-1 441	-3 075
Both realized and unrealized	*-1 441*	*-3 075*
Foreign exchange rate gains	1 800	2 764
Both realized and unrealized	*1 800*	*2 764*
Net foreign exchange gains/(losses)	**359**	**-311**

12. INCOME TAXES

(thousands of euro)			*Year ended 31 December*
Continuing operations	**Notes**	**2016**	**2015**
Current tax expense / (income)		10	89
Adjustments recognized in the current year in relation to current tax of prior years		-5	-52
Deferred tax expenses	13	51	58
Total income tax expense/(income) relating to continuing operations		**56**	**95**

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

(thousands of euro)		*Year ended 31 December*
	2016	**2015**
Profit before tax	**2 617**	**7 424**
Tax calculated at tax rate of 33.99%	889	2 523
Effects of:		
- Different tax rates in other countries	-109	-192
- Adjustments recognized in the current year in relation to current tax of prior years	-5	-52
- Income not subject to tax	-96	-115
- Expenses not deductible for tax purposes	220	1 213
- Utilization of previously unrecognized tax losses	-1 409	-3 591
- Other	210	-
- Unrecognized tax losses of the current year	355	309
Total income tax expense/(income)	**56**	**95**

The tax rate used for the 2016 and 2015 reconciliation is the corporate tax rate of 33.99% payable by corporate entities in Belgium on taxable profits under tax law in that jurisdiction.

No income tax has been recognized directly in equity or in other comprehensive income in 2016 nor in 2015.

13. DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25.0% (2015: 27.0 %). 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.

(thousands of euro)	*Year ended 31 December*	
	2016	**2015**
At the beginning of the year		
- deferred tax liability	-17	-10
- deferred tax asset	2 023	2 147
Income statement income/(charge)	-51	-58
Other changes	106	-73
At the end of the year	**2 061**	**2 006**
Recognized in the balance sheet as		
- deferred tax liability	-11	-17
- deferred tax asset	2 072	2 023

The other changes mainly relate to exchange differences.

Deferred tax assets/(liabilities)	Impairments	Tax losses	Provisions	Depreciation	Other	Total
At 31 December 2014	**172**	**1 785**	**57**	**139**	**-16**	**2 137**
(Charged)/credited to P/L	146	-341	12	-45	170	-58
Other changes	-20	-32	-4	-5	-12	-73
At 31 December 2015	**298**	**1 412**	**65**	**89**	**142**	**2 006**
(Charged)/credited to P/L	115	1	23	3	-193	-51
Other changes	19	73	4	5	5	106
At 31 December 2016	**432**	**1 486**	**92**	**97**	**-46**	**2 061**

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

(thousands of euro)	*Year ended 31 December*	
	2016	**2015**
Deferred tax assets	2 072	2 023
Deferred tax liabilities	-11	-17
Total	**2 061**	**2 006**

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:

(thousands of euro)			*Year ended 31 December*
Company	**2016**	**2015**	**Expiry date**
Zenitel NV	54 563	54 964	None
Zenitel Finance Netherlands BV	8 104	8 091	10 years
Zenitel France S.A.	1 543	1 608	None
Zenitel Finland Oy	1 409	1 402	10 years
Zenitel Denmark A/S	4 479	3 662	None
Zenitel Italy SRL	606	887	None

Some tax losses carried forward as per year-end 2016 indicated in the table above do have an expiry date. Tax losses carried forward as per year-end 2015 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.

		Year ended 31 December
	2016	**2015**
Basic earnings per share continuing and discontinuing operations (euro)	**0.08**	**0.22**
Basic earnings per share continuing operations (euro)	**0.08**	**0.07**

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)	**2 561**	**7 329**
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures) - See Note 31	**33 058 063**	**33 108 844**

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. No adjustment is made to net profit. There are currently no warrants outstanding, and hence there is no dilutive impact.

