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

Ladies and gentlemen,
Dear shareholders,

We hereby present to you our report relating to the statutory and consolidated results of Option NV (also referred to as the "**Company**") for the financial year that ended on 31 December 2011.

The consolidated results include the financial statements of the parent company Option NV and all of its subsidiaries as per the end of the financial period, i.e.: Option Wireless Ltd. (Cork, Ireland), Option Germany GmbH (Augsburg, Germany), Option Inc. (Alpharetta, United States of America), Option Wireless Japan KK (Tokyo, Japan), Option Wireless Germany GmbH (Kamp-Lintfort, Germany), Option France SAS (Paris, France), Option Wireless Hong Kong Limited (Hong Kong, PR China), Option Wireless Technology Co. Ltd. (Suzhou, PR China), Option Wireless Hong Kong Limited Taiwan Branch (Taipei, Taiwan) (jointly "**Option**" or the "**Group**"). Intra-group trading has been eliminated upon consolidation.

During the financial year 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 is based in Paris and the Company operates under the name of "**Option France SAS**" (Société Anonyme Simplifiée) which was established in August 2011.

OVERVIEW OF RESULTS AND ALLOCATION OF RESULTS OF THE COMPANY

Consolidated results

For a detailed report on the consolidated Income Statement and Balance Sheet, including IFRS (International Financial Reporting Standards) disclosure notes, we refer to the financial report.

The highlights of the consolidated results include the following (in thousands EUR):

- Full year revenues: 49 915
- Gross profit: 30 733
- Operating Expenses: (34 313)
- EBIT: (3 580)
- Result before taxes: (2 904)
- Net result: (2 862)

Revenues for 2011 decreased by 13.5% to EUR 49 915 k, compared with EUR 57 731 k in 2010. Product revenues decreased from EUR 51 037 k in 2010 to EUR 19 252 k in 2011, whilst software and license revenues increased from EUR 6 694 k in 2010 to EUR 30 663 k in 2011. Those 2011 license 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 *u*CAN® 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). The agreement included the potential for an extension of the license for an amount up to EUR 33 million. During 2011 this extension was executed in full and this will generate revenue over the period November 2011 till 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 million as revenue (2010: EUR 4.9 million).

Gross margin for the full year 2011 was 61.6% on total revenues, compared with gross margin of 26.1 % in 2010. Costs of products sold of EUR 19 181 k during 2011 resulted in a gross profit of EUR 30 733 k, an increase of more than 104% compared to EUR 15 047 k in 2010. The 2011 gross margin was positively impacted by increased software and license revenues, delivering higher margins compared to revenues generated by products.

The operating expenses for the full year 2011, including depreciation and amortization charges were EUR 34 313 k compared to EUR 47 804 k 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.

The sale of the subsidiaries "M4S" and "M4S Wireless" to Huawei in the last quarter of 2010, for EUR 7.1 million in net proceeds, generated other income of EUR 871 k in 2010.

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

The Group obtained a positive financial result of EUR 676 k (2010: negative of EUR -838 k). The 2011 net exchange rate result amounted to EUR 259 k and was mainly due to the weakness of the USD. The Group received EUR 435 k from risk free investments of the available cash (2010: EUR 59 k). The financial costs of EUR -142 k are mainly related to paid interests with respect to the current credit line facilities as well as bank charges, penalty fees and payment differences (2010: EUR -720 k).

Following the IFRS guidance related to deferred tax assets, the Group determined that it was prudent to reverse the deferred tax asset in full in 2010, for an amount of EUR 29.7 million. This resulted in a negative tax result of EUR -28 314 k in 2010. In the financial year 2011, no deferred tax assets were recorded. The tax result was EUR 42 k.

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

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

The cash and cash equivalents amounted to EUR 25 216 k compared to EUR 30 930 k at the end of 2010. No amounts have been drawn from existing credit lines (2010: EUR 4 770 k). In the first quarter of the financial year 2011 the Group received an amount of EUR 33 million in cash related to the final extensions of the software and license agreement with Huawei.

Trade and other receivables decreased from EUR 7 277 k to EUR 3 924 k at the end of 2011. This decrease was attributable to the trade receivables which decreased due to lower revenues over the full year 2011.

Inventories decreased from EUR 12 425 k to EUR 6 792 k at the end of 2011. This lower inventory position is explained by decreased positions of the work in progress, finished goods and raw materials, combined with additional impairments on inventories. At the end of 2011, the total provision related to the inventory amounted to EUR 3 238 k compared to EUR 5 644 k in 2010.

The net book value of intangible and tangible fixed assets was EUR 10 415 k at the end of 2011, compared with EUR 13 106 k as at 31 December 2010. Beside the depreciations, the existing capitalized R&D projects were reviewed which resulted in an impairment of EUR 365 k having its source in changing technologies and fast changing market conditions. The value was determined based on an estimate of the projected contributions from these development projects in the coming quarters.
During 2011, the total investments in tangible assets, mainly test equipment, amounted to EUR 188 k (2010: EUR 64 k) and the Group invested EUR 6 209 k (2010: EUR 9 300 k) in intangible assets of which EUR 5 744 k (2010: EUR 8 726 k) for capitalized development projects and investments of EUR 465 k (2010: EUR 574 k) related to licenses.

The deferred tax asset, mainly 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.

Total current liabilities during the year were EUR 46 285 k compared to EUR 59 768 k in 2010. This decrease is mainly driven by:

- a decrease in trade payables (EUR -12 010 k);
- an increase of the deferred revenues (EUR 4 458 k) recognized on the balance sheet as a result of recent software license deals;
- a decrease in provisions, (EUR -1 149 k) as a result of the use of the restructuring provision and the reversal of other provisions;
- a decrease in other financial liabilities (EUR -4 756 k) as a result of the repayments of the existing credit lines.

On a balance sheet total of EUR 47 552 k, the total shareholders' equity represented EUR 1 245 k.

At 31 December 2011 there were 183 full time equivalents in the Group. This compares with 206 full time equivalents in the previous year.

Statutory results

Full year statutory operating income was EUR 39.9 million (based on EUR 30.7 million turnover, EUR 5.7 million capitalized development costs and EUR 3.8 million other operating intercompany income and recovery of expenses). This operating income increased compared to 2010 revenues of EUR 18.9 million (based on mainly EUR 8.2 million turnover, EUR 6.6 million capitalized development costs and EUR 4.1 million other operating intercompany income). The 2011 turnover increased by EUR 22.4 million, mainly as a result of recognized revenues related to the software and license agreement with Huawei.

The operating charges decreased from EUR 38.2 million to EUR 36.3 million resulting in an operational result or EBIT of EUR 3.5 million compared to an EBIT of EUR -19.3 million in 2010 representing an improvement of EUR 22.8 million.

The financial income increased from EUR 0.6 million in 2010 to EUR 2.2 million in 2011. In the financial year 2011, the Company received a dividend of EUR 1.5 million from its Hong Kong entity Option Wireless Hong Kong Ltd. The financial costs decreased from EUR 0.9 million in 2010 to 0.2 million in 2011,

During 2011, the Company reviewed the existing capitalized R&D projects, which resulted in an impairment of EUR 365 k (2010: EUR -5 million) having its source in changing technologies, shorter lifetime and fast changing market conditions. This amount was posted as an exceptional result in the Company's statutory results.

