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|----------------------------------------------------------------------|----|
| 3. FINANCIAL REVIEW..... | 4 |
| 4. FINANCIAL REPORT - IFRS..... | 7 |
| 4.1. CONSOLIDATED FINANCIAL STATEMENTS..... | 7 |
| 4.1.1. CONSOLIDATED INCOME STATEMENT | 7 |
| 4.1.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | 7 |
| 4.1.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 8 |
| 4.1.4. CONSOLIDATED STATEMENT OF CASH FLOWS | 10 |
| 4.1.5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 11 |
| 4.2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | 12 |
| NOTE 1: CORPORATE INFORMATION..... | 12 |
| NOTE 2: SIGNIFICANT ACCOUNTING POLICIES | 16 |
| NOTE 3: BUSINESS SEGMENTS AND GEOGRAPHICAL SPREAD..... | 23 |
| NOTE 4: ADDITIONAL INFORMATION ON OPERATING EXPENSES BY NATURE | 24 |
| NOTE 5: PAYROLL AND RELATED BENEFITS..... | 25 |
| NOTE 6: FINANCE RESULT-NET | 25 |
| NOTE 7: INCOME TAX | 26 |
| NOTE 8: INTANGIBLE ASSETS | 27 |
| NOTE 9 PROPERTY, PLANT AND EQUIPMENT..... | 28 |
| NOTE 10: TRADE AND OTHER RECEIVABLES..... | 29 |
| NOTE 11: OTHER FINANCIAL ASSETS | 30 |
| NOTE 12: INVENTORIES | 30 |

| | |
|--------------------------------------------------------------------------------------------------------|----|
| NOTE 13: CASH AND CASH EQUIVALENTS | 30 |
| NOTE 14: FINANCIAL ASSETS AND LIABILITIES..... | 31 |
| NOTE 15: TRADE AND OTHER PAYABLES – DEFERRED REVENUES | 32 |
| NOTE 16: PROVISIONS | 32 |
| NOTE 17: OPERATING AND FINANCE LEASES | 33 |
| NOTE 18: SHAREHOLDERS'EQUITY | 33 |
| NOTE 19: EARNINGS PER SHARE | 36 |
| NOTE 20: CAPITAL MANAGEMENT | 37 |
| NOTE 21: FINANCIAL RISK MANAGEMENT | 37 |
| NOTE 22: CONTINGENT LIABILITIES | 40 |
| NOTE 23: RELATED PARTIES TRANSACTIONS | 41 |
| NOTE 24: EVENTS AFTER BALANCE SHEET DATE | 42 |
| NOTE 25: OPTION COMPANIES AND BUSINESS COMBINATIONS | 44 |
| NOTE 26: INFORMATION ON THE AUDITOR'S ASSIGNMENTS AND RELATED FEES | 45 |
| 5. CONSOLIDATED AND STATUTORY REPORT 2011 OF THE BOARD OF DIRECTORS OF OPTION NV | 46 |
| 6. AUDITOR'S REPORT | 47 |
| 7. ABBREVIATED STATUTORY ACCOUNTS OF OPTION NV AND EXPLANATORY NOTES | 48 |
| 7.1. ABBREVIATED STATUTORY BALANCE SHEET (ACCORDING TO BELGIAN ACCOUNTING STANDARDS)..... | 48 |
| 7.2. ABBREVIATED STATUTORY INCOME STATEMENT (ACCORDING TO BELGIAN ACCOUNTING STANDARDS) | 49 |
| 7.3. SUMMARY OF MOST SIGNIFICANT VALUATION RULES - ABBREVIATED STATUTORY ACCOUNTS - BELGIAN GAAP | 49 |
| 7.4. EXPLANATORY NOTES - ABBREVIATED STATUTORY ACCOUNTS - BELGIAN GAAP | 51 |
| 8. INVESTOR RELATIONS AND FINANCIAL CALENDAR | 52 |
| 9. INFORMATION SHEET BY END 2011 | 54 |
| 10. GLOSSARY | 56 |

3. FINANCIAL REVIEW

The Capital of the Company is represented by 82,498,592 shares. The shares are listed on the stock exchange "Euronext Brussels" under the code BE0003836534.

At year-end 2011, all shares, except 1 (one) - which existed in registered form -, were dematerialized.

At year-end 2011, the Company had the following significant shareholders:

| Identity of the person, entity or group of persons or entities (*) | Number of shares | Percentage of financial instruments held |
|--------------------------------------------------------------------|------------------|------------------------------------------|
| Jan Callewaert and Pepper NV (100% owned by Jan Callewaert) | 14,809,008 | 17.95% |
| Free float of which: | 67,689,584 | 82.05% |
| - UBS (Switzerland) | 1,283,492 | 1.56% |
| - SISU Capital Ltd (United Kingdom) | 1,331,495 | 1.61% |
| Total outstanding shares | 82,498,592 | 100% |

(*) *Each class of the voting financial instruments of the Company, for each person, entity or group of persons, that represents at least 1,5% or more either directly or indirectly.*

The Extraordinary Shareholders' Meeting held on 26 August 2008 authorized the Warrantplan "V" for issuance of 2 500 000 naked warrants "V". At year-end 2009, 2 371 540 warrants "V" have been granted, of which 1 982 450 warrants "V" have been accepted. Over 2009 until 2011, 795 934 warrants were forfeited. We refer to Note 18 for more detailed information.

DISCUSSION OF THE CONSOLIDATED ANNUAL ACCOUNTS

The consolidated accounts include the following subsidiaries:

- Option Wireless Ltd, Cork (Ireland)
- Option Germany GmbH, Augsburg (Germany)
- Option Wireless Germany GmbH, Kamp-Lintfort (Germany)
- Option Japan KK (Japan)
- Option Wireless Hong Kong Limited (China)
- Option Wireless Technology (Suzhou) Co. Ltd. (China)
- Option Wireless Hong Kong Limited Taiwan Branch (Taiwan).
- Option Wireless USA Inc. (United States of America)
- Option France SAS (France)

On the 29th of October 2009 the Group announced that, with respect to a cost reduction plan, the core activities of the research and development facility at Kamp-Lintfort (Germany) would be transferred to the Leuven (Belgium) R&D site and announced its intention to close the Kamp-Lintfort subsidiary. This liquidation process is ongoing and was not finalized in the course of financial year 2011.

On the 31st of August 2011, the Group announced the acquisition of the Connected Consumer Electronics assets of MobiWire SA. These assets include Surface UXTM software, related IP, and a core team of user experience experts. The team of user experience experts is based in Paris and the Company operates under the name of "Option France SAS" (Société Anonyme Simplifiée) which was established in August 2011.

REVENUES

Total revenues for 2011 decreased by 14% to EUR 49 915k, compared with EUR 57 731k in 2010. Product revenues decreased from EUR 51 037k in 2010 to EUR 19 252k in 2011, whilst software and license revenues increased from EUR 6 694k in 2010 to EUR 30 663k in 2011. We refer to note 3 of this annual report for further information.

GEOGRAPHICAL SPREAD OF SALES

We refer to the note 3 Operating segments and entity-wide disclosures of the financial statements in this annual report for additional information about the geographical spread of sales.

GROSS MARGIN

Gross profit for 2011 increased with 104% compared to 2010, to an amount of EUR 30 733k. This resulted in a gross margin for the full year 2011 of 61.6% on total revenues, compared with gross margin of 26.1% in 2010. The 2011 gross margin was positively impacted by increased software revenues, delivering higher margins compared to revenues generated by devices..

OPERATING EXPENSES

The operating expenses for the full year 2011, including depreciation, amortization and impairment charges were EUR 34 313k compared to EUR 47 804k for the previous year. This represents a decrease of 28.2%. The reduced expenses are the result of the cost reductions initiated in 2009, combined with lower sales related costs as well as effective cost control within the Group.

OTHER INCOME

The other income of EUR 871k of 2010 was realized through the sale of a subsidiary in the course of the financial year 2010.

RESULT FROM OPERATIONS (EBIT)

During 2011, EBIT was EUR -3 580k (or -7.2% on revenues), compared to EUR -31 886k (or -55.2% on revenues) for 2010.

EBITDA

EBITDA amounted to EUR 5 188k (or 10.4% on revenues) for the full year 2011, compared to EUR -11 658k (or -20.2% on revenues) for 2010 representing an increase of EUR 16 846k.

FINANCE RESULT

During 2011, the Group obtained a positive financial result of EUR 676k (2010: EUR -838k). The net exchange rate result amounted to EUR 259k and was mainly due to the continued effect of the weakness of the USD. The Group received EUR 539k from risk free investments of the available cash (2010: EUR 59k). The financial costs of EUR 122k are mainly related to paid interests with respect to the credit line facilities as well as bank charges, penalty fees and payment differences (2010: EUR -720k).

TAX RESULT

Following the IFRS guidance related to deferred tax assets, the Group determined in financial year 2010 that it was prudent to reverse the deferred tax asset in full. This resulted in a negative tax result of EUR -28 314k. The tax result for the financial year 2011 amounted to EUR 42k.

NET RESULT AND EARNINGS PER SHARE

The earnings per share were as follows in 2011:

Net result, for the full year 2011, amounted to EUR -2 862k or EUR -0.04 per basic and diluted share. This compares to a net result of EUR -61 038k or EUR -0.74 per basic and diluted share during 2010.

BALANCE SHEET

At year-end 2011, total assets amounted to EUR 47 552k compared to EUR 63 834k at the end of the previous year.

Cash and cash equivalents decreased over the year from EUR 30 930k to EUR 25 216k at the end of 2011. No amounts have been drawn from existing credit lines (2010: EUR 4 770k).

Trade and other receivables decreased from EUR 7 277 at the end of 2010 to EUR 3 924k at the end of 2011. This decrease was attributable to the trade receivables which decreased from EUR 6 721k to EUR 3 291k as well as a decrease of the other receivables (mainly due to lower VAT receivables).

The trade receivable portfolio is sound. Most sales in non-OECD countries are covered by letters of credit or by credit insurance, provided by Delcredere. As an autonomous body, guaranteed by the Belgian Government, Delcredere's role is to promote international economic relations by covering risks relating to exports to, imports from and investments in non-OECD countries.

Inventories further decreased from EUR 12 425k at the end of last year to EUR 6 792k at the end of 2011. This lower inventory position is explained by decreased positions of the work in progress (EUR -1 439k), finished goods (EUR -3 926k) and the raw material position, (EUR -2 674k) compared to 2010, combined with a decrease in inventory provision of EUR 2 406k.

The net book value of intangible and tangible fixed assets was EUR 10 415k at the end of 2011, compared with EUR 13 106k as at 31 December 2010. During 2011, the total investments in tangible assets, mainly test equipment, amounted to EUR 188k (2010: EUR 64k) and the Group invested EUR 6 209k (2010: EUR 9 300k) in intangible assets of which EUR 5 744k (2010: EUR 8 726k) for capitalized development projects and investments of EUR 465k (2010: EUR 574k) mainly related to licenses.

Total current liabilities decreased during the year to EUR 46 285k in 2011, compared with EUR 59 768k in 2010. This decrease is mainly driven by a decrease in trade and other payables (EUR -12 011k), an increase in deferred revenues as a result of recent software license deals (EUR 4 458k), a decrease in provisions (EUR -1 149k) and a decrease in other financial liabilities (EUR -4 770k) as a result of the repayment of the existing credit lines.

The deferred tax asset, finding its source in the realized losses in Option NV, was reversed in full in 2010 following the IFRS guidance related to such deferred tax assets. The Group determined that it was prudent to reverse the deferred tax asset in full. In the financial year 2011, no additional deferred tax assets were recorded.

On a balance sheet total of EUR 47 552k, the total shareholders' equity represented EUR 1 245k. Therefore, at the end of 2011, the Group solvency ratio was 2.6%, compared to 6.3% in 2010.

The cash flow generated from operating activities during 2011 represented EUR 6 030k compared to EUR 5 520k in the previous year.

APPROPRIATION OF THE NON-CONSOLIDATED RESULT

The statutory accounts of Option NV (Belgian GAAP) reported a net profit for the year 2011 of EUR 5 122k, compared with a net loss of EUR -23 942k in 2010.

The Board of Directors proposes to carry forward the non-consolidated net profit of EUR 5 122k of 2011.

| Abridged appropriation account (According to Belgian Accounting Standards) | | |
|-----------------------------------------------------------------------------------|----------|----------|
| 31 December - in thousands EUR | 2011 | 2010 |
| Profit/ (loss) carried forward from previous year | (68 074) | (44 132) |
| Profit/ (loss) for the period available for appropriation | 5 122 | (23 942) |
| Profit/ (loss) to be appropriated | (62 952) | (68 074) |

[4. FINANCIAL REPORT - IFRS](#)

4.1. Consolidated Financial Statements

4.1.1. Consolidated Income Statement

| Year ended 31 December | Note | 2011 €000 | 2010 €000 |
|---------------------------------------------------------------------------|------|-----------------|-----------------|
| Revenues | 3 | 49 915 | 57 731 |
| <i>Product Revenue</i> | 3 | 19 252 | 51 037 |
| <i>Software and License revenue</i> | 3 | 30 663 | 6 694 |
| Cost of products sold | 4 | (19 181) | (42 684) |
| Gross Margin | | 30 733 | 15 047 |
| Research and Development expenses | 4-5 | (14 424) | (24 016) |
| Sales, marketing and royalties expenses | 4-5 | (9 852) | (11 146) |
| General and administrative expenses | 4-5 | (10 036) | (12 642) |
| Total Operating expenses | | (34 313) | (47 804) |
| Other income | 25 | - | 871 |
| Result from operations | | (3 580) | (31 886) |
| Finance costs | 6 | (122) | (940) |
| Finance income | 6 | 798 | 102 |
| Finance result-net | | 676 | (838) |
| Profit / (loss) before income taxes | | (2 904) | (32 724) |
| Income tax benefits / (expenses) | 7 | 42 | (28 314) |
| Net Result of the period attributable to the owners of the Company | | (2 862) | (61 038) |
| Earnings per share | | | |
| Basic weighted average number of ordinary shares | | 82 498 592 | 82 498 592 |
| Diluted weighted average number of ordinary shares | | 82 498 592 | 82 498 592 |
| Basic earnings / (loss) per share | 19 | (0.04) | (0.74) |
| Diluted earnings / (loss) per share | 19 | (0.04) | (0.74) |