		Year ended 31 December
	2016	**2015**
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures) - See Note 31	33 058 063	33 108 844
Adjustments for warrants	-	-
Weighted average number of ordinary shares for diluted earnings per share	33 058 063	33 108 844
Diluted earnings per share (euro)	0.8	0.22

15. PROPERTY, PLANT & EQUIPMENT

(thousands of euro)	Land & buildings	Installations & machinery	Furniture, fixtures & vehicles	Other tangible assets	Total
Cost or valuation					
Balance as at 1 January 2015	**81**	**3 436**	**4 433**	**10 629**	**18 580**
Additions	-	136	64	377	577
Disposals	-	-63	-616	-214	-893
Transfer from one heading to another	-	127	-35	-92	-
Others	-	-235	-553	-9 777	-10 565
Net foreign currency exchange differences	-	-17	-1	817	799
Balance as at 1 January 2016	**81**	**3 384**	**3 292**	**1 740**	**8 498**
Additions	-	117	5	96	218
Disposals	-81	-30	-700	-242	-1 053
Transfer from one heading to another	-	85	-4	-81	-
Others (discontinued operations)	-	-	-	-	-
Net foreign currency exchange differences	-	137	105	34	276
Balance as at 31 December 2016	**-**	**3 693**	**2 698**	**1 547**	**7 938**
Accumulated depreciation and impairment					
Balance as at 1 January 2015	**-81**	**-3 355**	**-4 317**	**-8 944**	**-16 397**
Depreciation expense	-	-167	-117	-545	-829
Eliminated on disposals of assets	-	8	247	633	888
Transferred from one heading to another	-	-154	587	-433	-
Others	-	209	510	8 495	9 214
Net foreign currency exchange differences	-	23	-22	-670	-669
Balance as at 1 January 2016	**-81**	**-3 136**	**-3 112**	**-1 464**	**-7 793**
Depreciation expense	-	-144	-80	-137	-361
Eliminated on disposals of assets	81	30	700	242	1 053
Transferred from one heading to another	-	-8	3	5	-
Others (discontinued operations)	-	-	-	-	-
Net foreign currency exchange differences	-	-127	-111	-30	-268
Balance as at 31 December 2016	**-**	**-3 385**	**-2 600**	**-1 384**	**-7 369**
Carrying amount					
As at 31 December 2015	**-**	**249**	**180**	**277**	**705**
As at 31 December 2016	**-**	**308**	**98**	**163**	**569**

16. GOODWILL

(thousands of euro)		*Year ended 31 December*
Cost	**2016**	**2015**
Balance at beginning of year	**55 765**	**57 987**
Effect of foreign currency exchange differences	2 130	-2 222
Balance at end of year	**57 896**	**55 765**
Accumulated impairment losses		
Balance at beginning of year	**-52 394**	**-54 426**
Effect of foreign currency exchange differences	-1 948	2 032
Balance at end of year	**-54 342**	**-52 394**
Carrying amount		
At the beginning of the year	**3 371**	**3 561**
At the end of the year	**3 553**	**3 371**
Of which all is related to the SCS Business		

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

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

The (pre-tax) discount rate applied to cash flow projections is the weighted average cost of capital (WACC) of 11.3% (pre-tax 2015: 9.1%). 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 3.0% (2015: 2.0%) has been used and the assumed inflation rate is 2.50% (2015: 1.47%).

Sensitivity analysis shows that 1.9% (2015: 1.1%) is to be subtracted from the growth rate before goodwill is impaired. CGU Intercom requires a WACC exceeding 19.0% (2015: 15.1%) before goodwill is impaired.