Due to the above, the net result changed from a net loss of EUR -23.9 million in 2010 to a net profit of EUR 5.1 million in 2011.

The intangible assets increased from EUR 8 million to EUR 8.6 million, mainly explained by a combination of capitalized development costs and posted depreciations and impairments.

The tangible assets decreased from EUR 4 million to EUR 1.3 million mainly due to posted depreciations.

The financial fixed assets increased from EUR 2.6 million in 2010 to EUR 3.7 million in 2011 as an effect of the establishment of "Option France SAS" and the participation in Autonet in the course of the financial year 2011.

The inventory position decreased from EUR 0.6 million to EUR 0.2 million, mainly due to a decrease on the inventory levels of components and finished goods.

The trade and other receivables decreased from EUR 23 million in 2010 to EUR 14.2 million in 2011, mainly explained by the decrease in intercompany receivables related to Option Wireless Ltd. (Cork, Ireland) and Option Wireless Ltd. Hong Kong (Hong Kong, China).

Cash and cash equivalents increased over the year from EUR 1.7 million in 2010 to EUR 14.6 million at the end of 2011.

The provision of EUR 0.5 million, set up in 2010 with respect to certain litigations, has been mostly used in 2011. New provisions were booked for an amount of EUR 46 k.

The amounts payable within one year decreased from EUR 13.3 million to EUR 6.6 million mainly explained by a decrease of EUR 4.8 million of its existing credit facilities (2010: EUR 4.8 million).

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 needed to be complied with, and a General Shareholders meeting was held at the latest two months after the losses had been determined by the Board of Directors dated 28 February 2011. In this respect, the Board of Directors convened a special shareholders' meeting on 26 April 2011 and on 16 May 2011, and prepared a special report in which they proposed to continue the activities of the Company and identified the measures that had already been taken and still needed to be taken in order to improve its financial situation. This General Shareholders meeting decided not to dissolve the Company. The total net equity as of December 2011 amounted to EUR 8.8 million on a balance sheet total of EUR 42.8 million, and more than half of the issued capital.

On 31 December 2011 there were 105 people on the payroll of the Company representing 103 full time equivalents. This compares with 113 full time equivalents per 31 December 2010.

Allocation of the statutory result

The statutory accounts of the Company (Belgian GAAP) reported a net profit for the year 2011 of EUR 5.1 million, compared with a net loss of EUR -23.9 million in 2010.

The Board of Directors proposes to add the non-consolidated net profit of EUR 5,1 million of 2011 to the loss carried forward from the previous years.

Abridged allocation account (According to Belgian Accounting Standards)		
December 31- 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)

ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT AND THE POSITION OF THE COMPANY AND THE GROUP

Market Overview

Although 2011 was marked by a worldwide slowdown of economic activity, the wireless broadband market continued to grow further. In 2011 wireless phones and tablets became the dominant internet access technology with smartphone sales surpassing PC sales.

The continuing increase in penetration of smartphones has been driven by massive interest in apps combined with improving mobile targeted content on the web. In 2011 Gartner estimates that there were 17.7 billion apps downloaded (117% growth versus 2010) and $15.1 billion in app store revenues. Smartphones were dominated by one platform, Google's Android, 50% of smart phone sales with Apple's iOS second with 20%. With the commitment of Nokia to Windows Phone and expectation that with Microsoft they can drive down the cost of smartphones there was some expectation that Windows Phone will emerge as a third alternative.

However the mobile internet was not just restricted to smart phones with more and more low cost phones data enabled. The ITU estimates that there were 1.2 billion mobile web users worldwide in 2011 with mobile devices representing 8.49% of global website hits according to StatCounter. This has driven a large increase in mobile advertising revenues (Gartner estimates 3.3 B$ in 2011 but predicted this to rise to 20.6B$ in 2015) and increasing interest in mobile commerce and transactions. Near Field Communications (NFC) with its promise of delivering transaction and other services through a simple touch of a phone to a reader, card or other phone was again in the press with support announced by Google in Android. Few handsets were launched and, outside Japan, the majority of transactions done using mobile phones were delivered with USSD, SMS, Web/WAP or Apps. Gartner predicts that widespread deployment of NFC for transactions using phones was still at least 4 years away.

MNOs previous strategy, trying to keep customers within walled gardens of MNO managed applications, has almost completely failed. The main applications used on smartphones are from familiar internet service brands, for example in the US as reported by Nielsen the most popular applications were Google Maps, Facebook and The Weather Channel. This is causing MNOs to take one step back and see how they can open APIs to services delivered by their networks to App developers.

HTML5 is gaining interest as an alternative development platform for Native Apps. HTML5 allows delivery of an App across multiple devices directly from the internet bypassing device platform App stores. ABI expects App store downloads to peak in 2015. HTML5 allows HTML pages to work offline without a network connection, a key benefit of Apps. While this is unlike to displace Apps entirely, particularly in more graphically intense App segments such as games, an increasing amount of services currently delivered through native Apps are expected to migrate to HTML5. While HTML5 is still in its infancy it is increasingly seen as the platform that will unify application development across all devices.

LTE continues to roll out, aggressively in the US, and less in most of the rest of the world. The GSMA reports that as of August 2011, 26 commercial LTE networks in 18 countries are already deployed. Several factors have held up LTE. As usual terminals have been slow to emerge due to availability of LTE chipsets delivering appropriate power consumption, size and price levels for mainstream products. LTE also presents a large challenge due to very varied band support requirements in different regions in the world. Practically this means that LTE devices will need to have radios designed specifically for markets which will likely limit device availability in all but the largest markets and make a module strategy for radio integration more attractive for LTE devices. Apart from those countries where LTE is being used to provide fixed broadband access in rural areas not well served by ADSL LTE deployments are still limited to high density city areas for data use only. Verizon also suffered 4 service outages in its US LTE network in 2011. It's clear that it is still early days for LTE but analysts are expecting acceleration in LTE subscribers in 2012.

In the mean time the huge growth in data (Cisco estimates that Global mobile data traffic grew 2.3-fold in 2011, more than doubling for the fourth year in a row), driven by smart phone and dongle use (Cisco estimates that a smart phone generates 35 times more mobile traffic than a normal mobile phone and a PC nearly 500 times), is causing operators to scramble to update plans to limit high data users and offload traffic onto other networks such as WiFi. This is also generating interest in WiFi-like networks in the white spaces left by TV frequencies. The focus for MNOs has moved from absolute speed of connection, mostly adequate for users, and more to capacity.