4.1.2. Consolidated statement of comprehensive income

| Year ended 31 December | Note | 2011 €000 | 2010 €000 |
|-----------------------------------------------------------------------------------------------|------|----------------|-----------------|
| Profit / (Loss) for the period | | (2 862) | (61 038) |
| <u>Other comprehensive income</u> | | | |
| Exchange difference arising on translation on foreign operations | | (8) | 482 |
| Other comprehensive income / (loss) for the period (net of tax) | | (8) | 482 |
| Total comprehensive loss for the period attributable to the owners of the parent | | (2 870) | (60 556) |

4.1.3. Consolidated statement of financial position

| Year ended 31 December | | 2011 | 2010 |
|-----------------------------------------------------------------------------|------|---------------|---------------|
| | Note | €000 | €000 |
| ASSETS | | | |
| Intangible assets..... | 8 | 8 812 | 8 596 |
| Property, plant and equipment..... | 9 | 1 603 | 4 510 |
| Other financial assets | 11 | 1 043 | - |
| Other non-current assets..... | 10 | 130 | 48 |
| Total non-current assets | | 11 588 | 13 155 |
| Inventories | 12 | 6 792 | 12 425 |
| Trade and other receivables | 10 | 3 924 | 7 277 |
| Cash and cash equivalents | 13 | 25 216 | 30 930 |
| Income tax receivable..... | 7 | 32 | 47 |
| Total current assets | | 35 964 | 50 679 |
| Total assets..... | | 47 552 | 63 834 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Issued capital..... | 18 | 12 232 | 12 232 |
| Share premium | 18 | 57 961 | 57 961 |
| Reserves | 18 | (115) | (176) |
| Retained earnings / (losses)..... | 18 | (68 834) | (65 971) |
| Total shareholders' equity attributable to the owners of the Company | | 1 245 | 4 046 |
| Deferred tax liabilities | | - | 20 |
| Other non-current liabilities..... | | 22 | - |
| Total non-current liabilities | | 22 | 20 |
| Trade and other payables..... | 15 | 18 126 | 30 136 |
| Deferred revenue..... | 15 | 27 128 | 22 670 |
| Provisions | 16 | 948 | 2 097 |
| Other financial liabilities | 14 | 14 | 4 770 |
| Income tax payable | | 69 | 95 |
| Total current liabilities | | 46 285 | 59 768 |
| Total liabilities and shareholders' equity..... | | 47 552 | 63 834 |

4.1.4. Consolidated statement of cash flows

| Year ended 31 December | Note | 2011 €000 | 2010 €000 |
|------------------------------------------------------------------------------------------------|------|----------------|-----------------|
| OPERATING ACTIVITIES | | | |
| Net Result (A) | | (2 862) | (61 038) |
| Amortisation of intangible assets..... | 8 | 5 628 | 9 725 |
| Depreciation of property, plant and equipment..... | 9 | 2 776 | 4 368 |
| Loss/(gains) on sale of property, plant and equipment..... | | (75) | (300) |
| Loss/(gains) on sale of intangible assets..... | | - | 14 |
| (Reversal of) write-offs on current and non current assets..... | | (2 309) | (690) |
| Impairment losses on intangible assets..... | 8 | 365 | 6 135 |
| Impairment losses on tangible assets..... | 9 | - | - |
| Increase / (decrease) in provisions..... | 16 | (842) | 543 |
| Loss/(gain) on sale of subsidiaries..... | 25 | - | (871) |
| Unrealized foreign exchange losses/(gains)..... | | (123) | 624 |
| Interest (income)..... | 6 | (435) | (59) |
| Interest expense..... | 6 | 20 | 527 |
| Equity settled share based payment expense..... | 18 | 69 | 200 |
| Tax expense / (benefit)..... | 7 | (42) | 28 314 |
| Total (B) | | 5 032 | 48 530 |
| Cash flow from operating activities before changes in working capital (C)=(A)+(B) | | 2 170 | (12 508) |
| Decrease / (increase) in inventories..... | | 8 038 | 6 061 |
| Decrease / (increase) in trade and other receivables..... | | 3 258 | 10 421 |
| Increase / (decrease) in trade and other payables..... | | (11 517) | (13 805) |
| Increase / (decrease) in deferred revenue..... | | 4 458 | 21 515 |
| Use of provisions..... | | (307) | (5 912) |
| Total changes in working capital (D) | | 3 930 | 18 280 |
| Cash generated from operations (E)=(C) + (D) | | 6 100 | 5 772 |
| Interests (paid) (F)..... | | (386) | (319) |
| Interests received (G)..... | | 320 | 50 |
| Income tax (paid)/received (H)..... | | (4) | 17 |
| CASH FLOW FROM OPERATING ACTIVITIES (I)=(E)+(F)+(G)+(H) | | 6 030 | 5 520 |
| INVESTING ACTIVITIES | | | |
| Acquisition of intangible assets..... | 8 | (265) | (574) |
| Expenditures on product development, net of grants received..... | 8 | (5 744) | (8 726) |
| Investment in non-consolidated companies..... | 11 | (1 043) | - |
| Acquisition of property, plant and equipment..... | 9 | (167) | (64) |
| Acquisition of a business, net of cash disposed of..... | | (220) | - |
| Proceeds from sale of intangible assets..... | 8 | - | 6 |
| Proceeds from sale of property, plant and equipment..... | 9 | 395 | 628 |
| Cash inflow on disposal of subsidiary..... | 25 | - | 7 145 |
| CASH FLOW USED IN INVESTING ACTIVITIES (J) | | (7 044) | (1 585) |

FINANCING ACTIVITIES

| | | | |
|---------------------------------------------------------------------------------|----|----------------|----------------|
| Proceeds / (Payments) from finance lease liability | 14 | - | (43) |
| Finance lease liabilities | 15 | 35 | - |
| Proceeds from borrowings | 14 | - | 4 770 |
| Repayment of borrowings | 14 | (4 770) | (8 355) |
| CASH FLOW PROVIDED BY / (USED IN) FINANCING ACTIVITIES (K) | | (4 735) | (3 628) |
| Net increase/(decrease) in cash and cash equivalents = (I)+(J)+(K) | | (5 749) | 307 |
| Cash and cash equivalents at beginning of year | 13 | 30 930 | 30 664 |
| Effect of foreign exchange difference | | 35 | (41) |
| Cash and cash equivalents at end of year | 13 | 25 216 | 30 930 |
| Difference | | 5 749 | 307 |

4.1.5. Consolidated statement of changes in equity

| Thousands EUR | Note | Issued capital | Share premium | Share- based payment reserve | Foreign currency translation reserves | Share Issue costs | Retained earnings / (losses) | Total |
|------------------------------------------------------------------|------|----------------|---------------|------------------------------|---------------------------------------|-------------------|------------------------------|---------------|
| At 1 January 2010..... | | 12 232 | 57 961 | 1 176 | (399) | (1 698) | (4 933) | 64 339 |
| Net result for the year | | - | - | - | - | - | (61 038) | (61 038) |
| Other comprehensive loss for the year, net of income tax | | - | - | - | 482 | - | - | 482 |
| <i>Total comprehensive loss for the year..</i> | | - | - | - | 482 | - | (61 038) | (60 556) |
| Share based payments | 18 | - | - | 200 | - | - | - | 200 |
| Share issue costs | 18 | - | - | - | - | 63 | - | 63 |
| At 31 December 2010..... | | 12 232 | 57 961 | 1 376 | 83 | (1 635) | (65 971) | 4 046 |
| Net result for the year | | - | - | - | - | - | (2 862) | (2 862) |
| Other comprehensive income for the year, net of income tax | | - | - | - | (8) | - | - | (8) |
| <i>Total comprehensive loss for the year..</i> | | - | - | - | (8) | - | (2 862) | (2 870) |
| Share based payments | 18 | - | - | 69 | - | - | - | 69 |
| At 31 December 2011..... | | 12 232 | 57 961 | 1 444 | 76 | (1 635) | (68 837) | 1 245 |

4.2. Notes to the consolidated financial statements

NOTE 1: CORPORATE INFORMATION

Option NV (hereafter the Company) is active in the telecom sector, specialized in the design, development, manufacture, installation, purchase and sale of wireless data communication devices such as data cards, USB dongles, wireless routers and (embedded) modules. The Company was incorporated on 3 July 1986 and has been publicly listed since November 1997, first on the European stock exchange ("Easdaq" later "Nasdaq Europe") and since 2003 on the Eurolist of Euronext Brussels (Ticker: OPTI - code BE0003836534).

Option NV has the legal form of a public limited company (Naamloze Vennootschap (NV)) whose shares were offered for sale to the public and is incorporated under Belgian law. Its headquarters are located in Belgium (Gaston Geenslaan 14, 3001 Leuven). Option NV is present in different continents around the world. The main companies are the headquarters located in Leuven and the manufacturing and supply chain site in Cork (Ireland). A complete list of all the subsidiaries of the Company can be found at the end of this annual report (see Note 25 Option companies).

The consolidated financial statements of the Company for the year ended 31 December 2011 comprise the Company and its subsidiaries (hereinafter jointly referred to as "Option" or the "Group"). The financial statements were authorized for issue by the board of directors on March 28, 2012 and signed on its behalf by Mr. Jan Callewaert.

➤ **BASIS OF PREPARATION**

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€000) except otherwise stated.

➤ **STATEMENT OF COMPLIANCE**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

➤ **BASIS OF CONSOLIDATION**

The consolidated financial statements include the financial statements of the Company and all the subsidiaries controlled by the Company. IAS 27 states that control exists when the Company has the power to govern the financial and operating policies and obtains the benefits from the entities' activities. Control is presumed to exist when the Company owns, directly or indirectly, more than 50 % of an entity's voting rights of the share capital. Option NV has a 100% stake in all its subsidiaries (cfr Note 25).

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

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated in full in preparing the consolidated financial statements. Unrealized losses are also eliminated in the same way as unrealized gains unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

➤ **CHANGES IN ACCOUNTING POLICY AND DISCLOSURES**

Based on a review on its financial statements, the Group has changed the presentation and classification of some items and disclosures in the accounting policies. Those can be summarized as follows:

- Operating segments (Note 3): In the financial year 2011, to support its current market strategy, the Group has further aligned its organization more with its target markets and product segments into business units. Therefore the Group changed its internal reports and thus, segment information. The Group has restated the 2010 segment information in Note 3 to be comparable to the full year 2011 segment results.

Standards and Interpretations effective in the current period

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The IASB has issued the following new and amended IFRS and IFRIC interpretations:

- Improvements to IFRS (2009-2010) (normally applicable for annual periods beginning on or after 1 January 2011)
- Amendment to IFRS 1 *First Time Adoption of International Financial Reporting Standards – IFRS 7 exemptions* (applicable for annual periods beginning on or after 1 July 2010)
- Amendment to IAS 24 *Related Party Disclosures* (applicable for annual periods beginning on or after 1 January 2011). This Standard supersedes IAS 24 *Related Party Disclosures* as issued in 2003.
- Amendments to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (applicable for annual periods beginning on or after 1 February 2010)
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (applicable for annual periods beginning on or after 1 July 2010)
- Amendment to IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement* (applicable for annual periods beginning on or after 1 January 2011)

The principal effects of these changes are as follows:

Improvements to IFRS (2009 - 2010). These amendments were issued in May 2010 and have not been adopted since they become effective for annual periods beginning on or after 1 January 2011 as part of the Annual Improvements Project (AIP). The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

Amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards – IFRS 7 Exemptions. This amendment was issued in February 2010 and became effective on or after July 2010. The amendment gives first-time adopters the same transitional provisions that the amendments to IFRS 7 provide to current IFRS preparers. This amendment is a short-term exemption and is applicable only to annual comparative periods ending before 31 December 2009, interim periods with an annual comparative period before 31 December 2009 and to any statement of financial position presented within these periods. This amendment will have no impact on the financial position or performance of the Group.

Amendment to IAS 24 Related Party Disclosures. These amendments were issued in November 2009 and become effective for financial years beginning on or after 1 January 2011. This Standard supersedes IAS 24 – *Related Party Disclosures* - as issued in 2003. This amendment to IAS 24 simplify the disclosure requirements for entities that are controlled or significantly influences by a government and clarify the definition of a related party. This amendment will have no impact on the financial position or performance of the Group.

Amendment to IAS 32 Financial Instruments: Presentation - Classification of Rights Issues. These amendments were issued in October 2009 and become effective on or after 1 February 2010. Under the amendment, rights, options and warrants issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. This new interpretation has been issued in December 2009 and becomes effective on or after 1 July 2010. The interpretation addresses divergent accounting by entities issuing equity instruments in order to extinguish all or part of a financial liability, often referred to as "debt for equity swaps". This amendment will have no impact on the financial position or performance of the Group.

Amendment to IFRIC 14 / IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction - Prepayments of a Minimum Funding Requirement. These amendments have been issued in December 2009 and become effective for financial years beginning on or after 1 January 2011. IFRIC 14 – IAS 19 has been amended to remedy an unintended consequence of IFRIC 14 where entities are in some circumstances not

permitted to recognize prepayments of minimum funding contributions, as an asset. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group

Early adoption of Standards and Interpretations

The Group has elected not to adopt any Standards or Interpretations in advance of their effective dates.

➤ ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts in the financial statements and related notes. It concerns mainly the recoverability of fixed assets, deferred taxes, intangible assets, warranty obligations and other probable liabilities on the closing date of the financial statements and the reported amounts of revenues and expenses during the reported period.

The Group uses estimates in its normal course of business to evaluate the warranty, excess and obsolete inventory, the doubtful debtors, the useful life of R&D projects, the valuation of intellectual properties, the derivative financial instruments and other reserves. Actual results could differ from these estimates.

Judgements made by management in the application of IFRS that have significant effect on the amounts recognized in the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes hereafter.

Operating Lease as Lessor

The Group has entered into a sublease of own leased premises to a third party. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contract as operating lease.

Going concern

The going concern valuation rules were used both for the standalone annual accounts and the consolidated annual accounts of the Company. The Board of Directors is of the opinion that, notwithstanding the existence of substantial losses carried forward the use of going concern valuation rules is justified taking into account the below circumstances.

Wireless Data – the market:

The Company operates primarily in the wireless data segment. This segment continues to be an important growth market. Users have become increasingly used to their devices being wirelessly connected to the Internet. Applications have further improved, multiplied and intensified the use of such devices anywhere and anytime. Furthermore, the growth potential of the sector is also evidenced by the continuous innovation and development of new product categories. The foreseen roll out of new 4G networks is expected to bring a renewed boost to the Telecom industry as a whole. Option has for many years been active in this wireless data market and has build up valuable know how, partnerships and sales channels.