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

The Company 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

(thousands of euro)			*Year ended 31 December*
Cost	**Capitalized development, others**	**Software, licenses**	**Total**
Balance at 1 January 2015	**5 863**	**2 403**	**8 265**
- internally generated	5 486	-	5 486
- externally acquired	377	2 403	2 781
Additions (including internally generated)	1 926	210	2 136
Cancellations	-	-	-
Transfer from one heading to another	682	-682	-
Other	-609	-561	-1 170
Net foreign currency exchange differences	-390	-17	-407
Balance at 1 January 2016	**7 472**	**1 353**	**8 824**
- internally generated	6 204	-	6 204
- externally acquired	1 268	1 353	2 622
Additions (including internally generated)	-	28	28
Cancellations	-291	-432	-723
Transfer from one heading to another	-71	71	-
Other	-92	-	-92
Net foreign currency exchange differences	352	42	394
Balance at 31 December 2016	**7 371**	**1 061**	**8 431**
- internally generated	6 506	-	6 506
- externally acquired	865	1 061	1 926
Accumulated amortization and impairment			
Balance at 1 January 2015	**-3 357**	**-2 107**	**-5 463**
Amortization expense	-878	-110	-988
Impairment charge	-	-	-
Amortization cancelled (disposals)	-	-	-
Transfer from one heading to another	-691	691	-
Other	687	486	1 173
Net foreign currency exchange differences	186	5	191
Balance at 1 January 2016	**-4 053**	**-1 035**	**-5 087**
Amortization expense	-1 280	-170	-1 450
Impairment charge	-	-	-
Amortization cancelled (disposals)	291	432	723
Transfer from one heading to another	-	-	-
Other	-	-	-
Net foreign currency exchange differences	-205	-30	-235
Balance at 31 December 2016	**-5 247**	**-803**	**-6 049**
Carrying amount			
As at 31 December 2015	**3 419**	**318**	**3 737**
As at 31 December 2016	**2 124**	**258**	**2 382**

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 valuation rules.

18. NET IMPAIRMENT ON CURRENT ASSETS

(thousands of euro)			*Year ended 31 December*
Continuing operations	**Notes**	**2016**	**2015**
Net impairment charge on inventories	20	498	503
Net impairment charge on receivables	22	17	392
Total impairment on current assets		**515**	**895**

19. FINANCIAL ASSETS

(thousands of euro)		*Year ended 31 December*
	2016	**2015**
Available for sale investments	260	247
Long term guarantee paid in cash	-	167
Participations accounted for using the equity method	-	-
Total	**260**	**414**
of which current	-	-
of which non-current	260	414

(thousands of euro)		*Year ended 31 December*
Available for sale investments	**2016**	**2015**
At the beginning of the year	**247**	**283**
Acquisition	-	-
Disposals	-	-
Impairments	-	-
Net foreign currency exchange differences	13	-36
At the end of the year	**260**	**247**

(thousands of euro)		*Year ended 31 December*
The breakdown of the outstanding balance is as follows:	**2016**	**2015**
- BNSC - Beijing Nera Stentofon Comm. Equipment (China):	260	247
Total	**260**	**247**

The available-for-sale investments are accounted at fair value. Fair values are assessed on a regular basis and at the end of 2016, no objective evidence indicates that available-for-sale investments are impaired.

(thousands of euro)		*Year ended 31 December*
Participations accounted for using the equity method	**2016**	**2015**
At the beginning of the year	-	80
Acquisition	-	-
Share of profit/(loss) from equity accounted investments	-	-
Disposals	-	-80
Net foreign currency exchange differences	-	-
At the end of the year	**-**	**-**

The Group bought a 33.3% share in StentofonBaudisch GmbH in 2011, a joint venture of Zenitel Norway AS, Baudisch GmbH and Scanvest GmbH; however, this participation was sold in 2015.

20. INVENTORIES

(thousands of euro)	*Year ended 31 December*	
	2016	**2015**
Raw materials	572	695
Goods purchased for resale	5 820	6 264
Total inventories	**6 392**	**6 959**

Total inventory write-offs amounted to 0.5 million euro in 2016 (0.5 million euro in 2015). Inventory expenses are included in the raw materials and consumables used in line of the income statement.