2011 saw an increasing level of very public security breaches with Certificate Authorities, the backbone of the Public Key Infrastructure that secures connections to the internet, under intense attack. This resulted in one notable PKI CA going out of business in Europe and a US based One Time

Password token vendor forced to recall millions of token devices. Even the largest brands and government sites had trouble keeping up with the hackers with several very public break-ins to internet based systems resulting in millions of stolen customer records and intellectual property. Both government sponsored and independent hackers appear to be involved. There is less public information available on what is happening to the millions of smaller internet sites but that is likely to be because they don’t even have the systems in place to detect an intrusion or wish to cover it up. Some governments have responded with expanded regulations forcing companies to disclose break-ins and acquire appropriate technology to meet these requirements. Smart phones have also started to be targeted by hackers and this is starting to provide a major issue for corporate smart phone deployments. There was also a high profile and sophisticated attack on Iranian supervisory control and data acquisition (SCADA) related to their nuclear program. This highlighted the issue of the security of M2M systems and the frightening prospect of hackers breaking into critical service infrastructures.

Cellular Machine to Machine applications saw much interest in 2011 with many hockey stick predictions of growth from a variety of different analysts however they also indicate that many operators are still challenged by the fragmented nature of M2M markets and the low ARPU levels that M2M applications generate. The M2M market is by no means cellular only and the diverse set of segments and resulting disagreements between analysts makes the overall cellular M2M market difficult to estimate. M2M is also still dominated by 2G technology although 3G is starting to make an appearance in some segments that require higher speeds such as medical imaging and electronic display and also in markets where spectrum refarming to 3G is causing companies to see a 2G/3G modem as providing some level of future proofing. An increasing amount of operator partnerships with end to end M2M management and middleware manufacturers were announced in 2011 with MNOs trying to climb the value chain away from pure connectivity. It is not clear that they will achieve this in all but the largest M2M segments. The majority of revenue, much like the solutions delivered through Apps on smart phones, is likely to come from smaller, industry focused companies (Informa indicates that 64% of M2M SIM deals are for less than 5K units). It is still not clear how (or whether) MNOs will encourage the development of this market through innovation in these companies and how much value they will be able to extract from it. M2M subscription plans remain very low value (81% of deals <5€ ARPU/month according to Informa research) with most of the value in M2M solutions in the data management and analysis by the companies delivering the enabled products rather than the communications infrastructure.

2011 was also a year of several high profile mergers and notably the failure of the AT&T / T-Mobile merger in the US. Many of these, such as the Google / Motorola Mobility merger, were to bolster IP portfolios to protect against an increasing volume of IP related law suits. Android device manufacturers were particularly challenged by lawsuits from both Apple and other parties. 2011 also saw the acquisition of Atheros by Qualcomm continuing the drive towards integration of different radio types into a single integrated chipset.

Option’s position

In 2011, Option delivered 0.4 million devices, a 55% decrease versus 2010. Revenues for the year stood at EUR 49.9 million, a decline of 14% versus 2010.
During the year, the revenues from products (USB devices and modules) declined and was generating 38.5% of revenues. The software and licenses revenues represented around 61.5% of the revenues. In 2010, the revenues from products represented 88.4% and the software and licenses were generating 11.6%.

In the traditional segment of USB products, Option continued to be confronted with important (price) competition from the Chinese vendors (especially Huawei and ZTE). Although the European market for this product segment continued to be very large, the Company decided not to develop new USB devices for the low to mid end of the market. Instead Option has shifted its focus to the development of USB devices with a more complex functionality. In the US market, Option continued to successfully sell a high end positioned USB product with AT&T, whilst in Europe 2011 has been marked by the continuous sales of the existing product lines with different carrier customers.

In line with 2010, the focus on the US market has allowed the Company to keep positive margins on the sale of USB sticks in 2011. In 2011, the importance of the US revenue for the overall Company figures decreased from 29% in 2010 to 15% in 2011. Although price pressure has had an impact on the margins of the US sales, margins on the sale of USB sticks have remained throughout 2011 substantially better than the margins made on the sale of USB sticks in Europe.

2011 was a year of transformation. Option had decided earlier to shift its focus from pure hardware commodity products towards independent software products, end to end services for mobile operators and an embedded module portfolio for specific value added segments.

Revenues from the licensing of software products increased substantially in 2011 (from 6.7 mio EUR in 2010 to 30.7 mio EUR in 2011). This revenue is impacted by the cooperation agreement signed with Huawei in October 2010. The Company and Huawei Technologies entered into a cooperation agreement whereby, inter alia, the companies agreed to license Option's connection manager software. In the course of 2011 the license has been extended until October 2012.

In 2011, Option launched *u*CAN Connect 3.0 which was deployed by Telenor Norway as their MK6 connection manager. Option's expertise in connection management was also recognized through the services agreement with Interdigital resulting in the integration of an advanced bandwidth management solution into the *u*CAN Connect platform. This solution was demonstrated during the Mobile World Congress in Barcelona in February 2011.

The *u*CAN Connect product is not only recognized as a valuable software tool by the mobile operators. In the course of the year the Company has also marketed its software solutions with larger enterprises interested in providing their employees with tailor made mobile broadband solutions. One of the key differentiators of the *u*CAN Connect software is the fact that it can be deployed across different platforms in exactly the same way. As a result the *u*CAN Connect software gives the same user experience to a user of a notebook regardless of the operating system (Windows, MacOS, Linux) thus allowing a true cross platform deployment within a particular organisation.

An important step in the transformation of the Company was taken end of July 2011, when the Company acquired the user experience team of Mobiwire (former Sagem Wireless). Following the integration of the team and their move into their new offices in Paris, the existing products were reviewed from a user experience and go to market point of view. As a result of this review we decided to reposition the VIU² products and to further improve the user experience and go to market strategy for the XY*fi* and *u*CAN Connect products. Although this review has impacted the development cycle and go to market, it resulted in exciting new products combining reliable technology with outstanding user interface delivering very promising user experience. The two first products that witness this new approach are XY*fi* and VIU².

With XY*fi* the Company has launched a new category defining product by combining WWAN (2G & 3G) with WLAN (WiFi) in a USB stick. The stick can be used as a mobile hotspot (e.g. connecting 3G with WiFi) but also as a WiFi hotspot. Therefore, in addition to connecting to cellular networks to share WiFi, XY*fi* also connects to WiFi presenting the user as a hub to connectivity and providing carriers with significant WiFi offload benefits. XY*fi* is powered via USB connection, meaning users can take advantage of a wide variety of USB-enabled power sources; in fact the XY*fi* will offer a set of elegant power accessories, including a wall plug (connected home) and car plug (connected car), and a unique extended battery pack for the longest autonomy of any battery-powered personal hotspot router. Finally, the Company's focus on the software development for XY*fi* resulted in a very versatile easy to use and unique product as demonstrated in Barcelona 2012 where it was elected by Engadget[1] as "Best Connectivity Device" of the Mobile World Congress 2012.

A second product witnessing the combination of the different Option skills is the repositioned VIU² product. This 3G camera was originally conceived to support all different types of phones, including an important number of feature phones. However, in light of the ever increasing popularity of the smartphones and the fact that customers are getting used to access web based applications via a dedicated app, the Company decided to change the positioning of the product. The new VIU² was presented at the Mobile World Congress in February 2012. The product is very easy to use, is supported by an iPhone app and an Android app, and is modular as it can be equipped with different sticks providing various types of connectivity technology (HSPA, EVDO, WiFi, etc...)