Budget – new products and markets:

At the Mobile World Congress in Barcelona in March 2012 the Company announced new and repositioned products (VIU², XYfi and a new LTE based module). The Company further invested in the development of its security related products via a partnership with Vasco Data Security. This partnership led to the development of a new product “Cloudkey”. The product is distributed via a channel of system integrators that are used to work with Vasco Data Security systems. Although the sales cycle for such products tends to be longer, the gross margin on product sales is anticipated to be higher and the volatility of sales lower.

The Board has approved a budget over 2012 and a plan for 2013 built around the aforementioned products and the initial feedback received from the market on these products. Although most of the budget contains revenue projections in segments and channels that are quite new to the Company, the Board is nevertheless confident that the updated budget has been prepared in a realistic and conservative manner. The company's financial position and liquidity may be negatively impacted in case the business plan is only partially realized, or not timely realized. During the following months, the company will be able to assess the extent to which the initial market interest materializes according to this budget.

Cost Reduction Plans:

Over the last years the Company has taken measures to lower its cost base dramatically reducing the operational costs by 45% from 2009-2011 (excluding restructuring and depreciation charges). Going forward the Company will remain focused on further cost optimisation. The budget approved by the Board includes further cost reductions that will reduce the cash burn of the company. These are expected to be implemented in the following months.

Financing:

At year end, the Company still has an important cash position which will enable the Group to further develop its defined market strategy. The credit lines that the group has negotiated in 2009 with ING and Belfius (former Dexia) are currently unused and are unavailable due to covenant breaches. The Company is currently reviewing and renegotiating these credit lines. The extent, to which the above budget is realized over the following months, is expected to impact these negotiations. The successful commercial development of the new products will facilitate to financing means.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if there is a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within next financial year.

Development costs

Development costs are capitalized in accordance with the accounting policy in Note 2. Initial capitalization of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2011, the best estimate of the carrying amount of capitalized development costs was EUR 8 194k (2010: EUR 8 114k), see note 8 for further details.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. At 31 December 2011, the company has recognized impairment losses on the capitalized development projects for EUR 365k (2010: EUR 6 135k). Further details, including a sensitivity analysis of key assumptions, are given in Note 8.

Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses and other timing differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Following the IFRS guidance related to deferred tax assets, the Group determined that it was prudent to reverse the deferred tax asset in 2010 in full. Therefore, there is no remaining carrying value of recognised tax losses at 31 December 2010 and 2011.

Although these tax losses are not recorded on the balance sheet, they do not expire nor may be used to offset taxable income elsewhere in the Group. Further details are contained in Note 7.

Warranty provision

The Group estimates the cost for the warranty coverage by applying statistical techniques on the sales recorded.

The warranty period is between 12 and 24 months, determined by the location of the customer.

At 31 December 2011, the estimated provision for warranty is EUR 83k (2010: EUR 201k). Further details are given in Note 16.

Restructuring provision

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring as explained in the accounting policy in Note 2. In the last quarter of 2009, the Group announced a second restructuring which affected the Company and a number of its affiliates. At the end of the financial year 2011 the remainder of this restructuring provision was estimated at EUR 510k (2010: EUR 1 096k). Further details are given in Note 16.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

(1) FOREIGN CURRENCY TRANSLATION

➤ *FUNCTIONAL AND PRESENTATION CURRENCY*

The individual financial statements of each of the Group's entities are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in euro, which is the Company's functional and presentation currency. All companies within the Group have the euro as their functional currency, except for:

- the Japanese subsidiary for which its functional currency is the Japanese Yen; and
- the Hong Kong, US and Taiwanese subsidiaries for which the functional currency is respectively the US dollar and New Taiwan dollar.

➤ *FOREIGN CURRENCY TRANSACTIONS*

In preparing the financial statements of the individual entities, transactions in currencies other than euro are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the balance sheet date rate. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the foreign exchange rate prevailing at the date when the fair value was determined. 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 recognized in the income statement of the period.

➤ *TRANSLATION OF THE RESULTS AND FINANCIAL POSITION OF FOREIGN OPERATIONS*

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (US, Japanese, Hong Kong and Taiwanese subsidiaries) are translated to euro at foreign exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. The components of shareholders' equity are translated at historical rates. Exchange differences arising, if any, are classified as equity and recognized in the Group's foreign currency translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

(2) REVENUE RECOGNITION

The Group generates its revenue mainly from the sales of its products, ie data cards, USB Devices, routers, embedded wireless modules, licenses and software products.

Customers of the Group are Value added Resellers, Original Equipment Manufacturers, wireless service providers, global operators and end-users.

Revenue from products is recognized by the Group when

- persuasive evidence of an arrangement exists,
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the products sold;
- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the amount of revenue (the price) can be measured reliably,
- collection of the price is reasonably assured (it is probable that the economic benefits associated with the transaction will flow to the entity), and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

If any of these criteria are not met, recognition of revenues is deferred until such time as all of the criteria are met.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty.

The Company's product sales are generally not sold with a right of return unless the product is defective and covered by the warranty clause (See also Note 16).

The Company's sales typically include multiple product and/or service elements such as technical support for its products. In that case the total revenue is allocated to the fair value of the individual elements, each of which are then recognized in

accordance with the accounting principle applicable to that element. Where the fair value of one or more of the elements cannot be determined, the revenue is spread over the expected remaining contractual lifetime.

Although the products sold have embedded software, the Group believes that software is incidental to the products they provide.

Revenues from services are recognized when the services are performed, when there is no material continuing performance and collection is reasonably assured. Revenues on service arrangements contingent on final customer acceptance are deferred until such acceptance has been received, and all other criteria for revenue recognition have been met. The costs associated with these arrangements are recognized as incurred.

A part of the company's revenues have been derived from collaboration agreements. Pursuant to such collaborations, the group agrees to conduct research and test projects, as defined in the contract.

Most of these agreements provide for upfront fees for technology access, license fees and significant milestone fees. Agreements specifically related to license and software income are recognized as revenue over the period of the license.

Upfront non-refundable fees are only recognized as revenue at fair value when products are delivered and/or services are rendered in a separate transaction and the Group has fulfilled all conditions and obligations under the related agreement. In case of continuing involvement of the Group, the upfront fee would not be regarded as a separate transaction and the upfront non refundable fees will be deferred at fair value over the period of the collaboration.

Research milestone earnings are recognized as revenues when irrevocably earned, unless the Group has continuing involvement in the program. In such case the milestone revenue is only recognized in full to the extent cost has been incurred in light of the overall estimated project revenues and expenses.

Deferred revenue is recorded when cash in advance is received before the above revenue recognition criteria are met.

A limited number of sales contracts entitle customers to a subsequent credit note in case of price erosion during a specific period after the initial sale. Subsequently granted discounts resulting from this type of contract clauses are estimated at the time of the initial sale and netted against revenue.

Any cash discount is netted against revenue.

(3) ROYALTIES BASED ON THE SALE OF PRODUCTS

Under license agreements, the Group is committed to make royalty payments for the use of certain patented technologies in wireless data communication. The Group recognizes royalty obligations as determinable in accordance with agreement terms with those patent holders. Royalty obligations are recognized in the income statement in the caption "sales, marketing and royalties' expenses".

(4) TAXES

Income tax charge on the profit or loss for the year comprises current and deferred taxation. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax

Current tax is the expected tax payable on the taxable income for the year. Taxable base differs from net base as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates enacted, or substantively enacted, at the balance sheet date. For further details see Note 7.

Deferred income tax

Deferred income tax is provided in full, using the balance sheet liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Enacted or substantially enacted tax rates are used to determine deferred income tax.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all taxable temporary differences only to the extent that it is probable for management that future taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets are reviewed at each balance sheet date and are 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 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. For further details see Note 7.

(5) INVENTORIES

Raw materials (mainly electronic components) and work in progress are stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis.

Finished goods inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and where applicable, direct labors costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

The Group recognizes consignment stock in its balance sheet unless there has been a substantial transfer of the risks and rewards of ownership to the consignee.

The Group reviews inventories of slow-moving or obsolete items on an ongoing basis and creates allowances if needed.

(6) PROPERTY PLANT AND EQUIPMENT

The Group's property, plant and equipment, including dedicated production equipment, is recorded at historical cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are charged to the income statement as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

| | |
|----------------------------------|---------------|
| Machinery and computer equipment | 2 to 10 years |
| Furniture and Vehicles | 5 years |
| Leasehold improvements | 3 to 9 years |

The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

Assets under construction are stated at cost. This includes cost of construction, plant and equipment and other direct costs. Assets under construction are not depreciated until such time as the relevant assets are available for their intended use, at which stage the assets are also reclassified towards the relevant category within property, plant and equipment.

(7) LEASES

Lease operations can be divided into two types of lease:

➤ Finance lease

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. They are measured at the lower of fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses.

Each lease payment is apportioned between reduction of the lease obligation and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in short and long-term payables. The interest element is charged to the income statement over the lease period. Assets under finance lease are depreciated over the useful life of the assets according to the rules set out by the Group. In case where it is not certain that the Group will acquire the ownership of the asset at the end of the lease term, depreciation is spread over the shorter of the lease term and the useful life of the asset.

➤ *Operating lease*

Leases under which a substantial part of risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating lease are charged to the income statement on a straight-line basis over the term of the lease. For further details see Note 17.

(8) INTANGIBLE ASSETS

Intangible assets acquired separately are measured upon initial recognition at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(A) RESEARCH AND DEVELOPMENT COSTS AND RELATED GOVERNMENT DEVELOPMENT FUNDING

Research expenditure is recognized as an expense as incurred.

The Group follows the cost reduction method of accounting for government research funding whereby the benefit of the funding is recognized as a reduction in the cost of the related expenditure when certain criteria stipulated under the terms of those funding agreements have been met, and there is reasonable assurance the grants will be received.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets pursuant IAS 38 *Intangible Assets* if following criteria of compliance are met and the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits (e.g. existence of a market or, if it is to be used internally, the usefulness of the intangible asset);
- the availability of adequate technical, financial and other resource to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible assets can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, these internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately. The amortization of capitalized development costs is recognized in the income statement under the caption "Research and Development costs".

Other development expenditures are recognized as an expense as incurred. Research and Development costs recognized in the previous accounting year as an expense cannot be recognized as an asset in a subsequent period. Development costs that have a finite useful life that have been capitalized are amortized from the commencement of the commercial shipment of the certified product on a straight-line basis over the period of its expected benefit, not exceeding two years.

Capitalization of development costs as detailed above creates a taxable temporary difference. Accordingly, a deferred tax liability is accounted for in this respect.

(B) OTHER INTANGIBLE ASSETS

The Group's other intangible assets include

- Concessions, patents and licenses, and
- Software for Material Requirements Planning (MRP) and consolidation purposes.

These are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is computed using the straight-line method over the estimated useful lives of the assets, which are from 1,5 to 5 years depending to the

specific license or software. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(9) IMPAIRMENT OF ASSETS

The Group assesses at each reporting date whenever events or changes in circumstances occur to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

For intangible assets initially recognized that no longer meet the criteria described for research and development costs (Accounting policy 8A) an impairment loss is recognized. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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 for which the estimates of future cash flows have not been adjusted.

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 (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized in the income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized in the income statement.

(10) PROVISIONS

A provision is recognized when:

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

If these conditions are not met, no provision is recognized.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

➤ Warranty provision

The Group provides warranty coverage on its products from date of shipment and/or date of sale to the end customer. The warranty period is in line with the applicable legislation and ranges from 12 to 24 months, determined by the location of the customer. The Group's policy is to accrue the estimated cost of warranty coverage at the time the sale is recorded.

The warranty on sales from the Group outside the European Union is limited to one year only.

➤ Restructuring provision

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 the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

(11) EMPLOYEE BENEFIT PLANS

The Group operates a number of defined contribution plans, the assets of which are held in separate trustee-administered funds or group insurances. Payments for these defined contribution plans are recognized as a current year charge.

(12) SHARE-BASED PAYMENT TRANSACTIONS

The Group operates equity-settled share-based compensation plans through which it grants share options (here after referred to as “warrants”) to employees, contractors and directors. The cost of equity-settled transactions with employees for awards granted is measured by reference to the fair value at the grant date. The equity-settled share-based payments are expensed over the vesting period, with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the warrants granted, measured using the Black & Scholes model, taking into account the terms and conditions at which the warrants were granted. At each balance sheet date, the entity revises its estimates of the number of warrants that are expected to become exercisable except where forfeiture is only due to shares not achieving the threshold for vesting. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the warrants are exercised.

Further details are given in Note 18.

(13) FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

➤ Trade and other receivables

Trade debtors and other amounts receivable are shown on the balance sheet at nominal value (in general, the original amount invoiced) less an allowance for doubtful debts. Such an allowance is recorded in the income statement when it is probable that the Group will not be able to collect all amounts due.

Customers for which overdue amounts rise from commercial discussions, are provided against revenue. In those cases, where the credit risk arises from the possibility that customers may not be able to settle their obligations as agreed, are provided against an allowance for doubtful debtors. Even if one particular brand or a global mobile operator would represent a substantial percentage of the Group's trade receivables, the Group is dealing with the individual affiliated operator who is free to negotiate and manage its own contracts and placement of purchase orders. All these affiliated operators have different credit risk profiles and benefit from different terms and conditions.

Other receivables are stated at their nominal value (in general, the original amount invoiced) less an allowance for doubtful debts if deemed necessary.

➤ Trade and other payables

Trade payables and other payables are stated at amortized cost. This is computed using the effective interest method less any allowance for impairment.

➤ Cash and cash equivalents

Cash includes cash and term deposits. Highly liquid investments with maturity of three months or less at date of purchase are considered cash equivalents. Cash equivalents consist primarily of term deposits with a number of commercial banks with high credit ratings.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above.

(14) BORROWING COSTS

Borrowing costs are recognised as an expense when incurred.

(15) DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivatives financial instruments such as forward currency contracts to hedge its foreign market risk. These derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value through the income statement.

For financial instruments where there is no active market, an appropriate valuation technique is used to determine the fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

(16) EARNINGS PER SHARE

Basic net earnings per share are computed based on the weighted average number of ordinary shares outstanding during the period.