21. CONTRACTS IN PROGRESS

(thousands of euro)	*Year ended 31 December*	
	2016	**2015**
Contracts in progress	75	3 109
Total contracts in progress	**75**	**3 109**

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

22. TRADE & OTHER RECEIVABLES

(thousands of euro)	*Year ended 31 December*	
	2016	**2015**
Trade receivables	11 257	13 422
Allowance for doubtful debts	-773	-786
Total	**10 484**	**12 636**
OTHER RECEIVABLES		
Tax receivables other than income tax	442	514
Income tax receivable	58	50
Other receivables	619	1 083
Total Other receivables	**1 119**	**1 647**
Total trade and other receivables	**11 603**	**14 283**

The total amount of trade receivables is presented after deduction of a bad debt allowance of 0.8 million euro (2015: 0.8 million euro). The aging of our current trade and other receivables can be detailed as follows:

(thousands of euro)	Gross amount as at 31 December 2016	Of which: not past due on the reporting date	*Of Which:* Past due less than 30 days	Past due between 30 and 59 days	Past due between 60 and 89 days	Past due between 90 and 179 days	Past due between 180 and 359 days	Past due more than 359 days	Valuation allowance for doubtful debtors	Net carrying amount as at 31 December 2016
Trade receivables	11 257	7 018	2 366	510	325	439	426	173	-773	10 484
Tax receivables, other than income tax	442	424	7	4	7	-	-	-	-	442
Income tax receivable	58	58	-	-	-	-	-	-	-	58
Other receivables	619	608	1	-	-	-	1	9	-	619
Total	**12 376**	**8 108**	**2 374**	**514**	**332**	**439**	**427**	**182**	**-773**	**11 603**

(thousands of euro)	Gross amount as at 31 December 2015	Of which: not past due on the reporting date	Of Which: Past due less than 30 days	Past due between 30 and 59 days	Past due between 60 and 89 days	Past due between 90 and 179 days	Past due between 180 and 359 days	Past due more than 359 days	Valuation allowance for doubtful debtors	Net carrying amount as at 31 December 2015
Trade receivables	13 422	7 760	3 408	474	221	1 252	135	172	-786	12 636
Tax receivables, other than income tax	514	514	-	-	-	-	-	-	-	514
Income tax receivable	50	22	11	-	-	-	-	17	-	50
Other receivables	1 083	1 077	-	-	-	-	-	6	-	1 083
Total	**15 069**	**9 373**	**3 419**	**474**	**221**	**1 252**	**135**	**195**	**-786**	**14 283**

The average credit period on sales of goods and services is 63.8 days (2015: 72.7 days). No interest is charged on trade receivables for the first 60 days from the date of the invoice. Thereafter, the interest charged is 2% per annum on the outstanding balance. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the balance sheet date. An allowance is recognized when there is objective evidence that the individual asset is impaired.

(thousands of euro)	*Year ended 31 December*	
Movement of the allowance for doubtful debtors	**2016**	**2015**
Balance at beginning of the year	-786	-574
Amounts written off during the year	65	23
Amounts recovered during the year	426	287
Decrease / (Increase) in allowance recognized in profit or loss	-443	-434
Translation difference	-35	-88
Balance at end of year	**-773**	**-786**

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 4.3% and 3.7% respectively of Group net sales. There is no other significant concentration of credit risk. Therefore, management is of the opinion that inherent credit risk in the Group's receivables is limited. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debtors.

23. CASH AND CASH EQUIVALENTS

(thousands of euro)	*Year ended 31 December*	
	2016	**2015**
Cash at bank and in hand	18 547	16 909
Short term bank deposit	702	642
Total cash and cash equivalents	**19 249**	**17 551**

The weighted average effective interest rate on short-term bank deposits amounts to -0.035 % (2015: 0.17%).

24. TRADE AND OTHER PAYABLES

(thousands of euro)	*Year ended 31 December*	
	2016	**2015**
Trade payables	**7 276**	**8 817**
Remuneration & staff related liabilities	3 819	4 033
Accrued expenses	351	3 018
Advances received on contracts	311	3 540
Other	1 269	1 268
Other payables	**5 750**	**11 859**
Total trade and other payables	**13 026**	**20 676**

The fair value of the derivative financial instrument amounting to 0.2 million euro is included in the other line. Further information on these financial instruments is given in note 28.