[1] Engadget is a leading web magazine providing daily coverage of everything new in gadgets and consumer electronics.

Last year an increasing number of high profile leaks from government and business occurred. This trend started in 2010 but accelerated further in 2011 thereby creating a growing interest in the solutions to secure wired and wireless data communication. The Company anticipated this trend by a first partnership with KOBIL Systems GmbH resulting in the development of the mIDentity 3G solution. In 2011 we shifted our efforts in the security field by a new partnership with VASCO Data Security International, Inc (Nasdaq: VDSI). VASCO is a leading software security company specializing in authentication products. Option and VASCO have developed a new product “Cloudkey”. The Company will concentrate its security solutions in the future on Cloudkey.

Cloudkey is a mobile security solution that provides simple and secure access to cloud applications and data, combining VASCO’s Digipass authentication capability with Option’s 3G USB modem and connection management software. It can be used in standard professional and enterprise environments to access corporate data or the intranet, but also in environments where users need simple and secure access to personal data or applications in the cloud. Cloudkey can be used by enterprises that have already deployed VASCO’s DIGIPASS authentication devices but also require 3G connectivity. The use of a private APN can further strengthen access to intranet systems. For these users, Cloudkey provides an all in one solution that is simple to use and convenient to carry. Cloudkey also incorporates a micro-SD slot providing users with an additional portable storage solution and allowing future modular extensions to the product.

The product can be commercialised both via the channel of the mobile network operators and that of the system integrators who specialise in the implementation of security centric solutions. Finally, the Company has developed a special embedded solution for the security market. This embedded solution can be sold as a product for integration in a host device or as a platform for further project based development and deployment.

In the course of 2011 the Company has further expanded its embedded solutions offering by the launch of new modules and the improved adoption of the existing portfolio by the mobile network operators in the US, Europe and Asia. For the first time in Option’s history a device was developed and launched that works on CDMA/EV-DO networks (networks that are mainly deployed in the USA). The Company can now offer different types of embedded solutions (LGA, full size and half size PCIe mini card modules) approved by major mobile network operators active in different geographical regions, including AT&T and Verizon in the USA, NTTDoCoMo in Japan. Furthermore, the embedded solutions portfolio was expanded vertically by the development of embedded solutions with integrated security elements (OTP, smartcard readers, etc...). These solutions can support different use cases and also be commercialised via the security focused system integrator channel.

Option invested $1.5 million in San Francisco, US-based Autonet Mobile, Inc, a leading provider of in-car connectivity. In addition to the investment, the Company also entered into a partnership with Autonet according to which Autonet will use Option’s wireless modules and software to deliver the first mobile IP-based Telematics Control unit (TCU) for cars. Option’s wireless modules combined with Autonet TCU and managed network, make this the first intelligent communication and control device designed to create a new and verticalized mobile automotive ecosystem. The first car model with the TCU is expected to be available in the second half of 2012.

Going forward the Company will continue to focus its product development around

- **Connectivity:** building further on its rich experience in the field of wireless data;

- **Security:** working further with strong partners bringing added value to their existing security solutions;

- **User experience:** by further integrating the knowledge acquired from Mobiwire into the existing and future products.

Engineering

The Company has started the development of a new chipset platform to be used in products that will work with the new 4G LTE networks. Although the two major US mobile network operators have been quite active in the deployment of their new 4G LTE networks, the European carriers have been less focused on rolling out new networks to support this new standard. Furthermore, the first generation chipset for integration into products appeared to be quite power hungry and expensive so that we decided to wait for the second generation of LTE chipsets. Option expects that in Europe the deployment of the 4G LTE networks will really start towards the second half of 2012 and early 2013. In order to prepare for that, Option is developing new products. The first was announced at the 2012 Mobile World Congress in Barcelona, where the Company announced that it is developing a new LGA module for 4G LTE networks. The module is designed around Qualcomm's newest chipset generation for LTE, the MDM9215, and will be footprint compatible with the existing LGA module for 3G networks.

In accordance with previous announcements, the Company continued to invest in the build out of different software competencies; connection manager, content delivery platform (server), policy management and application development. This investment has resulted in the continuous growth of the relative importance of software development in the engineering department.

As we continue to answer the pressure on the hardware products by combining different soft- and hardware ingredients via the development of end-to-end solutions, we will continue to work with a development model whereby internal and outsourced product development allow the Company to lower its product development costs whilst offering a diversified product (and solutions) portfolio.

Organization

As indicated above, Option acquired in the third quarter the Connected Consumer Electronics assets of Mobiwire SA. These assets included inter alia a core team of user experience experts. The team, composed of eight people with offices in Paris, has been integrated into the existing organisation. It's contribution to the new products presented at the 2012 Mobile World Congress has been very important and helped the Company being rewarded the "Best Connectivity Device" of the Mobile World Congress 2012 by Engadget (cfr. above).

The composition of the executive management of the Group was also impacted by the acquisition from Mobiwire, as Jerome Nadel, former EVP of User Experience and Marketing of Mobiwire, joined the Company as its first Chief Experience Officer, overlooking the user experience and product marketing teams and responsible for bringing the new innovative user-centric connected devices and services to market.

Earlier in 2011 the management team's composition changed by the appointment of Jan Smits as the new Chief Financial Officer (CFO) of the Group, Bart Goedseels as Chief Operating Officer (COO) and Frédéric Nys as Executive Vice President Engineering and Technology.

The Board of Directors of the Company was strengthened with the appointment by the shareholders of FVDH Beheer BVBA, represented by its permanent representative Francis Vanderhoydonck, as independent director, effective as of 1 January 2011.

Following the integration of the user experience group, the organization of the Company was modified further by an integration of the business units into a single sales team and marketing team, with overall sales and marketing responsibilities. The activities of the teams have not changed and continue to be focused around the Company's core target markets:

- Embedded Solutions – our segmented module offerings and associated integration and certification services.
- Mobile Devices & Solutions – our end to end service offerings (such as the VIU² camera and the XY*fi* product) and maintenance of the more traditional stick and router business.
- Connection Manager – our *u*CAN Connect connection manager platform and its core ingredients.
- Security Solutions – our 3G security products adding connectivity to existing security solutions.

The engineering and manufacturing resources continue to constitute a support pool of resources working on the projects that are approved by the management team.

Following the closing of the Kamp-Lintfort facility end 2009, Option Wireless Germany GmbH (Kamp-Lintfort) entered into liquidation. This liquidation procedure continued in 2011 and is expected to come to an end in the course of Q1 2012.

Operations

The Group continues to outsource the surface mounting of its most important product lines (USB Sticks, Embedded Modules and Routers) to different manufacturing partners in Asia (China and Japan). The finishing of the production is done in function of the product and the customers' requirements or proximity. The supply chain management and sourcing for all products continues to be managed from Europe (Ireland and Belgium).

Financing

The last capital increase occurred in December 2009 leading to the issue of 41 249 296 new shares in Option.