Diluted net earnings per share are computed based on the weighted average number of ordinary shares outstanding including the dilutive effect of warrants.

(17) SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (operating segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of revenue and expenses that can be allocated on a reasonable basis to a segment.

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

NOTE 3: OPERATING SEGMENTS AND ENTITY-WIDE DISCLOSURES

Segment information is presented in respect of the Group's business and geographical segments. The Group is following up on its activities on a project-by-project basis, whereby each project includes one or more products with similar technologies.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the management of the Group in order to allocate resources to the segments and to assess their performance. In the first half year of 2011, to support its current market strategy, the Group has further aligned its organization more with its target markets and product segments into business units. Therefore the Group changed its internal reports and thus, segment information.

The primary segment reporting format is determined to be the business segment; each segment is a distinguishable component of the Group that is engaged in either providing products or services:

- The "Devices & Solutions" operating segment produces data cards, USB devices, routers as well as the new end to end service offerings;
- The "Embedded & Solutions" operating segment is principally the production of embedded devices or module offerings and associated integration and certification services;
- The "License" operating segment is related to revenues generated to license deals, closed with third parties;
- The "Other" operating segment is mainly related to revenues generated out of the connection manager software business, mobile security solutions and other not product or not license related income. They are not reported separately at this stage since they represent less than 10% of total revenue.

The following is an analysis of the Group's revenue and results from operations by reportable segment:

| | Revenues from external customers | | Operating segment result | |
|--------------------------------|----------------------------------|---------------|--------------------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Devices & Solutions | 13 907 | 43 089 | (7 977) | (7 759) |
| Embedded & Solutions | 6 162 | 7 257 | (2 502) | (8 782) |
| Licenses | 28 135 | 4 956 | 27 938 | 4 956 |
| Other | 1 711 | 2 429 | (3 507) | (820) |
| Totals | 49 915 | 57 731 | 13 952 | (12 405) |
| Unallocated Operating Expenses | | | (17 532) | (19 481) |
| Finance (costs) / income | | | 676 | (838) |
| Income taxes / (expenses) | | | 42 | (28 314) |
| Net result | | | (2 862) | (61 038) |

The segment result represents the result for each segment including the operating expenses which could be allocated to the operating segment. The operating expenses which can be allocated are mainly amortizations, royalty expenses and staff related expenses, dedicated to the operating segment. The remaining operating expenses, mainly including the general and administrative, depreciations and staff related expenses not dedicated to a specific segment, have been reported under the "unallocated operating expenses". The segment results for the full year 2010 have been restated in order to be comparable to the full year 2011 segment results.

As of 2010, the "license" revenues exceeded the threshold of 10% compared to total revenues and therefore the Group started to report those revenues as a separate segment. Those revenues were mainly the result of a cooperation agreement between the Group and Huawei Technologies in October 2010, in which Huawei, amongst others, agreed to license Option's uCAN® Connection Manager software and, for which an amount of EUR 27 million was paid, covering an initial period of 1 year (i.e. October 26, 2010 until October 25, 2011). During 2011 a payment of EUR 33 million was received as extension of the software license agreement. This extension of the agreement will generate revenues in the period November 2011 until October 2012. The Group's accounting policy related to such license agreements foresees that license income is recognized as revenue over the period of the license. Therefore, for the financial year 2011, the Group has recognized EUR 28.1 million as revenue (2010: EUR 4.9 million).

Most of the equipment sales occur under global or international mobile brands and are invoiced to their local, national and partnership network operators or established outsourced equipment manufacturers, resulting in a spread risk of a solid

portfolio of sound and different accounts receivable. In 2011, only one customer (groups) represented more than 10% of the total revenues realized in 2011, being 56.2%. The remaining customers of the top 10 represented combined 23.7% of total revenues in 2011.

23% of the Group's revenues in 2011 are obtained within Europe compared with 52% in 2010. The only 2 countries where the Group generated more than 10% of total revenues in 2011 are Hong Kong (56.2%) and the United States (14.8%).

Given the limited number of customers, the Group is following up on its sales efforts on a global basis, rather than on a regional basis.

| Revenues | 2011 | 2010 |
|--------------|------|------|
| Europe | 23% | 52% |
| Americas | 15% | 29% |
| Asia-Pacific | 59% | 16% |
| Other | 3% | 3% |

Since the Group does not report segments to the management of the Group on a balance sheet level, no information on assets and liabilities per segment can be disclosed.

NOTE 4: ADDITIONAL INFORMATION ON OPERATING EXPENSES BY NATURE

Depreciation, amortization and impairment loss are included in the following line items in the income statement:

| Thousands EUR | Depreciation on property, plant and equipment | | Amortization on intangible assets | | Impairment loss on intangible assets | | Total | |
|------------------------------------------|-----------------------------------------------|--------------|-----------------------------------|--------------|--------------------------------------|--------------|--------------|---------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Cost of products sold..... | 115 | 226 | 2 | 229 | - | - | 117 | 455 |
| Operating Expenses including : | | | | | | | | |
| -Research and development expenses | 2 210 | 3 449 | 5 487 | 9 267 | 365 | 6 135 | 8 062 | 18 851 |
| -Sales, marketing and royalties expenses | 55 | 80 | 81 | 63 | - | - | 136 | 143 |
| -General and administrative expenses | 396 | 613 | 57 | 165 | - | - | 453 | 777 |
| Total | 2 776 | 4 368 | 5 627 | 9 725 | 365 | 6 135 | 8 768 | 20 228 |

In 2011, the Group reviewed the existing capitalized R&D projects which resulted in an impairment of EUR 365k (2010: EUR 6 135k) mainly having its source in changing technologies and fast changing market conditions.

The research and development expenses that were expensed as incurred amounted to EUR 7 039k (2010: EUR 6 004k).

Payroll and related benefits are included in the following line items in the income statement:

| Thousands EUR | 2011 | 2010 |
|-----------------------------------------|---------------|---------------|
| Cost of products sold..... | 255 | 530 |
| Research and development expenses | 2 293 | 1 812 |
| Sales, marketing and royalties expenses | 5 155 | 5 457 |
| General and administrative expenses | 4 221 | 4 103 |
| Total | 11 924 | 11 901 |

Cost of products sold

At year-end 94.3%, or EUR 18 089k of the cost of product sold relates to materials (2010: 96.8% or EUR 41 305k)

NOTE 5: PAYROLL AND RELATED BENEFITS

| Thousands EUR | 2011 | 2010 |
|---------------------------------------------------------------------|---------------|---------------|
| Wages and salaries..... | 8 207 | 7 010 |
| Social security contributions..... | 2 712 | 3 036 |
| Other personnel expenses..... | 542 | 1 432 |
| Contributions to pension plan..... | 388 | 423 |
| Payroll related restructuring charges..... | 74 | - |
| | 11 923 | 11 901 |
| a) Total number of people registered at year-end..... | 183 | 206 |
| b) Average number of people registered in full time equivalent..... | 191 | 231 |
| Direct and indirect labor..... | 1 | 12 |
| Employees..... | 183 | 215 |
| Management..... | 7 | 4 |

As from 2003, the Company and two of its subsidiaries contribute to local pension funds, which are managed by high rated insurance companies. It concerns defined contribution schemes and the contribution can be partially fixed and partially related to the operating profit. The contributions to the pension funds amounted to EUR 388k (2010: EUR 423k).

NOTE 6: FINANCE RESULT-NET

| Thousands EUR | 2011 | 2010 |
|---------------------------------------------------------|--------------|--------------|
| Interest income..... | 435 | 59 |
| Net foreign exchange gains..... | 259 | - |
| Other | 104 | 43 |
| Finance income | 798 | 102 |
| Interest expense..... | (20) | (527) |
| Net foreign exchange losses | - | (220) |
| Other, mainly bank charges and payment differences..... | (102) | (193) |
| Finance costs | (122) | (940) |
| Finance net result | 676 | (838) |

The net foreign exchange result amounted to EUR 259k or 0.5% of total revenues of 2011 (2010: EUR -220k or -0.4% of total revenues of 2010) mainly due to realized losses on the USD.

In the financial year 2010 and 2011, the Group did not enter into derivative financial instruments.

NOTE 7: INCOME TAX

| Thousands EUR | 2011 | 2010 |
|------------------------------------------------------------------------------------------------------------------------|-----------|-----------------|
| Tax benefit/(expense) comprises: | | |
| Current tax benefit/(expense) | 22 | (379) |
| Deferred tax benefit/(expense) | 20 | (27 935) |
| Total tax income/(expense) | 42 | (28 314) |
| Result before tax | (2 904) | (32 724) |
| Tax benefit / (expense) calculated at 33.99% | 987 | 11 123 |
| Effect of non-taxable income | - | 297 |
| Effect of expenses that are not deductible in determining taxable profit | (169) | (169) |
| Effect of concessions and other tax credits | 638 | |
| Effect of unused tax losses not recognized during the year | - | (8 692) |
| Effect of previously recognized unused tax losses and deductible temporary differences written off in the current year | - | (27 179) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (1 414) | (3 494) |
| Tax income/(expense) recognized in the income statement | 42 | (28 314) |

The tax rate used for the 2011 and 2010 reconciliations above is the corporate tax of 33.99% payable by companies in Belgium under Belgian tax law.

Following the IFRS guidance related to deferred tax assets, the Group determined that it is prudent to reverse the deferred tax asset in full in 2010. Although the deferred tax assets are not recorded on the balance sheet of the Group, the use of those tax losses and deductible temporary differences are still valid and unlimited in time, except for the part which relates to the notional interest deduction, which is limited to a 7 year period. The tax effected value of the tax losses carried forward and not recorded are calculated at EUR 48.0 million for which an amount of EUR 0.95 million expires in 2014, an amount of EUR 0.88 million expires in 2015, an amount of EUR 0.34 million expires in 2016 and an amount of EUR 0.31 million expires in 2017. The remaining part, being EUR 45.5 million, is unlimited in time.

NOTE 8: INTANGIBLE ASSETS

| Thousands EUR | Capitalized development | Concessions, patents, licenses | Software | Total 2011 |
|-------------------------------------------------------------------|-------------------------|--------------------------------|----------------|-----------------|
| Acquisition cost | | | | |
| Balance at 1 January 2011 | 84 512 | 6 398 | 2 874 | 93 783 |
| Effect of movements in foreign exchange | - | - | - | - |
| Additions | - | 455 | 10 | 465 |
| Expenditures on product development, net of grants received | 5 744 | - | - | 5 744 |
| Transfer to other asset categories | - | - | - | - |
| Disposals | - | - | (58) | (58) |
| Other movements | - | - | - | - |
| Balance at 31 December 2011 | 90 256 | 6 853 | 2 826 | 99 934 |
| Amortization and impairment loss | | | | |
| Balance at 1 January 2011 | (76 398) | (6 277) | (2 512) | (85 187) |
| Effect of movements in foreign exchange | - | - | - | - |
| Amortization | - | (169) | (160) | (329) |
| Amortization for expenditures on product development | (5 299) | - | - | (5 299) |
| Impairment loss | (365) | - | - | (365) |
| Disposals | - | - | 58 | 58 |
| Transfer to other asset categories | - | - | - | - |
| Balance 31 December 2011 | (82 062) | (6 446) | (2 614) | (91 122) |
| Carrying amount at 1 January 2011 | 8 114 | 121 | 362 | 8 596 |
| at 31 December 2011 | 8 194 | 407 | 212 | 8 812 |
| Acquisition cost | | | | |
| Balance at 1 January 2010 | 81 994 | 8 925 | 2 879 | 93 798 |
| Effect of movements in foreign exchange | - | - | - | - |
| Additions | - | 547 | 27 | 574 |
| Expenditures on product development, net of grants received | 8 726 | - | - | 8 726 |
| Transfer to other asset categories | - | - | - | - |
| Disposals | (6 208) | (3 074) | (33) | (9 315) |
| Other movements | - | - | - | - |
| Balance at 31 December 2010 | 84 512 | 6 398 | 2 874 | 93 783 |
| Amortization and impairment loss | | | | |
| Balance at 1 January 2010 | (62 378) | (7 773) | (2 262) | (72 413) |
| Effect of movements in foreign exchange | - | - | - | - |
| Amortization | - | (1 578) | (262) | (1 840) |
| Amortization for expenditures on product development | (7 885) | - | - | (7 885) |
| Impairment loss | (6 135) | - | - | (6 135) |
| Disposals | - | 3 074 | 12 | 3 087 |
| Transfer to other asset categories | - | - | - | - |
| Balance 31 December 2010 | (76 398) | (6 277) | (2 512) | (85 187) |
| Carrying amount at 1 January 2010 | 19 616 | 1 152 | 617 | 21 385 |
| at 31 December 2010 | 8 114 | 121 | 362 | 8 596 |

➤ IMPAIRMENT OF INTANGIBLE ASSETS WITH DEFINITE USEFUL LIFE

In 2011, the Group reviewed the existing capitalized R&D projects which resulted in an impairment of EUR 365k (2010: EUR 6 135k) mainly having its source in changing technologies and fast changing market conditions. This analysis was based on “platform related projects” with a faster than anticipated end-of-life, projects with reduced contributions and projects with no visibility on sales beyond end of 2011. The value was determined based on an estimate of the projected contributions from these development projects in the coming quarters.

This was recognized in the income statement in the line item “Research and development expenses”.

The remaining net book value of EUR 8 194k relates to current 3G commercialized projects as well as to new LTE developments.