25. BORROWINGS

(thousands of euro)	*Year ended 31 December*	
	2016	**2015**
Non-current		
Bank borrowings	-	-
Finance lease liabilities	107	127
	107	**127**
Current		
Used factoring facility	2 382	1 741
Bank overdraft	-	-
Finance lease liabilities	22	22
	2 404	**1 762**
Total borrowings	**2 511**	**1 889**

	Year ended 31 December	
The weighted average interest rate per year amounts to (%):	**2016**	**2015**
Leasing	2.88	2.88
Shareholder loans	-	-
Bank borrowings LT	-	-
Used factoring facility	2.27	2.45

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

(thousands of euro)	*31 December 2016*			*31 December 2015*		
	Total future payments	Unexpired interest expenses	Present value	Total future payments	Unexpired interest expenses	Present value
Not later than one year	2 382	-	2 382	1 741	-	1 741
Between one and five years	-	-	-	-	-	-
Later than five years	-	-	-	-	-	-
Total	**2 382**	**-**	**2 382**	**1 741**	**-**	**1 741**

The financial lease liabilities are payable as follows :

(thousands of euro)	*31 December 2016*			*31 December 2015*		
	Total future payments	Unexpired interest expenses	Present value	Total future payments	Unexpired interest expenses	Present value
Not later than one year	22	5	17	22	5	17
Between one and five years	87	20	67	87	20	67
Later than five years	20	4	16	40	9	31
Total	**129**	**29**	**100**	**149**	**34**	**115**

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 3.9 million euro). This factoring agreement allows for borrowing up to 80% of the value of customer invoices. As per 31 December 2016, 2.4 million euro of this credit facility was used (1.7 million euro as per 31 December 2015). The interest rate on this facility on average amounted to 2.3% in 2016 (2.5% in 2015).

The Group also has a credit line up to a maximum of 1.3 million euro available. As per year-end of 2016 and 2015, this credit facility was not used. The company holds lines for bank guarantees at different credit institutions for, in total, almost 2.8 million euro (2015: 3.2 million euro) of which 1.1 million euro are used to secure the completion of customer contracts. 0.4 million euro (2015: 0.4 million euro) of these used bank guarantees relate to discontinued activities and are counter guaranteed by the purchasers of these discontinued activities.

26. RETIREMENT BENEFIT OBLIGATIONS

Some Group companies (Belgium, Norway and France) provide pension plans that under IFRS are considered as defined benefit plans for their employees (Norway and France) and their ex-employees (Belgium). 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 the 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 arizing from changes in actuarial assumptions are recognized in other comprehensive income.

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:

(thousands of euro)	*Year ended 31 December*	
	2016	**2015**
Present value of funded obligations	1 712	1 750
Fair value of plan assets	-1 552	-1 554
Funded status	**160**	**196**
Present value of unfunded obligations	327	421
Unrecognized actuarial gains (losses)	-	-
Unrecognized past service (cost) benefit	-	-
Net Liability	**487**	**617**
Amounts recognized in the balance sheet		
Recognized as non current liability / retirement benefit obligations	380	481
Recognized as current liability / retirement benefit obligations	107	136
Net Liability	**487**	**617**

The amounts recognized in the income statements are as follows:

(thousands of euro)	*Year ended 31 December*	
	2016	**2015**
Current service cost	18	19
Interest costs	27	33
Expected return on plan assets	-21	-27
Amortization of past service cost	-	-
Net actuarial losses recognised in year	-	-
Gain on curtailment	-	-
Settlement gain	-	-
Total pension costs	**24**	**25**
Actual return on plan assets	**53**	**59**

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.

(thousands of euro)	*Year ended 31 December*	
	2016	**2015**
Opening defined benefit obligation as previously reported	**2 170**	**3 392**
Service cost	18	19
Interest cost	27	33
Plan participants' contributions	1	1
Actuarial losses (gains)	28	26
Divestiture	-	-533
Exchange differences on foreign plans	17	-18
Benefits paid	-222	-750
Closing defined benefit obligation	**2 039**	**2 170**

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

(thousands of euro)	*Year ended 31 December*	
	2016	**2015**
Opening fair value of plan assets	**1 555**	**2 495**
Expected return	21	27
Actuarial gains and (losses)	33	32
Contributions by employer	147	247
Plan participants' contributions	1	1
Divestiture	-	-479
Exchange differences on foreign plans	18	-18
Benefits paid	-222	-750
Closing fair value of plans assets	**1 552**	**1 555**

The Group expects to contribute 0.1 million euro to its defined benefit pension plans in 2017.