SIGNIFICANT EVENTS THAT TOOK PLACE AFTER THE END OF THE FINANCIAL YEAR

On Group level, a number of significant events took place and were communicated via the Company's website. We provide an overview of the different press releases that were issued during the first three months of the financial year 2012:

Financial notifications

- 1 March 2012: Option reports second half year and full year 2011 results

Technological leadership

- 27 February 2012: Option introduces XY*fi*, the world's smallest 3G & WIFI personal hotspot
- 27 February 2012: Option enables mobile broadband with a purpose
- 27 February 2012: Option connects VIU^2 Plug & Play camera with ultra simple set-up and Smartphone apps.
- 28 February 2012: Option announces LGA module for 4G LTE.
- 7 March 2012: LetterSigner embedded in Option's Cloudkey.

VALUATION RULES

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, XY*fi* 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, of 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.

CORPORATE GOVERNANCE STATEMENT

The Belgian Corporate Governance Code

On 9 December 2004, the Corporate Governance Committee published the Belgian Corporate Governance Code. On 12 March 2009 an updated version of the Code was published, which supersedes and replaces the Code issued in 2004. Option explicitly adheres to this 2009 Code and has published on its website www.option.com (refer to the "investor relations" section), an updated Corporate Governance Charter, outlining its corporate governance structure and policies, in line with said 2009 Code, that can be consulted on the following website:

http://www.corporategovernancecommittee.be/library/documents/final%20code/CorporateGovNLCode2009.pdf.

The 2009 Code has a high degree of built-in flexibility, enabling it to be adapted to each company varying size, activities and culture. It is based on a "comply or explain" system, which allows companies to deviate from the provisions of the 2009 Code when their specificities so justify, subject to providing adequate explanation.

The Belgian Act of 6 April 2010 regarding the fortification of corporate governance in listed companies and autonomous government institutions and the amendment of the professional ban in the banking and finance sector has institutionalized the Corporate Governance Code, making it mandatory for all listed companies. However, a number of recommendations set forth in the Corporate Governance Code can still be deviated from if the 'comply-or explain' principle is complied with.

Option adopts the "comply or explain" system with regards the following topics:

- *the combination Nomination Committee – Remuneration Committee*: given the size of the Group, the Board of Directors decided to combine the two so that the Remuneration Committee is also exercising the function of a nomination committee. (principle 5.4 of the 2009 Code)

- *the grant of warrants to the Board of Directors*: the Board of Directors is of the opinion that granting warrants to directors allows the Company to appoint directors of the highest international standing and allows the Company to ensure the continued involvement of the directors whilst at the same time limiting the financial burden upon the Company. (principle 7.7 of the 2009 Code). The Board of Directors is convinced that the integrity and experience of the directors is the best guarantee of good judgment and decision-making. Finally the vesting schedule under the warrants plan is spread out over a period of four (4) years thereby mitigating the risk of short term driven decisions.

  The grant of warrants to the directors is at no real cost to the Company, and the exercise of the warrants to the directors can only result in a very small dilution. In addition, the grant of the warrants is in line with common practice in the international and highly competitive high-tech and telecom sector.

Furthermore, the Belgian Act of 20 December 2010 regarding the exercise of certain shareholder rights for shareholders of listed companies has also brought substantial changes to the formalities relating to the convening of and participation to the shareholders' meetings in listed companies. Following said Act, the Company will have to modify its bylaws in order to comply with these new legal dispositions, which are mandatorily applicable as of January 1, 2012. All dispositions in the Company's bylaws that have not yet been amended to comply with said Act, are deemed to be implemented and must be complied with as of January 1, 2012.

Composition of the Board of Directors

The articles of association stipulate that the Board of Directors is composed of a minimum of three and a maximum of nine members, who are appointed by the general shareholders meeting for a maximum period of six years. In accordance with the principles of the Code the Company's directors are appointed for a maximum duration of four years. The Board of Directors must include at least three independent directors.

As of 31 December 2011, the Board was composed of six members, namely:

An Other Look To Efficiency SPRL, represented by Mr Olivier Lefebvre (permanent representative), independent director, chairman
Mr Jan Callewaert, executive director
Mr Lawrence Levy, non-executive director
Mr David A. Hytha, independent director
FVDH Beheer BVBA, represented by Mr. Francis Vanderhoydonck (permanent representative), independent director
Q-List BVBA, represented by Mr Philip Vermeulen (permanent representative), independent director

The term of the office of Q-List BVBA and An Other Look To Efficiency SPRL, appointed by decision of the extraordinary general meeting of shareholders held on 26 August 2008, will expire immediately after this year's Annual General Meeting, which will be asked to approve the annual accounts for the year ending in 2011.

The reappointment of Q-List BVBA as Director to the Company, and the reappointment of An Other Look To Efficiency SPRL as independent Director to the Company will be on the agenda of this year's Annual General Meeting.

The term of the office of Mr. Callewaert, Levy and Hytha will expire immediately after the Annual General Meeting, which will be asked to approve the annual accounts for the year ending in 2012.

As stated above, FVDH Beheer BVBA represented by Mr Francis Vanderhoydonck (permanent representative) was appointed as new independent director effective as of 1 January 2011.

The term of office of FVDH Beheer BVBA represented by Mr Francis Vanderhoydonck (permanent representative) will expire immediately after the Annual General Meeting, which will be asked to approve the annual accounts for the year ending in 2014.

No directors left the Board during 2011.

Functioning of Board of Directors

In 2011, the Board of Directors met 20 times, 5 times in person and 15 times via conference call. The average attendance rate amounts to 98.33% (2010: 93.18%), with the following individual attendance rate figures:

Jan Callewaert	95.00 %
Q-List BVBA	100.00 %
David Hytha	100.00 %
Lawrence Levy	100.00 %
An Other Look To Efficiency BVBA	100.00 %
FVDH Beheer BVBA	95.00 %

In the course of 2011 the non-executive directors met on a regular basis in order to discuss the relationship with the CEO and executive management of the Company. In accordance with Corporate Governance regulation, the Board organised an evaluation process led by the Chairman of the Board. The evaluation was done via a questionnaire that was sent to all directors by the Chairman of the Board. The results of the questionnaire were gathered via an external counsel to the Company on a no name basis.
The questionnaire focuses on different topics such as the operation of the Board and the committees, the contribution of each director, the interaction with the executive management and the Board's or committee's composition. The results were discussed by the Board in the first quarter of 2012 and action has been taken to improve the functioning, the interaction and reporting of the Board and the committees. Overall, the directors expressed their general satisfaction regarding the functioning of the Board and the evolution that the Company made during the last year. The Board further agreed on a number of improvement actions and discussed the implementation thereof with the executive director.

In 2012 the Board of Directors proposes to the Annual General Meeting of Shareholders to keep the overall size of the Board of Directors and to reappoint Q-List BVBA and Another Look At Efficiency as directors of the Company.

Related parties transactions – Conflict of interest procedure

In 2011 the Board of Directors applied the procedure foreseen in Article 523 of the Belgian Code of Companies in two Board Meetings.