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

| Thousands EUR | Machinery and computer equipment | Furniture and Vehicles | Leasehold improvements | Total 2011 |
|-----------------------------------------------|-------------------------------------------|------------------------------|---------------------------|-----------------|
| Acquisition cost | | | | |
| Balance at 1 January 2011 | 31 002 | 1 902 | 1 855 | 34 759 |
| Effect of movements in foreign exchange | 2 | 1 | - | 3 |
| Additions | 176 | 10 | 2 | 188 |
| Disposals | (3 599) | (251) | (212) | (4 062) |
| Other movements | (3 298) | - | - | (3 298) |
| Balance at 31 December 2011 | 24 283 | 1 662 | 1 645 | 27 590 |
| Depreciation | | | | |
| Balance at 1 January 2011 | (27 240) | (1 524) | (1 485) | (30 249) |
| Effect of movements in foreign exchange | (4) | (2) | - | (6) |
| Depreciation | (2 402) | (141) | (233) | (2 776) |
| Impairment loss | - | - | - | - |
| Disposals and cancellation | 3 293 | 243 | 210 | 3 746 |
| Other movements | 3 298 | - | - | 3 298 |
| Balance at 31 December 2011 | (23 055) | (1 424) | (1 508) | (25 987) |
| Carrying amount | | | | |
| at 1 January 2011 | 3 762 | 378 | 370 | 4 510 |
| at 31 December 2011 | 1 228 | 238 | 137 | 1 603 |
| Acquisition cost | | | | |
| Balance at 1 January 2010 | 33 446 | 2 112 | 1 841 | 37 399 |
| Effect of movements in foreign exchange | 8 | 28 | 2 | 38 |
| Additions | 50 | 8 | 6 | 64 |
| Disposals | (2 368) | (238) | - | (2 606) |
| Transfer to other asset categories | (134) | (8) | 6 | (136) |
| Balance at 31 December 2010 | 31 002 | 1 902 | 1 855 | 34 759 |
| Depreciation | | | | |
| Balance at 1 January 2010 | (25 599) | (1 449) | (1 194) | (28 242) |
| Effect of movements in foreign exchange | 1 | (15) | (1) | (15) |
| Depreciation | (3 890) | (208) | (269) | (4 367) |
| Impairment loss | - | - | - | - |
| Disposals and cancellation | 2 140 | 86 | 15 | 2 241 |
| Transfer to other asset categories | 108 | 62 | (36) | 134 |
| Balance at 31 December 2010 | (27 240) | (1 524) | (1 485) | (30 249) |
| Carrying amount | | | | |
| at 1 January 2010 | 7 847 | 663 | 647 | 9 157 |
| at 31 December 2010 | 3 762 | 378 | 370 | 4 510 |

The main part of the disposed property, plant and equipment, for a net amount of EUR 316k, is related to test equipment of Option NV (Leuven).

NOTE 10: TRADE AND OTHER RECEIVABLES

➤ CURRENT TRADE AND OTHER RECEIVABLES

| Thousands EUR | 2011 | 2010 |
|---------------------------------|--------------|--------------|
| Trade receivables | 4 090 | 7 424 |
| Allowance for doubtful accounts | (799) | (703) |
| <i>Subtotal</i> | <i>3 291</i> | <i>6 721</i> |
| Recoverable VAT | 329 | 509 |
| Other receivables | 304 | 47 |
| <i>Subtotal</i> | <i>633</i> | <i>556</i> |
| | 3 924 | 7 277 |

For terms and conditions relating to related party receivables, refer to Note 23.
Trade receivables are non-interest bearing and are generally on 60-90 days' terms.

The other receivables consist mainly of prepaid expenses and accrued income.

Aging of trade receivables:

| Thousands EUR | Gross Amounts | | Allowance for doubtful accounts | |
|---------------|---------------|--------------|---------------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| < 60 days | 2 986 | 6 570 | - | - |
| 60 - 90 days | 55 | 78 | - | - |
| 90 - 120 days | 216 | 13 | - | - |
| > 120 days | 833 | 763 | (799) | (703) |
| | 4 090 | 7 424 | (799) | (703) |

See also Note 21 for further information about credit risk.

Even if one particular brand or a global mobile operator would represent a substantial percentage of the Group's trade receivables, the Group is dealing with the individual affiliated operator who is free to negotiate and manage its own contracts and placement of purchase orders. All these affiliated operators have different credit risk profiles and benefit from different terms and conditions.

➤ OTHER NON-CURRENT ASSETS

| Thousands EUR | 2011 | 2010 |
|-----------------------|------------|-----------|
| Cash guarantees | 130 | 48 |
| | 130 | 48 |

Other non current assets are cash guarantees that are mainly related to rent guarantees in the major facilities.

NOTE 11: OTHER FINANCIAL ASSETS

| Thousands EUR | 2011 | 2010 |
|------------------------------|--------------|----------|
| Other financial assets | 1 043 | - |
| | 1 043 | - |

In September 2011, Option invested EUR 1 043k (representing 6.67%) in Autonet Mobile, Inc. to deliver the 1st Mobile IP based Telematics Control Unit (TCU) for the Automotive market. By entering this strategic partnership, Option will combine the knowledge of the automotive market with designing and developing wireless solutions.

NOTE 12: INVENTORIES

| Thousands EUR | 2011 | % | 2010 | % |
|---------------------------------|--------------|---------|---------------|---------|
| Raw materials..... | 1 932 | 28.4% | 4 606 | 37.1% |
| Work in progress | 5 725 | 84.3% | 7 164 | 57.7% |
| Finished goods | 2 373 | 34.9% | 6 299 | 50.7% |
| Provision for inventories | (3 238) | (47.6%) | (5 644) | (45.4)% |
| | 6 792 | | 12 425 | |

Raw materials consist of chipsets and components. Work in progress concern assembled printed circuit boards and finished goods are the products ready to be shipped to customers.

Inventories decreased from EUR 12 425k to EUR 6 792k at the end of 2011. This decrease is mainly explained by decreased inventory position in raw materials, work in progress and finished goods. At the end of 2011, the total provision for inventories amounted to EUR 3 238k (2010: EUR 5 644k).

The decrease in provision for inventories of EUR 2 406k is recognised in the cost of product sold. This provision is set-up mainly to cover excess positions and to lower the stock value to net realisable value for certain products. In addition an amount of EUR 2 million has been expensed as a result of inventory write offs during 2011 (2010: EUR 3.6 million).

There are no inventories pledged for security.

NOTE 13: CASH AND CASH EQUIVALENTS

| Thousands EUR | 2011 | 2010 |
|-----------------------|---------------|---------------|
| Short Term deposits | 10 000 | 18 896 |
| Bank current accounts | 15 206 | 12 014 |
| Cash | 10 | 20 |
| | 25 216 | 30 930 |

Bank accounts include short term deposits (between one day and 3 months) in 2011 for an amount EUR of 10 000k (2010: EUR 18 896k).

NOTE 14: FINANCIAL ASSETS AND LIABILITIES

➤ OTHER FINANCIAL LIABILITIES

Absorptions from existing credit lines, totaling EUR 4.8 million at the end of 2010, have been reimbursed in 2011.

| Thousands EUR | 2011 | 2010 |
|------------------------------------|----------|--------------|
| Credit facility ING | - | 3 390 |
| Credit facility Belfius | - | 1 380 |
| Other financial liabilities | - | 4 770 |

Below you will find a brief description of the existing credit facilities the Company has entered into with ING and Belfius.

Credit facility with ING

On 15 May 2009, the Company entered into a credit agreement with ING, pursuant to which the Company was granted a facility of EUR 7,5 million (to be drawn in cash advances or loans). During the financial year 2010 the maximum amount to be drawn in cash advances or loans has been lowered to EUR 5 million. At the end of December 2011, no amounts were drawn under this facility (2010: EUR 3.4 million).

In accordance with the ABB principle (the "Asset Borrowing Base") set forth in the agreement, the total aggregate amount of all utilisations made available under the ING facility, increased with all utilisations made available under the Belfius facility (see below) cannot exceed 60% of the aggregate amount of the Company's (consolidated) trade receivables (excluding receivables that are due and payable, intercompany receivables and receivables due after 60 days) outstanding in a certain month. To enable ING to verify the rate of outstanding trade receivables, Option has to provide ING with an overview of its (non payable) trade receivables on a bi-monthly basis. Furthermore, from the aggregate amount drawn under both facilities, 60% should be drawn from the ING facility and 40% from the Belfius facility.

The interest rate applicable to the ING facilities is EURIBOR +3 per cent.

Credit facility with Belfius

On 18 June 2009, the Company entered into a credit facility with Belfius Bank België NV for an amount of EUR 5 million. During the financial year 2010 the maximum amount to be drawn in cash advances or loans has been lowered to EUR 3.3 million. As indicated above, the ABB principle is applicable to all amounts made available under this facility (including the principle of the 60/40 ratio). As at 31 December 2011, no amounts were drawn under this facility (2010: EUR 1.4 million).

The interest rate applicable to cash advances equals the sum of the base rate (8.50 per cent. per annum as amended from time to time) and the mandatory costs (calculated in accordance with a schedule attached to the facility agreement). The interest rate applicable to loans equals the sum of the margin (300 per cent. per annum), EURIBOR and mandatory costs (calculated in accordance with a schedule attached to the facility agreement).

The credit lines from ING and Belfius have a number of covenants; a leverage covenant, a solvency covenant and a net equity covenant. However, because of the incurred losses the Company's net equity has fallen below the threshold and thus the Company is at present in breach of the equity and solvency covenant. . The banks have granted waivers for this breach for the full year 2011. The Company is renegotiating the facility agreement.

The pledge on the Company's business in favor of a financial institute for past loan facilities consist of the following:

| Thousands EUR | 2011 | 2010 |
|--------------------------------------------|--------|--------|
| Pledge on the company's business (ING) | 15 000 | 15 000 |
| Pledge on the company's business (Belfius) | 5 000 | 5 000 |

The obligations of the Company, under the ING credit facility, are secured by a first ranking pledge on the business of the Company for an amount of EUR 15 million and a floating charge of book debts and specified account to be granted by Option Wireless Ltd.

Under the Belfius credit facility, Belfius was granted a receivables pledge on all present and future receivables of Option Wireless Ltd. and a pledge on the business of Option NV for a principle amount of EUR 5 million (which ranks *pari passu* with the pledge granted to ING).

NOTE 15: TRADE AND OTHER PAYABLES – DEFERRED REVENUES

➤ TRADE AND OTHER PAYABLES

| Thousands EUR | 2011 | 2010 |
|----------------------------------------------------|---------------|---------------|
| Trade payables..... | 15 202 | 26 118 |
| Salaries, tax and payroll related liabilities..... | 1 888 | 1 370 |
| Other payables and accrued expenses | 1 035 | 2 648 |
| | 18 125 | 30 136 |

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on a 60 to 90 days terms.
- Other payables are non-interest bearing and have an average term of six months.
- Interest payable is normally settled quarterly throughout the financial year.
- For terms and conditions relating to related parties, refer to Note 23.

➤ DEFERRED REVENUES

| Thousands EUR | 2011 | 2010 |
|------------------------|---------------|---------------|
| Deferred revenues..... | 27 128 | 22 670 |
| | 27 128 | 22 670 |

The increase in deferred revenues is mainly the result of the software license agreement closed with a third party in October 2010, which was prepaid and covering a period until October 2012.

NOTE 16: PROVISIONS

| Thousands EUR | 2010 | Additions | (Use) | (Reversal) | 2011 |
|---------------------------|--------------|-----------|--------------|--------------|------------|
| Warranty provision | 201 | | | (118) | 83 |
| Loss on supply agreements | 268 | | | (81) | 187 |
| Legal and other claims | 532 | 46 | (160) | (250) | 168 |
| Restructuring provisions | 1 096 | | (147) | (439) | 510 |
| | 2 097 | 46 | (307) | (888) | 948 |

A large part of the provisions, set up in 2010, has been used or reversed .The outcome of the remaining legal and other claims may differ from the assessment made.

The main part of the loss on supply agreements has been reversed during 2011. The warranty provision has been reversed with an amount of EUR 118k, mainly due to a decrease of the expected units which will be returned under warranty. During 2009, the Group announced and implemented a plan related to it's restructuring which resulted in a remaining provision of EUR 1 096k at the end of 2010. During 2011 the Group used an amount of EUR 147k and reversed a large portion, EUR 439k due to overstatement of the provision.

NOTE 17: OPERATING AND FINANCE LEASES

OPERATING LEASES

➤ **LEASES AS LESSEE**

Non-cancelable operating lease rentals are payable as follows:

| Thousands EUR | 2011 | 2010 |
|----------------------------------|--------------|--------------|
| Less than one year | 1 322 | 1 393 |
| Between one and five years | 3 919 | 3 268 |
| More than five years | - | - |
| | 5 241 | 4 660 |

The Group leases a number of office locations, car rentals and office equipment under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are increased annually to reflect indexations. None of the leases include contingent rentals.

In 2011, EUR 1 569k was recognized as an expense in the income statement in respect of operating leases (2010: EUR 2 210k).

➤ **LEASES AS LESSOR**

Non-cancelable operating sublease rentals are receivable as follows:

| Thousands EUR | 2011 | 2010 |
|----------------------------------|------------|------------|
| Less than one year | 480 | 297 |
| Between one and five years | 480 | 202 |
| More than five years | - | - |
| | 960 | 499 |

In the course of 2010 Option NV entered into a sublease with a third party, which will terminate in 2012. During 2011, Option NV entered into two new sublease agreements of which one will terminate in December 2013 and one ended on 31st December 2011. None of the leases include contingent rentals. In 2011, EUR 455k (2010: EUR 124k) was recognized as rental income in the income statement.

NOTE 18: SHAREHOLDERS' EQUITY

➤ **CAPITAL STRUCTURE – ISSUED CAPITAL**

At year-end 2011, the Company announced the following significant shareholders:

| Identity of the person, entity or group of persons or entities (*) | Number of shares | Percentage of financial instruments held |
|--------------------------------------------------------------------|------------------|------------------------------------------|
| Pepper NV (100% Jan Callewaert) | 14 809 008 | 17.95% |
| Free float of which: | 67 689 584 | 82.05% |
| - UBS (Switzerland) | 1 283 492 | 1.56% |
| - SISU Capital Ltd (United Kingdom) | 1 331 495 | 1.61% |
| Total outstanding shares | 82 498 592 | 100% |

The authorized share capital, at the end of 2011 comprises 82 498 592 ordinary shares, for an amount of EUR 12 232k. The shares have no par value and have been issued and fully paid. All shares held in the Company carry the same rights.

➤ **SHARE PREMIUM**

| € thousands | 2011 | 2010 |
|------------------------------|--------|--------|
| At 31 December 2011 and 2010 | 57 961 | 57 961 |

In 2010 and 2011 there were no movements on the share premium.

➤ **SHARE BASED PAYMENT RESERVE**

| € thousands | 2011 | 2010 |
|------------------------------|-------|-------|
| At 31 December 2011 and 2010 | 1 444 | 1 376 |

The share based payment reserve is used to record the value of the equity-settled share option plan provided to employees as part of their remuneration.

Warrants "V"

On 26 August 2008 the Shareholders' meeting approved the issuance of 2 500 000 warrants "V". The plan "V" is offered to Directors, members of the Executive Management Team, employees and persons designated by name (as listed in the warrant plan "V").