(thousands of euro)	*Year ended 31 December*	
	2016	**2015**
Defined benefit obligation	2 039	2 170
Plan assets	1 552	1 555
Surplus/(deficit)	**487**	**615**

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

	Fair value of plan assets	
	2016	**2015**
	EUR'000	EUR'000
Equity instruments	-	-
Debt instruments	1 199	1 063
Real estate	-	-
Other	353	492
Weighted average expected return	**1 552**	**1 555**

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

	Year ended 31 December	
	2016	**2015**
Assumptions to determine benefit obligations	**%**	**%**
Discount rate	0.92	1.86
Rate of compensation increase	2.15	2.39
Rate of price inflation	1.98	2.21

27. PROVISIONS

(thousands of euro)	Restructuring	Technical Guarantees	Other	Total
On 1 January 2015	**-**	**356**	**3 062**	**3 418**
Additions to provisions	-	157	-	157
Utilization	-	-6	-	-6
Reversal of provisions	-	-85	-	-85
Exchange differences	-	-18	-1	-19
On 31 December 2015	**-**	**404**	**3 061**	**3 465**
Non-current	-	-	-	-
Current	-	404	3 061	3 465
Total	**-**	**404**	**3 061**	**3 465**
On 1 January 2016	**-**	**404**	**3 061**	**3 465**
Additions to provisions	-	368	911	1 279
Utilization	-	-9	-	-9
Reversal of provisions	-	-33	-	-33
Exchange differences	-	26	-	26
On 31 December 2016	**-**	**756**	**3 972**	**4 728**
Non-current	-	-	-	-
Current	-	756	3 972	4 728
Total	**-**	**756**	**3 972**	**4 728**

Restructuring

Earlier restructuring provisions were transferred to the pension provisions, since they all relate to early retirement obligations.

Technical Guarantees

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

Other

The other provisions cover principally a risk related to the representations and warranties given, tax disputes, claims on deliveries, potential losses on projects, penalties or legal claims.

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

28. FINANCIAL INSTRUMENTS

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

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

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

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

The following table provides an overview of the carrying values and classes of financial instruments 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).

(thousands of euro)	*31 December 2016*		*31 December 2015*			
	Carrying value	Fair value	Carrying value	Fair value	Level	Balance sheet caption
Financial assets available for sale	**260**	**260**	**247**	**247**		**Financial assets**
Available for sale investments	260	260	247	247	3	Financial assets
Loans and receivables	**11 603**	**11 603**	**13 885**	**13 885**		
Long term guarantees paid in cash	-	-	166	166	3	Financial assets
Other financial assets	-	-	-	-	3	Financial assets
Trade receivables	10 484	10 484	12 636	12 636	3	Trade and other receivables
Other receivables	1 119	1 119	1 083	1 083	3	Trade and other receivables
Financial liabilities at amortized cost	**15 537**	**15 537**	**22 565**	**22 565**		
Interest bearing loans and borrowings	2 511	2 511	1 889	1 889	3	Interest bearing loans and borrowings LT and ST
Trade payables	7 276	7 276	8 817	8 817	3	Trade and other payables
Other payables	5 750	5 750	11 859	11 859	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 euro/NOK on a rolling 12-month basis. The fair value of these contracts amount to 0.2 million euro at 31 December 2016.

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:

(thousands of euro)	*Year ended 31 December*	
	2016	**2015**
Not later than 1 year	2 332	2 421
Later than 1 year and not later than 5 years	3 512	3 957
Later than 5 years	86	192
Total	**5 930**	**6 570**

Lease payments recognized in the income statement for the current period amount to 2.5 million euro (2015: 2.5 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 after the capital increase in 2014 amounted to 33,108,844.

Ordinary shares & treasury shares:

	Number of ordinary shares	Treasury shares	Total
On 31 December 2014	33 108 844	-	33 108 844
On 31 December 2015	33 108 844	-	33 108 844
On 31 December 2016	33 058 063	50 781	33 108 844
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	33 058 063		

All issued shares are fully paid. Shares have no par value. The total authorized capital is per 31 December 2016 euro 20,000,000.