In 2012, during the Board Meeting held on January 25, the Board of Directors also applied the procedure foreseen in Article 523 of the Belgian Code of Companies.

In accordance with the provisions of this article, extracts of the minutes where the procedure was followed are reproduced hereunder, sorted chronologically:

Board of Directors of May 25, 2011

"Before the discussion on this item, Jan Callewaert informs the Board in accordance with the provisions of Article 523 of the Code of Companies that he may have a conflicting interest of a monetary nature with the Company in respect of the decisions that the Board may take in relation hereto. Jan Callewaert further explains that he is the owner of the majority of the shares in Mondo NV and that the variable compensation for Mondo NV as CEO of the Company is one of the subjects that will be discussed by the Board. Therefore, in accordance with the provisions of the aforementioned Article 523 of the Code of Companies, Jan Callewaert leaves the meeting and does not take part in the further discussion, deliberation and voting.

CEO variable compensation
Following the recommendation of the Remuneration Committee, the Board of Directors discusses and deliberates the variable remuneration for the CEO and the management team of the Company.

The Chairman of the Committee reports on the meeting of the Committee with regards to the KPI's for the management for the current year.

The variable compensation for the CEO of the Company was determined at EUR 190.000. The proposal of the recommendation of the Remuneration Committee with regards to the KPI (key performance indicators) for this variable compensation, is to fix the EBITDA level of the budget plan as the 100% mark for the variable compensation. Furthermore, the recommendation is to limit the payment of the variable compensation below the 100% mark as follows:

90- <100% of the target KPI: 50% of the variable compensation
80 - < 90% of the target KPI: 25% of the variable compensation
<80% of the target KPI: no variable compensation

The Board considers these proposed KPI's to be in line with the Company's interests as the KPI's are aligned with the business plan and are a clear motivator for the CEO to try to meet the targets set in the plan."

Board of Directors August 3, 2011

"Before the discussion on this item, David Hytha informs the Board in accordance with the provisions of Article 523 of the Code of Companies that he may have a conflicting interest of a monetary nature with the Company in respect of the decisions that the Board may take in relation hereto. David Hytha further explains that he is the owner of a small portion of warrants in Autonet and that the potential investment in Autonet is one of the subjects that will be discussed by the Board. Therefore, in accordance with the provisions of the aforementioned Article 523 of the Code of Companies, David Hytha leaves the meeting and does not take part in the further discussion, deliberation and voting.

The Board discusses the different elements of the potential investment in and co-operation with Autonet.

There are many important positive elements in the current proposal:

Strategic relation with Autonet will allow the Company to enter the automotive market with a partner and from the solution side (hardware + software application) and not the hardware side only;

The strategic relation can utilize the Company's wireless modules and software to deliver the first mobile IP based Telematics Control Unit (TCU) for cars. The new system may leverage Autonet Mobile technology and TCU design, enabling automotive manufacturers from around the world to connect their cars to high speed mobile networks and deliver new features that enable pervasive cloud computing, mobile apps and fleet telematics.

The Company's wireless modules combined with Autonet Mobile TCU and managed network, can make this the first intelligent communication and control device designed to create a new and verticalized mobile automotive ecosystem. For consumers, apps can be downloaded to the car or to companion smartphones and tablets enhancing car functionality and driving experience.

Therefore, after discussion, the Board RESOLVES

To approve the investment in Autonet for an amount of 1,5 million USD under the commercial conditions as described above

To mandate management to further negotiate the agreements reflecting the investment and commercial and license contracts

To mandate management to sign, further negotiate, finalise and execute in the name of an on behalf of Option nv, the agreements with Autonet for the investment, license and commercial co-operation with Option and generally to do what is necessary or useful for the execution and implementation of the above agreements and all annexes thereto and the transactions contemplated thereby.

David Hytha rejoins the meeting."

Board of Directors January 25, 2012

Before the Board discusses this item, David Hytha informs the Board in accordance with the provisions of Article 523 of the Code of Companies that he may have a conflicting interest of a monetary nature with the Company in respect of the decisions that the Board may take in relation hereto. David Hytha further explains that he is the owner of a very small number of warrants in Autonet and that the potential provisioning by the Company of financing to Autonet is one of the subjects that will be discussed by the Board. Therefore, in accordance with the provisions of the aforementioned Article 523 of the Code of Companies, David Hytha leaves the meeting and does not take part in the further discussion, deliberation and voting.

The Board discusses the request from Autonet for additional financing as explained by the CEO.

The Board reiterates that the reasons for Option to invest in Autonet were divers and included inter alia:

1. *strengthening the commercial relationship with Autonet;*
2. *improving its position in the automotive business;*
3. *to improving its experience with management platforms*

Since the last discussions on this topic Autonet has made very good progress on commercial and technical levels. During the latest motor show in Detroit the Autonet solution was presented by Chrysler emphasizing the strategic importance for Chrysler to co-operate with Autonet.

In order to continue its fast development track, Autonet wants to strengthen its financial situation in different manners. The Company is one of the key partners that would contribute to this.

The proposal is to provide additional financing via a capital increase that will be subscribed by the Company and the other reference shareholders. For the Company this would mean an additional investment of 200K USD at the same terms and conditions as before (in August 2011) whereby the Company's stake in Autonet would increase from 6,67% to 7,26%.

Given (i) the successes of Autonet; (ii) the importance for the company to attract sufficient working capital and (iii) the importance for Option to secure its investment

After discussion the Board RESOLVES:

To approve that the Company subscribes to a further capital increase of Autonet for an amount of 200K USD

to mandate the managing director Jan Callewaert to further negotiate the corporate and commercial details for this increase in accordance with the above mentioned terms.

to give power to Jan Callewaert to sign, further negotiate, finalise and execute in the name of an on behalf of Option nv, all documents in relation to the financing of (capital increase in) Autonet and generally to do what is necessary or useful for the execution and implementation of the above mentioned agreement and all annexes thereto and the transaction contemplated thereby.

David Hytha rejoins the meeting.

The policy with regard to transactions between the Company or any of its affiliated companies on the one hand and members of the Board of Directors or the Executive Management Team (or members of their immediate families) on the other hand that could give rise to conflicts of interest (other than those defined in the Belgian Companies Act) has been defined in the Corporate Governance Charter. In line with the decision taken by the Board of Directors in 2006 the Company reports on the professional fees charged by the US based law firm Brown Rudnick LLP, since Mr. Lawrence Levy who joined the Board of Directors of the Company early 2006 was one of the Senior Counsels of this law firm.

In order to avoid any ambiguity the Board of Directors decided in 2006 to report on an annual basis on the fees that were paid to Brown Rudnick LLP during the financial year. In 2011, the fees paid to Brown Rudnick LLP amounted to EUR 19k (2010: EUR 13k). At the end of 2010 Mr. Lawrence Levy retired from Brown Rudnick LLP and has no commercial ties with the lawfirm anymore.