A total of 2 241 540 warrants "V" were offered in the course of financial year 2008:

- 340 000 warrants were granted to the directors (100% accepted in 2008);
- 325 000 warrants were granted to the members of the Executive Management Team (100% accepted in 2008);
- 1 576 540 warrants were offered on the 23th of December 2008 to employees and self-employed advisors of Option NV and subsidiaries (of which 1,187, 450 were accepted in due time in 2009).

In addition a total of 130 000 warrants "V" have been offered new members of the Executive Management team in 2009 (100% accepted in 2009). No warrants "V" have been offered in the course of 2010 and 2011.

The main terms and conditions of the warrants plan "V" governing the above warrants are as follows:

- the warrants are subject to a vesting scheme (20% vested 6 months after the offer; 20% 1 year after the offer, 20% 2 years after the offer, 20% 3 years after the offer and 20% 4 years after the offer);
- the exercise price of the above warrants amounts to EUR 2.84 per warrant granted in financial year 2008 for all the members of the Executive Management Team, Directors and self-employed advisors. For warrants granted during the financial year 2009 to members of the Executive Management Team the exercise price was EUR 1.41 per warrant (granted in May 2009) and EUR 0.95 per warrant (granted in December 2009);
- the exercise price of the above warrants amounts to EUR 1.86 for employees;
- the exercise must take place during exercise windows (i.e. May, September or December);
- upon conversion of their warrants the warrant holders receive one ordinary share of the Company per warrant;
- the plan provides for an accelerated vesting and exercise in the event of a change of control;
- the lifetime of the warrant is 5 years.

The warrants were priced using the Black & Scholes model. Where relevant, the expected life used in the model has been adjusted on management's best estimate. Expected volatility is based on the historical share price volatility over the past 4 years. The risk free interest rate is based on the OLO Bonds as valued by the National Bank of Belgium.

The following inputs into the model were performed for the accepted warrants "V" in the course of 2008, 2009, 2010 and 2011 including the average weighted fair value of the warrants "V"

| Inputs into the model | Warrants granted to and accepted to Directors and EMT members in 2008 | Warrants granted in 2008 and accepted by employees during 2009 | Warrants granted in 2008 and accepted by self employed advisors in 2009 | Warrants granted and accepted by EMT members in 2009 | Warrants granted and accepted by EMT members in 2009 | Warrants granted and accepted by EMT members in 2009 |
|-----------------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| Grant date | 26 August 2008 | 23 December 2008 | 23 December 2008 | 8 May 2009 | 8 May 2009 | 3 December 2009 |
| Grant date share price..... | 2.09 | 1.58 | 0.85 | 1.93 | 1.29 | 0.61 |
| Exercise price..... | 2.84 | 1.86 | 2.84 | 1.41 | 2.84 | 0.95 |
| Expected volatility..... | 60.94% | 72.05% | 89.12% | 95.11% | 95.11% | 96.60% |
| Expected lifetime of the warrant "V" | 4 years | 3 years | 4 years | 4 years | 4 years | 4 years |
| Risk-free interest rate | 3.59% | 2.88% | 3.03% | 2.35% | 2.35% | 2.18% |
| Number of warrants "V" accepted | 665 000 | 1 141 950 | 45 500 | 50 000 | 50 000 | 30 000 |
| Number of shares outstanding | 41 249 296 | 41 249 296 | 41 249 296 | 41 249 296 | 41 249 296 | 41 249 296 |
| Average weighted fair value per warrant | 0.86 | 0.70 | 0.35 | 1.40 | 0.69 | 0.37 |

The following reconciles the outstanding warrants "V" granted and accepted under the plan at the beginning and end of the financial year and which were in existence during the current and prior reporting period:

| | Number of Warrants "V" | Weighted average exercise price |
|--------------------------------------------------------|------------------------|---------------------------------|
| Balance at beginning of the financial year 2008 | 0 | - |
| Accepted during the financial year..... | 665 000 | 2.84 |
| Exercised during the financial year..... | - | - |
| Forfeited / lapsed during the financial year..... | - | - |
| Balance at end of the financial year 2008..... | 665 000 | 2.84 |
| Balance at beginning of the financial year 2009 | 665 000 | 2.84 |
| Accepted during the financial year..... | 1 317 450 | 1.89 |
| Exercised during the financial year..... | - | - |
| Forfeited / lapsed during the financial year..... | (328 456) | 2.08 |
| Balance at end of the financial year 2009..... | 1 653 994 | 2.24 |
| Balance at beginning of the financial year 2010 | 1 653 994 | 2.24 |
| Accepted during the financial year..... | - | - |
| Exercised during the financial year..... | - | - |
| Forfeited / lapsed during the financial year..... | (285 278) | 2.22 |
| Balance at end of the financial year 2010..... | 1 368 716 | 2.24 |
| Balance at beginning of the financial year 2011 | 1 368 716 | 2.24 |
| Accepted during the financial year..... | - | - |
| Exercised during the financial year..... | - | - |
| Forfeited / lapsed during the financial year..... | (182 200) | 2.19 |
| Balance at end of the financial year 2011..... | 1 186 516 | 2.23 |

The expense of the granted warrants "V" for the financial year 2011 was calculated at EUR 69k (2010: 200k €).
The weighted average remaining contractual life of warrants "V" outstanding at the end of the period is 11 months (2010: 23 months).

The following reconciles the number of warrants “V” vested during 2009, 2010 and 2011, according to their respective vesting schedule:

Number of warrants “V” vested during 2009, 2010 and 2011

| Grant date of the warrants “V” | Vesting date | Number |
|--------------------------------------------------|---------------------|----------------|
| 26 August 2008 (Directors and EMT members) | 26/02/2009 | 133 000 |
| | 26/08/2009 | 123 000 |
| | 26/08/2010 | 97 000 |
| | 26/08/2011 | 15 000 |
| 23 December 2008 (Employees) | 23/06/2009 | 214 602 |
| | 23/12/2009 | 163 223 |
| | 23/12/2010 | 103 297 |
| | 23/12/2011 | 10 598 |
| 23 December 2008 (Self employed advisors) | 23/06/2009 | 9 100 |
| | 23/12/2009 | 8 100 |
| | 23/12/2010 | 5 600 |
| | 23/12/2011 | 4 600 |
| 23 December 2008 (EMT members) | 23/06/2009 | 4 000 |
| | 23/12/2009 | 4 000 |
| | 23/12/2010 | 4 000 |
| | 23/12/2011 | 4 000 |
| 8 May 2009 (EMT members) | 08/11/2009 | 20 000 |
| | 08/05/2010 | 12 500 |
| | 08/05/2011 | 27 500 |
| 3 December 2009 (EMT member) | 03/06/2010 | 6 000 |
| | 03/12/2010 | 6 000 |
| | 03/12/2011 | 6 000 |
| Total | | 981 120 |

None of the warrants “V” were exercised during the financial years 2009, 2010 and 2011.

➤ **FOREIGN CURRENCY TRANSLATION RESERVES**

The foreign currency translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations (see also the accounting policy 1).

NOTE 19: EARNINGS PER SHARE

Basic net earnings per share are computed based on the weighted average number of ordinary shares outstanding during the period. Diluted net earnings per share are computed based on the weighted average number of ordinary shares outstanding including the dilutive effect of warrants.

The following is reconciliation from basic earnings per share to diluted earnings per share for each of the last two years:

| Earnings per common share | 2011 | 2010 |
|------------------------------------------------------|-------------|-------------|
| Net result (in Thousands EUR) | (2 862) | (61 038) |
| Weighted average shares of common stock outstanding: | | |
| Basic | 82 498 592 | 82 498 592 |
| Diluted | 82 498 592 | 82 498 592 |
| Per Share (in EUR) | | |
| Basic earnings per share | (0.04) | (0.74) |
| Diluted earnings per share | (0.04) | (0.74) |

Referring to IAS 33, warrants only have a dilutive effect when their conversion to ordinary shares would decrease the earnings per share. Taken into account the negative result of the Group, the basic and dilutive earnings per share remains equal.

NOTE 20: CAPITAL MANAGEMENT

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the funding requirements.

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other shareholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group's overall strategy and objectives remain unchanged during the years ended 31 December 2011 and 31 December 2010.

The capital structure of the Group consists of the current portion of long term debt and cash and cash equivalents, issued capital, share premium, reserves and retained earnings.

In 2011 the debt, which is defined as long- and short-term borrowings (excluding derivatives) decrease with EUR 4 770k (2010: decreased with EUR 3 878k), mainly as a result of the repayments of the existing credit facilities. The gearing ratio at year-end was as follows:

| Thousands EUR | 2011 | 2010 |
|------------------------------------------|----------------|---------------|
| Current portion of financial liabilities | (14) | (4 770) |
| Cash and cash equivalents | 25 216 | 30 930 |
| Net | 25 202 | 26 160 |
| Equity | 1 245 | 4 046 |
| Gearing ratio | 2024.3% | 646.6% |

NOTE 21: FINANCIAL RISK MANAGEMENT

The Group Corporate Treasury function monitors and manages the financial risks relating to the operations of the Group, which include credit risk, liquidity risk and market risk on an ongoing basis.

Derivative financial instruments are used to reduce the exposure to fluctuations in foreign exchange rates . These instruments are subject to the risk of market rates changing subsequent to acquisition. These changes are generally offset by opposite effects on the item being hedged.

Categories of significant financial instruments:

| Thousands EUR | Notes | 2011 | 2010 |
|-----------------------------------------------------------------|-------|--------|--------|
| Financial assets measured at cost or amortised cost | | | |
| Cash and cash equivalents | 13 | 25 216 | 30 930 |
| Trade receivables | 10 | 3 291 | 6 721 |
| Recoverable VAT | 10 | 329 | 509 |
| Income tax receivable | 7 | 32 | 48 |
| Other financial assets | 11 | 1 043 | 48 |
| Derivative financial instruments | 14 | - | - |
| Financial liabilities measured at cost or amortised cost | | | |
| Trade payables | 15 | 15 202 | 26 118 |
| Salaries, tax and payroll related liabilities | 15 | 1 888 | 1 370 |
| Current financial liabilities | 14 | - | 4 770 |
| Income tax payable | 7 | 69 | 95 |
| Derivative financial instruments | 14 | - | - |

➤ **CREDIT RISK**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Before accepting any new customer, the Group uses external scoring systems to assess the potential customer's credit quality and defines credit limits by customer, this in respect of the internal "Credit Management Policy". Limits and scoring attributed to customers are reviewed on a regular basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. The credit risk is monitored on a continuous basis.

Option grants credit to customers in the normal course of business. Generally, the Group does not require collateral or any other security to support amounts due. Management performs ongoing credit evaluations of its customers. All receivables are fully collectible except those doubtful accounts for which an allowance is accounted for.

Trade receivables consist of a large number of customers, spread across geographical areas. The receivables for customers who belong to the same group, in different geographical areas, are treated separately. Only one customer represents 5.6% of the total trade receivables of the Group for the year ended 31 December 2011 *and for which an the total outstanding amount is not due at year end*. In 2010, one customer represented 8.3 % of the total receivables of the Group.

The average credit period on sales of goods is 60 days. No interest is systematically charged on overdue payments. The group has performed a detailed analysis of its accounts receivable, which were more than 90 days overdue during 2011.

The carrying amount of financial assets recorded in the financial statements, represents the Group's maximum exposure to credit risk.

Included in the Group's trade receivable balance are debtors with a carrying amount of EUR 305k (2010: EUR 151k) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is between 60 and 90 days.

Aging of past due, but not impaired:

| Thousands EUR | 2011 | 2010 |
|---------------|------------|------------|
| 60 - 90 days | 55 | 78 |
| 90 - 120 days | 216 | 13 |
| > 120 days | 34 | 60 |
| | 305 | 151 |

Movement in the allowance for doubtful debts:

| Thousands EUR | 2011 | 2010 |
|--------------------------------------|------------|------------|
| Balance at the beginning of the year | 703 | 281 |
| New reserves | 632 | 458 |
| (Write-offs) | (532) | (33) |
| (releases) | (4) | (3) |
| | 799 | 703 |

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the considerable spread in the customer base.

Aging of impaired trade receivables:

| Thousands EUR Gross Amounts | 2011 | 2010 |
|--------------------------------|------------|------------|
| 60 - 90 days | - | - |
| 90 - 120 days | - | - |
| > 120 days | 799 | 703 |
| | 799 | 703 |

➤ **LIQUIDITY RISK**

The Group manages liquidity risk by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company has an existing credit agreement with ING, pursuant to which the Company was granted a facility of EUR 5 million (to be drawn in cash advances or loans) and a credit facility with Belfius Bank België NV for an amount of EUR 3.3 million. For further information we refer to note 14 section current financial liabilities. Moreover, in the last quarter of the financial year 2010, the Group received EUR 27 million and in the first quarter of the financial year 2011 an amount of EUR 33 million in cash related to a software license fee.

The following table details the Group's remaining contractual maturity for its financial liabilities:

| Thousands EUR | 2011 | 2012 | 2013 | 2014 |
|-----------------------------------------------|------|--------|------|------|
| 2011 | | | | |
| Trade payables | - | 15 202 | - | - |
| Salaries, tax and payroll related liabilities | - | 1 888 | - | - |
| Income tax payable | - | 69 | - | - |
| Credit facilities and other loans | - | - | - | - |

| | | | | |
|-----------------------------------------------|---------------|--------|---|---|
| | - | 17 159 | - | - |
| 2010 | | | | |
| Trade payables | 26 118 | - | - | - |
| Salaries, tax and payroll related liabilities | 1 370 | - | - | - |
| Income tax payable | 95 | - | - | - |
| Credit facilities and other loans | 4 770 | - | - | - |
| | 32 353 | - | - | - |

➤ **MARKET RISK: INTEREST RATE RISK**

The Group is not subject to material interest risk since the Group has no floating rate financial assets or liabilities and no interest rate derivatives.