Warrants were granted in the past to directors and to employees. However no warrants were outstanding anymore as at year end 2015 and 2016.

32. MOVEMENT IN WORKING CAPITAL

(thousands of euro)		*Year ended 31 December*	
	Notes	**2016**	**2015**
Movements in working capital:			
(Increase) / decrease in trade and other receivables		2 680	3 391
(Increase) / decrease in inventories		567	1 537
(Increase) / decrease contract work in progress		3 034	-367
(Increase) / decrease in other assets		1 161	-1 220
Increase / (decrease) in trade and other payables		-7 650	-1 808
Increase / (decrease) in provisions and retirement benefit obligations		1 133	-115
Increase / (decrease) in tax liabilities		-86	34
Total movement in working capital		**839**	**1 454**

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 arm's length basis and amounts to 67K euro per year.

B) BNSC and Zenitel UK

In 2016, the Group sold goods to the related parties BNSC and Zenitel UK for a total of 1.6 million euro (2015: 1.3 million euro). The receivables related to these sales amounted to 0.3 million euro at 31 December 2016 (2015: 0.4 million euro).

C) Directors's remuneration

(thousands of euro)	*Year ended 31 December*	
	2016	**2015**
Director's remuneration (thousands of euro)	178	185

D) Key management remuneration

(thousands of euro)	*Year ended 31 December*	
KEY MANAGEMENT REMUNERATION (thousands of euro)*	**2016**	**2015**
Short term employee benefits	522	510
Post-employment benefits	33	34
Other long-term benefits	-	-
Share-based payments (see warrants above)	-	-
Termination benefits	-	-
Total key management remuneration (cost to the Company)**	**555**	**544**
KEY MANAGEMENT - AVERAGE FTE	**2.0**	**2.0**

The CEO's total remuneration package for 2016 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.

* 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 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

On 2 September 2010, NRSFRANCE SA (previously called Zenitel Wireless France SA) was put into judicial liquidation by the commercial court of Thionville in France. Since control of NRSFRANCE SA was taken over by the judicial liquidator, the company has been deconsolidated.

35. POST BALANCE SHEET EVENTS

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

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Statutory auditor's report to the general meeting of the company Zenitel NV for the year ended 31 December 2016

In accordance with the legal requirements, we report to you in the context of our statutory auditor's mandate. This report includes our opinion on the consolidated statement of the financial position as at 31 December 2016, the consolidated statement of the realized and non-realized results, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2016 and the notes (all elements together "the Consolidated Financial Statements"), and includes as well our report on other legal and regulatory requirements.

Report on the Consolidated Financial Statements - Unqualified opinion

We have audited the Consolidated Financial Statements of Zenitel NV ("the Company") and its subsidiaries (together "the Group") as of and for the year ended 31 December 2016, prepared in accordance with the *International Financial Reporting Standards* as adopted by the European Union, which show a consolidated balance sheet total of € 47.494 thousand and of which the consolidated income statement shows a profit for the year of € 2.561 thousand.

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

The Board of Directors is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with the *International Financial Reporting Standards* as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of Consolidated Financial Statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the given circumstances.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing ("ISAs") as they were adopted in Belgium. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation and presentation of the Consolidated Financial Statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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Audit report dated 15 March 2017 on the Consolidated Financial Statements of Zenitel NV as of and for the year ended 31 December 2016 (continued)

An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

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

Unqualified opinion

In our opinion, the Consolidated Financial Statements of the Group as at 31 December 2016 give a true and fair view of the consolidated net equity and financial position, 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.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of the Board of Director's report on the Consolidated Financial Statements, in accordance with article 119 of the Belgian Company Code.

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, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the Consolidated Financial Statements.

- The Board of Director's report to the Consolidated Financial Statements includes, both in form and in substance, the information required by law, is consistent with the Consolidated Financial Statements and does not contain any material inconsistencies with the information that we became aware of during the performance of our mandate.