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

Audit Committee

In 2011 the Audit Committee of the Company, following decision of the Board of 10 February 2011, was composed of three independent directors: FVDH Beheer BVBA and Q-LIST BVBA, and An Other Look To Efficiency SPRL. FVDH Beheer BVBA is chairman of the Audit Committee.

All members of the Audit Committee comply, because of their training and professional activities, to the requirements of expertise in accounting and auditing. Mr Philip Vermeulen, representing Q-List BVBA has significant financial experience. Mr Vermeulen has held different positions in the financial and venture capital sector, working for both Chase Manhattan and Ippa Bank, as well as for GIMV and FLV Fund. In addition, Mr Olivier Lefebvre, representing An Other Look To Efficiency SPRL, has a rich experience in financial and capital markets. He was, until recently, member of the NYSE Euronext Inc. management committee, member of Euronext N.V management committee and CEO of the Brussels Stock Exchange. Prior to that, he was advisor and Chief of Staff to the Belgian Minister of Finance, in charge of the reform of the Belgian financial markets. Mr. Francis Vanderhoydonck, representing FVDH Beheer BVBA also has substantial financial experience. He is Master of Law and Economic Sciences and obtained an MBA from New York University. From 1986 to 1998, he worked at Generale Bank, where he held a number of positions in the investment banking department. From 1995 to 1998, he was responsible for this department. Now, he works with Maple Finance Group, which is specialized in the management of private equity investment funds and corporate finance.

The Audit Committee gives guidance and controls the financial reporting of the Company. It ensures the presence of sufficient internal control mechanisms and, in co-operation with the statutory auditor of the Company, investigates questions relating to bookkeeping and valuation. The Audit Committee met 4 times in 2011 and reported to the Board of Directors on its activities and findings. The individual attendance rate figures (i.e. the attendance of the individual Committee member during the time he was member of the Committee) were as follows:

Q-List BVBA	100.00%
An Other Look To Efficiency SPRL	75.00%
FVDH Beheer BVBA	100.00%

Remuneration and Nomination Committee

The Remuneration and Nomination Committee was initially composed of two independent directors, i.e. Q-List BVBA and Mr. David Hytha and one non-executive director, Mr. Lawrence Levy who chairs the Committee. As per 9 February 2011, David Hytha was replaced by FVDH Beheer BVBA, independent director. As a result, the Remuneration and Nomination Committee is composed of a majority of independent directors and one non-executive director.

The Remuneration and Nomination Committee's role is to provide for a fair policy of remuneration for the employees and to ensure best international practices are respected when determining the remuneration and incentives of Directors Officers and Executive Management Team, and the appointment of the latter. Furthermore, The Remuneration and Nomination Committee advises the CEO of the Company regarding the compensation for the Executive Management Team. Given the size of the Group, the Remuneration Committee is therefore also combining the function of a nomination committee. The Remuneration and Nomination Committee met 6 times in 2011 and reported to the Board of Directors on its activities and findings. The individual attendance rate figures (i.e. the attendance of the individual Committee member during the time he was member of the Committee) were as follows:

Lawrence Levy	100.00%
Q-List BVBA	100.00%
David Hytha (until 8 February 2011)	100.00%
FDVH Beheer BVBA (As of 9 February 2011)	75.00%

<u>Remuneration report</u>

The remuneration of non-executive directors is decided by the General Shareholder Meeting based on a proposal that the Board formulates after an advice of the Remuneration Committee. The remuneration of the CEO is decided by the Board after advice of the Remuneration Committee. The remuneration of executive managers is decided by the CEO after consultation of the Remuneration Committee. No individual can decide on his/her own remuneration. This procedure is applied both in determining the remuneration policy and in determining the individual remuneration of directors and executive managers, and will, in the opinion of the Board of Directors, not be altered in the upcoming two financial years.

As far as the level of remuneration for the non-executive directors is concerned, the Company offers a competitive package in line with their roles in the Board and Committees that is composed of a fixed base compensation plus attendance fees. In 2008 warrants were offered to the directors.

In setting the level of remuneration for the executive managers the Company offers a competitive total compensation based on a combination of base salary, variable salary, extra legal benefits and warrants. The methodology for setting the targets for and evaluating the performance and the variable salary of executive managers is reviewed by the Remuneration Committee.

The Remuneration Committee is assisted by remuneration specialists when needed and investigates market best practices and market reference data from time to time in order to advice on competitive remuneration levels.

Remuneration of the directors

The directors are remunerated for the execution of their mandate. The general meeting of shareholders who appointed the directors decided upon their remuneration. The remuneration includes both a fixed amount for Board membership and an attendance fee for the meetings of the Board of Directors and the meetings of the Committees of the Board. The annual remuneration per director is limited to a maximum of 49 000 EUR with an exception for the Chairman (see below). The remuneration is composed of the following elements:

- an annual retainer of 25 000 EUR;
- an attendance fee of 2 000 EUR per Board meeting in person, provided the above maximum amount of director's annual remuneration is not exceeded:
- an attendance fee of 1 000 EUR per Board meeting via conference call, provided the above maximum amount of director's annual remuneration is not exceeded;
- an attendance fee of 1 500 EUR per Committee meeting in person and of 750 EUR per meeting via conference call, provided the above maximum amount of director's annual remuneration is not exceeded.

Following the split of the CEO and Chairman of the Board (early 2010) shareholders approved in 2010 an additional compensation for (i) the Chairman of the Board of Directors of 18 750 EUR per year, and (ii) the Chairman of the Audit Committee of 5 000 EUR per year, as from the start of the financial year 2010.

The remuneration of the Board members for 2011 was therefore as follows.

An Other Look To Efficiency SPRL:	€ 74 000
Jan Callewaert:	€ N/A
Q-List BVBA:	€ 49 000
Lawrence Levy:	€ 49 000
David A. Hytha:	€ 49 000
FVDH Beheer BVBA:	€ 50 472

In addition to the aforementioned remuneration directors are also entitled to out-of-pocket expenses in line with the Company policies (especially travel policy) and provided such expenses are reasonable and required for the performance of their duties as director of the Company.

Although the Corporate Governance Code stipulates that it is not recommended to grant performance-related remuneration such as stock related long-term incentive schemes to the non-executive directors, warrants have been granted to all the directors of the Company in the following proportions:

At year end 2011the following warrants "V" were held by the 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**

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 for all the members of the Board of Directors;
- 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 Board of Directors is of the opinion that granting warrants to directors allows the Company to appoint directors of the highest international standing and allows the Company to ensure the continued involvement of the directors whilst at the same time limiting the financial burden upon the Company. The Board of Directors is convinced that the integrity and experience of the directors is the best guarantee of good judgment and decision-making. Finally the vesting schedule under the warrants plan is spread out over a period of four (4) years thereby mitigating the risk of short term driven decisions.

The grant of warrants to the directors is at no real cost to the Company, and the exercise of the warrants to the directors can only result in a very small dilution. In addition, the grant of the warrants is in line with common practice in the international and highly competitive high-tech and telecom sector.