➤ **MARKET RISK: FOREIGN CURRENCY RISK**

The Group is subject to material currency risk, as the larger part of its purchase transactions are in US dollars. The Group aims to match foreign currency cash inflows with foreign cash outflows. On the basis of the average volatility of the USD, the Company estimated the reasonably possible change of exchange rate of this currency against the euro as follows:

| 2011 EUR/USD | Closing rate December 31, 2011 1.2939 | Possible volatility in % 13.28 | Possible closing rate December 31, 2011 1.1221 – 1.4657 |
|-----------------|---------------------------------------------|---------------------------------------|---------------------------------------------------------------|
| 2010 EUR/USD | Closing rate December 31, 2010 1.3362 | Possible volatility in % 13.35% | Possible closing rate December 31, 2010 1.1578 – 1.5146 |

The Group's exposure in USD as of 31 December 2011 and 2010 is as follows:

| Carrying amounts - Thousands USD | 31 December 2011 | 31 December 2010 |
|----------------------------------|---------------------|---------------------|
| Trade payables | (2 776) | (11 365) |
| Trade receivables | 4 394 | 2 773 |
| Cash and cash equivalents | 1 627 | 1 489 |
| | 3 245 | (7 103) |

If the USD had weakened/strengthened during 2011 by the above estimated possible changes against the euro, the 2011 net result would have been EUR 333k higher/lower.

If the USD had weakened/strengthened during 2010 by the above estimated possible changes against the euro, the 2010 net result would have been EUR 710k higher/lower.

These analyses are representative for the Group's exposure throughout the year except for the derivative financial instruments, if any and for which we refer to Note 6 of this report.

NOTE 22: CONTINGENT LIABILITIES

Under license agreements, the Group is committed to royalty payments using certain essential patents - intellectual property rights (IPR) - to be used in 2.5G and 3G wireless products. The Group has progressively entered into license agreements with the basic patent holders, which brought down the uncertainty associated with such unasserted claims significantly. As in the prior fiscal year, the Group has continued to recognize its current best estimate of the obligations, including ongoing discussions with a patent holder. The Group believes it has adequately accrued for those essential patents at December 31, 2011. In the opinion of management, the amount of any ultimate liability with respect to these actions will not materially affect the Group's consolidated financial position.

NOTE 23: RELATED PARTIES TRANSACTIONS

The financial statements include the financial statements of Option NV and the subsidiaries listed in the following table:

| | 2011 | 2010 |
|-------------------------------------------------------------|------|------|
| - Option Wireless Ltd, Cork (Ireland) | 100% | 100% |
| - Option Germany GmbH, Augsburg (Germany) | 100% | 100% |
| - Option Wireless Germany GmbH, Kamp-Lintfort (Germany) | 100% | 100% |
| - Option Japan KK (Japan) | 100% | 100% |
| - Option Wireless Hong Kong Limited (China) | 100% | 100% |
| - Option Wireless Technology (Suzhou) Co. Ltd. (China) | 100% | 100% |
| - Option Wireless Hong Kong Limited Taiwan Branch (Taiwan). | 100% | 100% |
| - Option Wireless USA Inc. (United States of America) | 100% | 100% |
| - Option France SAS (France) | 100% | - |

On the 31st of August 2011, the Group announced the acquisition of the Connected Consumer Electronics assets of MobiWire SA. These assets include Surface UXTM software, related IP, and a core team of user experience experts. The team of user experience experts are based in Paris and the Company operates under the name of "Option France SAS" (Société Anonyme Simplifiée) which was established.

Since 1997 the Company has a professional relationship with the US based law firm Brown Rudnick LLP. Mr. Lawrence Levy who joined the Board of Directors of the Company early 2006 is one of the Senior Counsels of this law firm. Going forward, the Company will continue to work for certain matters with this law firm. It is being understood that Mr. Lawrence Levy will not directly work on Company related matters in his capacity of Senior Counsel of Brown Rudnick LLP. At the end of 2010 Mr. Lawrence Levy retired from Brown Rudnick LLP and has no commercial ties with the law firm anymore.

In 2011, the fees paid to Brown Rudnick LLP amounted to EUR 18k (2010: EUR 13k).

In the course of normal operations, related party transactions entered into by the Group have been contracted on an arms-length basis.

➤ BOARD OF DIRECTORS COMPENSATION

In 2011, the compensation for the Board of Directors amounted to EUR 271k (2010: EUR 259k).

| Name | Board meetings attended | | Audit Committees attended | Remuneration Committees attended | Strategic Committees Attended | Total remuneration Thousands EUR |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------|---------------------------|----------------------------------|-------------------------------|----------------------------------|
| | Physical attendance | calls | | | | |
| Jan Callewaert (1) | 5/5 | 14/15 | N.A | N.A | N.A | N.A (2010: N.A) |
| Q-List BVBA | 5/5 | 15/15 | 4/4 | 6/6 | N.A | 49.00 (2010: 49.00) |
| Lawrence Levy | 5/5 | 15/15 | N.A | 6/6 | N.A | 49.00 (2010: 49.00) |
| David Hytha | 5/5 | 15/15 | N.A | 2/2 | N.A | 49.00 (2010: 45.75) |
| An Other Look To Efficiency SPRL | 5/5 | 15/15 | 3/4 | N.A | N.A | 74.00 (2010: 67.75) |
| FVDH Beheer BVBA (2) | 5/5 | 14/15 | 4/4 | 3/4 | N.A | 50.47 (2010: N.A) |
| <p>(1) Excluding CEO remuneration to Mondo NV –As of 2010 the Board of Directors Compensation is included in the fixed remuneration of the CEO.</p> <p>(2) As of 1st of January 2011</p> | | | | | | |

In addition, one non-executive Board member received an amount of EUR 5k (2010: EUR 0k) in his capacity of member of the Board of Option Wireless Ltd. (Ireland).

The following number of Warrants “V” were granted to the Board of Directors and accepted in the course of 2008. No warrants “V” were granted to the Board of Directors in the course of 2009, 2010 and 2011. In the course of 2010 some changes incurred in the members of the Board of Directors: due to the resignation of Jan Loeber, Arnoud De Meyer and Visinnova BVBA (represented by Patrick De Smedt) from the Board in 2010, a total of 130 000 warrants were lapsed. During 2011, no warrants were lapsed.

At year end 2011, the following warrants “V” were held by the “current” members of the Board of Directors:

| | |
|----------------------------------|----------------|
| Jan Callewaert | 50,000 |
| David Hytha | 50,000 |
| Lawrence Levy | 50,000 |
| Q-List BVBA | 30,000 |
| An Other Look To Efficiency SPRL | 30,000 |
| Total | 210 000 |

➤ EXECUTIVE MANAGEMENT COMPENSATION

The CEO of the Group is the owner of a management company (Mondo NV), performing management services for the Group. Following the recommendation of the Remuneration Committee, the Board of Directors decided on 26 May 2010 to modify the remuneration paid to the CEO of the Company (Mondo NV represented by Jan Callewaert). The Board decided to fix the the base remuneration at EUR 430k per year and the variable remuneration to a maximum of EUR 190k per year. In addition, the Board of Directors suggested that the aforementioned remuneration, paid to the CEO, should also cover the compensations paid to Jan Callewaert in his capacity of member of the Board of Directors. Therefore, the remuneration for these management services in 2011 amounted to EUR 430k (2010: EUR 430k). For 2011, no variable compensation was granted (2010: EUR 190k). The CEO received additional benefits for an amount of EUR 15k covering car, fuel and lump sum allowance costs (2010: EUR 16K).

For the year 2011, an aggregate gross amount of EUR 1 228k (2010: EUR 1 440k) was attributed to the other five members of the Executive Management Team (2010: six members of the Executive Management Team). The 2011 gross amount includes redundancy fees for one member of the Executive Management Team who left the Company in the course of 2011. In 2011, a gross amount of EUR 22k was granted as variable pay relating to 2011 performance (2010: EUR 415k). For the members of the Executive Management Team, benefits include an extra-legal pension scheme, the cost of which amounted to EUR 32k (2010: EUR 46k). The members of the Executive Management Team received additional benefits for an amount of EUR 28K covering car, fuel, lump sum allowance and hospitalization insurance costs (2010: EUR 50K).

At year end 2011, 137 500 warrants “V” are held by the “current” members of the Executive Management Team (2010: 325 000 warrants “V”). In the course of 2011 some changes incurred in the members of the Executive Management Team. In the course of 2011, 20 000 of 50 000 warrants granted to Brayoe Consultants BVBA (JP Ziegler) have lapsed upon his departure from the Executive Management Team in 2011. In the beginning of the financial year 2011, Chip Frederking, Bernard Schaballie and Martin Croome left the Executive Management Team and Frédéric Nys joined the Executive Management Team.

At year end 2011, the following warrants “V” were held by the “current” members of the Executive Management Team:

| | |
|---------------------------|----------------|
| Mondo NV (Jan Callewaert) | 75,000 |
| Patrick Hofkens | 50,000 |
| Frédéric Nys | 12 500 |
| Total | 137 500 |

[NOTE 24: EVENTS AFTER BALANCE SHEET DATE](#)

Subsequent to December 31, 2011, the following events or transactions occurred which require disclosure:

- In February 2012, Option was present at the Mobile World Congress in Barcelona, showcasing Cloudkey and the VIU². There the Company also officially introduced the XYFI, the world's smallest 3G & WIFI personal hotspot. The XYFI will offer a set of elegant power accessories, including a wall and car plug, and a unique extended battery pack for the longest autonomy of any battery-powered personal hotspot router.

NOTE 25: OPTION COMPANIES AND BUSINESS COMBINATION

➤ **LIST OF COMPANIES, INTEGRALLY CONSOLIDATED IN THE FINANCIAL STATEMENTS**

| NAME OF THE SUBSIDIARY | REGISTERED OFFICE | % OF SHAREHOLDING |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|--------------------------|
| BELGIUM | | |
| OPTION NV | Gaston Geenslaan 14 3001 Leuven, Belgium | Consolidating company |
| IRELAND | | |
| OPTION WIRELESS Ltd, Cork | Kilbarry Industrial Park Dublin Hill, Cork | 100 % |
| GERMANY | | |
| OPTION GERMANY GmbH | Beim Glaspalast 1 D-86153 Augsburg - Germany | 100 % |
| GERMANY | | |
| OPTION WIRELESS GERMANY GmbH | SüdstraBe 9 47475 Kamp - Lintfort - Germany | 100 % |
| USA | | |
| OPTION WIRELESS USA INC. | 13010 Morris Road Building 1, suite 600 Alpharetta, GA 30004 USA | 100 % |
| JAPAN | | |
| OPTION WIRELESS JAPAN KK | 5-1, Shinbashi 5-chome Minato-ku Tokyo 105-0004, Japan | 100 % |
| CHINA | | |
| OPTION WIRELESS HONG KONG LIMITED | 35/F Central Plaza 18 Harbour Road Wanchai Hong Kong, China | 100 % |
| CHINA | | |
| OPTION WIRELESS TECHNOLOGY CO. LIMITED | 909-1 Genway Building 188 Wangdun Road Suzhou Industrial Park (SIP) Suzhou 215123, Jiangsu Province, China | 100 % |
| TAIWAN | | |
| OPTION WIRELESS HONG KONG LIMITED, TAIWAN BRANCH | 4F Theta Building 10, Lane 360, Ne-Hu Road, Sec 1, Taipei City, TAIWAN | 100 % |
| FRANCE | | |
| OPTION FRANCE SAS | 6, Place de la Madeleine 75008 Paris, France | 100 % |

On the 31st of August 2011, the Group announced the acquisition of the Connected Consumer Electronics assets of MobiWire SA. These assets include Surface UX™ software, related IP, and a core team of user experience experts. The team of user experience experts are based in Paris and the Company operates under the name of “Option France SAS” (Société Anonyme Simplifiée) which was established.

During 2010, the Company entered into a sale agreement to dispose of the M4S entities. The proceeds of sale exceeded the carrying amount of the related net assets and resulted in a gain of EUR 871k.

Gain on disposal of subsidiaries

| Thousands EUR | 2011 | 2010 |
|------------------------------|----------|------------|
| Consideration received | - | 7 145 |
| Net assets disposed of | - | (6 274) |
| Gain on disposal | - | 871 |

NOTE 26: INFORMATION ON THE AUDITOR'S ASSIGNMENTS AND RELATED FEES

The following auditor's fees were recognized as an expense in the reporting period:

| Thousands EUR | 2011 | 2010 | 2009 |
|------------------------------------------------------------------|------------|------------|------------|
| Worldwide audit services for the annual financial statements ... | 180 | 271 | 356 |
| Worldwide tax and legal services | 44 | 79 | 171 |
| Other worldwide services | 3 | 11 | 126 |
| | 227 | 361 | 653 |

5. CONSOLIDATED AND STATUTORY REPORT 2011 OF THE BOARD OF DIRECTORS OF OPTION NV

The Consolidated and Statutory Board Report 2011 to the AGM is available on the following link:

<http://www.option.com/>

6. AUDITOR'S REPORT

The Auditor's Report on 2011 Consolidated Accounts is available on the following link:

<http://www.option.com/>

7. ABBREVIATED STATUTORY ACCOUNTS OF OPTION NV AND EXPLANATORY NOTES

The following documents are extracts of the statutory annual accounts of Option NV prepared under Belgian GAAP in accordance with article 105 of the Company Code.

Only the consolidated annual financial statements as set forth in the preceding pages present a true and fair view of the financial position and performance of the Option Group.

The statutory auditor's report is an "unqualified opinion with an explanatory paragraph" on the non consolidated financial statements of Option NV for the year ended 31 December 2011.

7.1. Abbreviated statutory balance sheet (according to Belgian Accounting Standards)

ASSETS

| Thousands EUR | 2011 | 2010 | 2009 |
|-------------------------------------------|---------------|---------------|---------------|
| Fixed assets | 13 637 | 14 664 | 22 709 |
| Intangible assets..... | 8 558 | 7 973 | 11 542 |
| Tangible assets | 1 333 | 4 082 | 8 033 |
| Financial assets..... | 3 746 | 2 609 | 3 134 |
| Current Assets..... | 29 214 | 25 502 | 36 384 |
| Stocks and contracts in progress..... | 250 | 638 | 1 170 |
| Accounts receivable within one year | 14 203 | 23 078 | 13 658 |
| Cash & cash investments | 14 620 | 1 701 | 21 408 |
| Deferred charges and accrued income..... | 141 | 85 | 148 |
| Total Assets | 42 851 | 40 166 | 59 093 |

LIABILITIES

| Thousands EUR | 2011 | 2010 | 2009 |
|-------------------------------------------|---------------|---------------|---------------|
| Capital and reserves | 8 836 | 3 714 | 27 656 |
| Capital | 12 232 | 12 232 | 12 232 |
| Share premium | 58 944 | 58 944 | 58 944 |
| Legal reserve..... | 612 | 612 | 612 |
| Profit/(loss) carried forward..... | (62 952) | (68 074) | (44 132) |
| Provisions | 168 | 526 | 1 826 |
| Creditors | 33 847 | 35 926 | 29 611 |
| Long term financial liabilities | 22 | - | - |
| Amounts payable within one year..... | 6 654 | 13 294 | 28 731 |
| Accrued charges and deferred income | 27 171 | 22 632 | 860 |
| Total liabilities..... | 42 851 | 40 166 | 59 093 |

On a balance sheet total of EUR 40.2 million, the total equity as of 31 December 2010 amounted to EUR 3.7 million, or less than half of the issued capital. As a result, the mandatory procedure set forth in Article 633 of the Company Code needs to be complied with, and a General Shareholders meeting should be held at the latest two months after the losses have been noted by the Board of Directors dated 28 February 2011. In this respect, the Board of Directors has convened a special shareholders' meeting on 26 April and 16 May 2011, and has prepared a special report in which they proposed to continue the activities of the Company and identify the measures that have already been taken in order to improve its financial situation. This General Shareholdersmeeting decided not to dissolve the Company and to continue the activities of the Company. The total equity as of 31 December 2011 amounted to EUR 8.8 million on a balance sheet total of EUR 42.9 million, or more than half of the issued capital.