Ghent, 15 March 2017

Ernst & Young Bedrijfsrevisoren BCVBA
Statutory auditor
represented by

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

Ref. : 17MVD0073

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

BALANCE SHEET AFTER APPROPRIATION

(thousands of euro)	*Year ended 31 December*	
ASSETS	**2016**	**2015**
Fixed assets	**38 979**	**38 979**
Formation expenses	-	-
Intangible assets	-	-
Tangible assets	-	-
Financial assets	38 979	38 979
Current assets	**4 414**	**8 743**
Amounts receivable more than one year	-	-
Amounts receivable within one year	105	8 174
Cash at bank and in hand	4 266	495
Deferred charges and accrued income	43	74
TOTAL ASSETS	**43 393**	**47 722**

(thousands of euro)	*Year ended 31 December*	
EQUITY AND LIABILITIES	**2016**	**2015**
Capital and reserves	**38 109**	**37 748**
Issued capital	20 000	20 000
Share premium account	5 624	5 624
Reserves	11 055	11 037
Result carried forward	1 430	1 087
Provisions and deferred taxation	**4 306**	**3 517**
Pensions and similar obligations	335	457
Other liabilities and charges	3 971	3 061
Creditors	**977**	**6 457**
Amounts payable after one year	-	-
Amounts payable within one year	977	6 457
Current portion of amounts payable after one year	-	-
Financial debt	-	-
Suppliers	957	1 425
Taxes, remuneration and social security	20	65
Other amounts payable	-	4 967
Accrued charges and deferred income	-	-
TOTAL EQUITY AND LIABILITIES	**43 393**	**47 722**

INCOME STATEMENT AND RESULT APPROPRIATION

(thousands of euro)	*Year ended 31 December*	
	2016	**2015**
Operating income	**1 783**	**1 853**
Turnover	-	-
Other operating income	1 783	1 853
Operating Charges	**-906**	**-1 536**
Services and other goods	-556	-1 162
Remuneration, social security costs and pension costs	-464	-572
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 in provisions for liabilities and charges	121	208
Other operating charges	-7	-10
Operating profit / (loss)	**877**	**317**
Financial income	**107**	**1**
Income from financial fixed assets	105	1
Income from current assets	-	-
Other financial income	2	-
Financial charges	**-12**	**-42**
Interest and other debt charges	-	-
Write offs of current assets excluding inventory and customer receivables: addition (-); reversal (+)	-	-
Other financial charges	-12	-42
Profit / (loss) on ordinary activities before taxes	**972**	**276**
Extraordinary income	**-**	**2 887**
Reversal of provisions for exceptional risks and charges	-	-
Other extraordinary income	-	2 887
Extraordinary charges	**-**	**-**
Provisions for extraordinary liabilities and charges (increase: -, decrease: +)	-611	-
Other extraordinary charges	-	-
Profit / (loss) for the period before taxes	**361**	**3 163**
Income taxes	-	-
Income taxes (-)	-	-
Adjustment of income taxes & write-back of tax provisions	-	-
Profit / (loss) for the period	**361**	**3 163**
Profit / (loss) for the period available for appropriation	**361**	**3 163**
Profit / (loss) to be appropriated	**361**	**3 163**
Profit / (loss) for the period available for appropriation	361	3 163
Profit / (loss) brought forward	-	-
Profit / (loss) to be carried forward	361	3 163

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

The general meeting of 28 April 2016 decided to distribute a one-time dividend of 0.15 euro per share (gross) in respect of the results of 2015, corresponding to a total amount of 4,966,326.80 euro. No further dividend payments are planned.

LEGAL AND ARBITRATION PROCEEDINGS

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

> 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 can continue for decades to come.

CONTACT INFORMATION

This Annual Report 2016 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 2016 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 2016 is also available on www.zenitel.com (investor relations > financial reports) as from 17 March 2017. Het jaarverslag 2016 is ook verkrijgbaar in het Nederlands op www.zenitel.com (investor relations > financial reports) vanaf 17 maart 2017.

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 2016, 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	Mark Küpers
CEO	CFO

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