7.2. Abbreviated statutory income statement (according to Belgian Accounting Standards)

ABBREVIATED PROFIT AND LOSS ACCOUNT

| Thousands EUR | 2011 | 2010 | 2009 |
|--------------------------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|
| I. Revenues | 39 860 | 18 880 | 19 004 |
| Turnover | 30 691 | 8 250 | 4 396 |
| Increase (decrease) in stocks in finished goods, work and contracts in progress | (290) | (113) | (772) |
| Capitalized development costs | 5 700 | 6 609 | 9 531 |
| Other operating income (mainly intercompany transactions) | 3 760 | 4 134 | 5 839 |
| II. Operating charges | (36 344) | (38 178) | (57 738) |
| Raw materials, consumables and goods for resale | 851 | 1 029 | 3 898 |
| Services and other goods | 17 004 | 17 436 | 21 843 |
| Remuneration, social security costs and pensions | 10 425 | 11 606 | 15 736 |
| Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets | 7 535 | 9 141 | 14 021 |
| Increase, decrease in amounts written off stocks, contracts | | | |
| Contracts in progress and trade debtors | 343 | 234 | 387 |
| Provision for contingencies | - | (1 299) | 1 826 |
| Other operating charges | 186 | 32 | 28 |
| III. Operating profit/(loss) | 3 516 | (19 299) | (38 734) |
| IV. Financial income | 2 201 | 617 | 30 315 |
| V. Financial charges | (230) | (914) | (7 267) |
| VI. Profit/(loss) on ordinary activities before taxes | 5 487 | (19 596) | (15 686) |
| VII. Exceptional income | - | 640 | - |
| VIII. Exceptional charges | (365) | (4 985) | (1 732) |
| IX. Profit/(loss) for the period before taxes | 5 122 | (23 942) | (17 418) |
| X. Income tax expense | - | - | - |
| XIII. Profit/(loss) for the period available for appropriation | 5 122 | (23 942) | (17 418) |

ABBREVIATED APPROPRIATION ACCOUNT (ACCORDING TO BELGIAN ACCOUNTING STANDARDS)

| Thousands EUR | 2011 | 2010 | 2009 |
|----------------------------------------------------------------|----------|----------|----------|
| Profit/(loss) to be appropriated | (68 074) | (44 132) | (26 714) |
| Profit/(loss) for the period available for appropriation | 5 122 | (23 942) | (17 418) |
| Profit/(loss) carried forward from previous year | (62 952) | (68 074) | (44 132) |

7.3. Summary of most significant valuation rules - Abbreviated statutory accounts - Belgian GAAP

Formation expenses

Formation expenses are charged against income except for costs capitalized.

Intangible assets

Patents, licenses and software are linearly depreciated at rates of 20% to 50%.

Machinery and equipment

Lab equipment, test equipment and computer equipment are linearly depreciated at rates of 20% to 50%. Test equipment (under lease) is linearly depreciated at a rate between 10% and 50%.

Research and development

As from January 1st 2005:

Research expenditure is recognized as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets only if all of the following conditions are met:

- An asset is developed that can be identified;
- It is probable that the asset developed will generate future economic benefits; and
- The development costs of the asset can be measured reliably.

Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have a finite useful life 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, not exceeding three years.

Vehicles

Vehicles are linearly depreciated at rate of 20%.

Office Furniture

Office furniture and equipment are linearly depreciated at rates of 10% to 33.3%. Leased office equipment is linearly depreciated at rates between 20% and 50%.

Financial assets

During the financial period investments are not revalued.

Stocks

Stocks (raw materials, consumables, work in progress, finished goods and goods for resale) are valued at acquisition cost determined according to the FIFO-method or by the lower market value.

Products

The products are valued at costs that only directly attribute.

Contracts in progress

Contracts in progress are valued at production cost.

Debts

Liabilities do not include long-term debts, bearing no interests at an unusual low interest.

Foreign currencies

Debts, liabilities and commitments denominated in foreign currencies are translated using the exchange rate of 31 December 2010. Transactions are converted at the daily exchange rate.

Exchange differences have been disclosed in the annual accounts as follows:

- Positive exchange results in caption IV. Financial income of the profit and loss account;
- Negative exchange results in caption V. Financial charges of the profit and loss account.

7.4. Explanatory notes - Abbreviated statutory accounts - Belgian GAAP

Participating interests

The following participations in subsidiaries are retained with mention of the number of registered rights and percentage of ownership:

| 31 December, 2011 | Shares held by company (by number) | % held by company | % held by subsidiaries |
|-------------------------------------------------|------------------------------------|-------------------|------------------------|
| Option Germany – Augsburg (D) | 1 | 100% | 0% |
| Option Wireless– Cork (IRL)..... | 2 000 000 | 100% | 0% |
| Option Wireless Hong Kong Limited – China | 10 000 | 100% | 0% |
| Option France SAS | 10 000 | 100% | 0% |

As mentioned in note 24 of this annual report, on the 31st of August 2011, the Group announced the acquisition of the Connected Consumer Electronics assets of MobiWire SA. These assets include Surface UX™ software, related IP, and a core team of user experience experts. The team of user experience experts are based in Paris and the Company operates under the name of “Option France SAS” (Société Anonyme Simplifiée) which was established.

Statement of Capital

| Issued capital 31 December, 2011 | Amounts (in EUR) | Number of shares |
|-------------------------------------------------------------------------------------|---------------------|------------------|
| At the end of the preceding period | 12 232 134 | 82 498 592 |
| At the end of the period | 12 232 134 | 82 498 592 |
| Structure of the capital December 31 2011, | | |
| Different categories of shares | | |
| Registered shares and bearer shares | | 82 498 592 |
| Registered | | - |
| Bearer | | 82 498 592 |
| Authorized capital | | |
| On 31 December 2011 the authorized (but non-issued) capital amounted to EUR 12 232k | | |

8. INVESTOR RELATIONS AND FINANCIAL CALENDAR

8.1. The Option Share on Euronext

Option's ordinary shares were originally listed in USD on NASDAQ Europe (ex EASDAQ) following the Initial Public Offering of November 26, 1997. Option's shares started to be listed in EUR on the First Market of Euronext Brussels as from August 5th, 2003. Option NV's shares are quoted on the continuous trading market under the trading symbol "OPTI".

In September 2003, the OPTION stock became part of the NextEconomy quality index. Before Option was already part of the CSR Ethibel quality label.

With a view to increasing the liquidity of the Option shares and their visibility to the US investors, Option has decided to implement a Level I American Depositary Receipts ("ADR") Program. An F-6 registration statement has been filed with The Securities and Exchange Commission.

This Level I ADR Program has the following characteristics:

- ADRs are U.S. securities issued by a depositary bank representing shares of a non-US company. In this case, The Bank of New York has been selected as depositary bank;
- An ADR gives, investors a voting right and future dividend rights according to the terms and conditions of the deposit agreement entered into between The Bank of New York, Option and future ADR holders;
- An ADR gives US investors access to the Option shares through the over-the-counter market on which ADRs are freely negotiable in the US. The ADR ticker is OPNVY.

8.2. Share history in 2009-2011 on Euronext

| | 2011 | 2010 | 2009 |
|---------------------------------|--------------------------|---------------------------|--------------------------|
| Number of shares outstanding | 82 498 592 | 82 498 592 | 82 498 592 |
| Year-end share price | 0.30 | 0.58 | 0.78 |
| Market capitalization (million) | 25 | 48 | 64 |
| Share price High | 0.64 (November 25, 2011) | 0.91 (January 6, 2010) | 1.52 (September 4, 2009) |
| Share price Low | 0.28 (January 5, 2011) | 0.34 (September 24, 2010) | 0.57 (March 17, 2009) |
| Free float | 82.05% | 82.05% | 82.05% |

During 2011, a total of 48 166 565 shares were traded on Euronext on 257 trading days, meaning an average for the year of 187 418 shares per day.

8.3. Financial calendar

For 2010 and beyond, The Board of Directors of Option has elected to change the reporting timetable to biannual reporting with business updates for the first and third quarters of each year. Option's current reporting with full quarterly reporting dates back from the days of its IPO on the EASDAQ. Option believes this change will be helpful to the Market as well as to the Company

A view of Option's performance which is Bi-Annual will be more meaningful and less confusing than Quarterly because two major restructurings in the business of the Company were implemented in 1H2010. Firstly, the major operating cost reductions which Option has largely completed have both the effect of triggering one-time costs as well as re-engineering the supply chain for the company towards a more cost effective Asian Fulfillment model. As a result, there will be short term financial impacts to the company during this transitional period.

Secondly, the company, since 1H2010, shifted from selling products which are technologically excellent and aggressively priced against competitor "commodity" products to a product line which, through integration with embedded software, can be customized by our distributors. This will create a more competitive positioning.

Option intends to release its biannual financial information and business updates in 2012 on the following dates – before market hours:

1Q Business update
2Q Results and "Interim Financial Report"
3Q Business update

Thursday 26 April, 2012
Friday 31 August, 2012
Thursday 25 October, 2012

General Meeting of Shareholders 2012
General Meeting of Shareholders 2013

Monday 30 April, 2012 at 10 AM in Leuven
Tuesday 30 April, 2013 at 10 AM in Leuven

If accepted during the Extraordinary General Meeting of Shareholders, this General Meeting will take place at Friday 31 May 2013.

For clarification concerning the information contained in this annual report or for information about Option NV and about transparency filings regarding declaration of interests of shares, please contact:

Jan Smits
Chief Financial Officer
Gaston Geenslaan 14
B-3001 Leuven, Belgium
Phone: +32 (0)16 31 74 11
Fax: +32 (0)16 31 74 90
E-mail: investor@option.com

9. INFORMATION SHEET BY END 2011

| NAME | OPTION NV |
|------------------------|--------------------------------------------------------------------------------------------|
| FORM | Limited Company as per Belgian Law |
| ADDRESS | Gaston Geenslaan 14, B-3001 LEUVEN |
| PHONE | +32(0)16 31 74 11 |
| FAX | +32(0)16 31 74 90 |
| E-Mail | investor@option.com |
| WEBSITE | www.option.com |
| ENTERPRISE No. | 0 429 375 448 |
| VAT | BE 429 375 448 |
| ESTABLISHMENT DATE | July 3rd, 1986 |
| DURATION | Indefinite duration |
| AUDITOR | Deloitte-Auditors represented by Mr; Geert Verstraeten. |
| FINANCIAL YEAR CLOSING | 31 December |
| CAPITAL | 12 232 134,42 EUR |
| NUMBER OF SHARES | 82 498 592 |
| ANNUAL MEETING | Last business day of April |
| LISTING | Euronext -- continuumarktStock – Ordinary Stock - Continuous - compartment B - ticker OPTI |
| DEPOSIT BANK | FORTIS |
| MEMBER OF INDEX | Next Economy Next 150 Bel SmallMid VLAM 21 |
| OTHER LABELS | Ethibel Pioneer Europe 500 SRI Kempen |

LANGUAGE OF THIS ANNUAL REPORT

Pursuant to Belgian Law, Option is required to prepare its Annual Report in Dutch. Option has also made an English language translation of this Annual Report. In case of differences in interpretation between the English and Dutch versions of the Annual Report, the original Dutch version shall prevail.

AVAILABILITY OF THE ANNUAL REPORT

The Annual Report is available to the public free of charge upon request to:

Option NV
Attention Investor Relations
Gaston Geenslaan 14
3001 Leuven, Belgium
Phone: +32(0)16 317 411
Fax: +32(0)16 317 490
E-mail: investor@option.com

An electronic version of the Annual Report is also available, for information purposes only, via the internet on the website of Option (address: www.option.com). Only the printed Annual Report, published in Belgium in accordance with the applicable rules and legislation is legally valid, and Option takes no responsibility for the accuracy or correctness of the Annual Report available via the Internet. Other information on the website of Option or on any other website does not form part of this Annual Report.

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements, including, without limitation, statements containing the words “believes”, “anticipates”, “expects”, “intends”, “plans”, “seeks”, “estimates”, “may”, “will”, and “continue” and similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which might cause the actual results, financial condition, performance or achievements of Option, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Given these uncertainties, the public is cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements are made only as of the date of this Annual Report. Option expressly disclaims any obligation to update any such forward-looking statements in this Annual Report to reflect any change in its expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based, unless such statement is required pursuant to applicable laws and regulations.

10. GLOSSARY

BOOK VALUE PER SHARE

Total Shareholders' equity divided by the number of weighted average number of ordinary shares.

CASH FLOW PER SHARE

Net result plus non-cash charges such as depreciation and impairment loss divided by number of weighted average number of ordinary shares.

EBIT

Earnings Before Interest and Taxes.
Profit from operations.

EBITDA

Profit from operations plus depreciation and amortization.

EPS

Earnings Per Share.
Net result divided by the weighted average number of ordinary shares.

GEARING RATIO

Net debt divided by shareholders' equity

NET CAPEX

Acquisitions of property and equipment, intangible assets and the expenditures on product development, minus proceeds from sale.

NET FINANCIAL DEBT

Non-current and current debts minus cash.

SOLVENCY RATIO

Shareholder's' equity divided by total assets.

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

Number of shares outstanding at the beginning of the period, adjusted by the number of shares cancelled, repurchased or issued during the period multiplied by a time-weighting factor.

WORKING CAPITAL

Current assets less current liabilities.