In 2011, the global compensation for the Board of Directors amounted to EUR 271 k (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 (3)	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 (4)	N.A	50.47 (2010: N.A)

(1) Excluding CEO remuneration to Mondo NV –As of 2010 the Board of Directors Compensation is included in the fixed remuneration of the CEO.
(2) As of 1st of January 2011
(3) Until 8 February 2011
(4) As of 9 February 2011

Executive Management Team

As per 31 December 2011, the Executive Management Team was composed of the following members:

Jan Callewaert[2], Founder and Chief Executive Officer (CEO)
Bart Goedseels[3], Chief Operating Officer (COO)
Patrick Hofkens, Chief Development Officer (CDO)
Jan Smits[4], Chief Financial Officer (CFO)
Jerome Nadel, Chief Experience Officer (CXO)
Frédéric Nys, Vice President Engineering and Technical

Executive officers compensation (Executive Management Team)

The management company of Mr Jan Callewaert (Mondo NV) is acting as CEO of the Group and 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) and decided to fix 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 paid out, as the set target (budgeted EBITDA) was not reached (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). The CEO is not entitled to nor is he a beneficiary of any pension scheme which is paid for by the Company.

[2] Mondo NV, a company incorporated and organised under Belgian law, represented by Jan Callewaert
[3] Adrimaar BVBA, a company incorporated and organised under Belgian law, represented by Bart Goedseels.
[4] Swap NV, a company incorporated and organized under Belgian law, represented by Jan Smits, who replaced Brayoe Consultants BVBA(JP Ziegler) as CFO of the Company following a decision of the Board of Directors on 5 February 2011.

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 of EUR 350k for one member of the Executive Team who left the company in the course of 2011. The redundancy fee was determined based on his contribution to strategic deals in 2010 and the contractual notice period.

In 2011, a gross amount of EUR 22K was granted for a member of the Executive Management Team, based on a positive evaluation of personal and team performance in the transformation of the Company and the repositioning of the Company's product portfolio. No further variable compensation was paid to the Executive Management Team, as the transformation of the Company has not yet sufficiently materialized on the revenue side and thus the set target (budgeted EBITDA) for the variable compensation was not reached.

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.

No member of the Executive Management Team is entitled to specific severance payments that would be in surplus of existing legal regulations and contractual notice periods. There exist no special rights of recovery, in addition to existing legal provisions, that would grant special powers to the Company for recovery of variable compensation granted or paid on the basis of incorrect financial data.

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**

All the above warrants were timely accepted.

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 for Mondo NV and Patrick Hofkens and EUR 1.86 per warrant for Frédéric Nys;
- 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.

RELEVANT INFORMATION IN THE EVENT OF A PUBLIC TAKE-OVER BID

Capital structure – capital shares/securities – rights

The warrant plan “V” provides for an accelerated vesting in the case of a change of control.

Transfer restrictions imposed by the law or the bylaws

Except as stated hereafter, none of the capital shares issued by the Company is subjected to any legal or statutory transfer restrictions.

The warrants granted under the warrant plan “V” may not be transferred by the warrant holders, except in the event of decease of the warrant holder.

Holders with special rights

Pursuant to Article 14 of the bylaws of the Company Mr Jan Callewaert has a binding proposition right for the nomination of one director for each tranche of 3% (three percent) of the total amount of issued shares of the Company he holds directly or indirectly, with a maximum proposition right for the nomination of five (5) directors. He has this right on the condition that and as long as he holds at least 15% (fifteen percent) of the total amount of shares issued by the Company.

Systems of control of any employee share scheme where the control rights are not exercised directly by the employees

There are no such employee share schemes relating to the Company.

Restrictions on voting rights

None of the capital shares of the Company is subject to any legal or statutory voting power restrictions. Each capital share entitles its holder to one vote.

The voting rights attached to the capital shares issued by the Company are however suspended in the events outlined in the Belgian Code of Companies.

Furthermore, no one may, as a general rule, cast votes at a general meeting of shareholders of the Company attached to securities that he/she has not disclosed at least twenty (20) days prior to a general meeting in accordance with the legislation on important participations (Article 545 of the Code of Companies).

The voting rights attached to shares encumbered with a life tenancy (“*vruchtgebruik*”) are exercised by the life tenant. As far as pledged shares are concerned, the voting rights are exercised by the owner-pledgee.

Holders of subscription rights (warrants) only have an advisory voting right at general meetings.

Shareholders’ agreements

To the best knowledge of the Board of Directors of the Company there are no shareholders’ agreements, which may result in restrictions on the transfer of securities and/or the exercise of voting rights.

Rules governing the appointment and replacement of the members of the Board of Directors of the Company

The directors of the Company are appointed by the general meeting of shareholders, deciding by a simple majority of votes. There are no attendance requirements for the appointment of directors.

If a legal entity is appointed director, it must appoint a permanent representative from amongst its shareholders, directors or employees, who is to be charged with the execution of the task in the name of and for the account of the legal personality-director.

Pursuant to Article 14 of the bylaws of the Company Mr Jan Callewaert has a binding proposition right for the nomination of one director for each tranche of 3% (three percent) of the total amount of issued shares of the Company he holds directly or indirectly, with a maximum proposition right for five (5) directors. He has this right on the condition that and as long as he holds at least 15% (fifteen percent) of the total amount of shares issued by the Company.

At least three (3) members of the Board of Directors must be appointed as "independent director" who must meet the criteria specified in Article 524§4 of the Belgian Code of Companies.

Directors can at all times be dismissed by the general meeting of shareholders, by a simple majority of votes. There are no attendance requirements for the dismissal of directors.

The bylaws of the Company provide the possibility for the Board of Directors to appoint directors in the event of a vacancy. In that case the Board of Directors has the right to provide a temporary replacement. The next general meeting of shareholders is to decide on the definitive appointment. The new director completes the term of office of his/her predecessor.

Rules governing the amendments to the bylaws of the Company

Save for capital increases decided by the Board of Directors within the limits of the authorized capital, only the (extraordinary) general meeting of shareholders is entitled to amend the Company's bylaws.

The general meeting of shareholders may only deliberate on amendments to the bylaws – including mergers, de-mergers and a winding-up – if fifty percent (50%) of the share capital is represented. If that attendance quorum is not reached, a new extraordinary general of meeting of shareholders must be convened, which may deliberate regardless of the portion of the share capital represented.

Amendments to the bylaws are only adopted, if approved by seventy-five percent (75%) of the votes cast.

The following amendments to the bylaws require however a special majority approval of eighty percent (80%) of the votes cast:

- Amendments to the provisions regarding the appointment and the dismissal of directors (Article 14 of the bylaws);
- Amendments to the corporate purpose (Article 559 of the Belgian Code of Companies);
- Modification of the legal form (Article 781 of the Code of Companies).

Powers of the Board of Directors relating to the issuance or buy-back of shares of the Company

The share capital of the Company may be increased following a decision of the Board of Directors, within the limits of the "authorized capital". The authorization thereto must be granted by an extraordinary general meeting of shareholders; it is limited in time and amount and is subject to specific justification and purpose requirements. The Board of Directors has been authorized by the Extraordinary Shareholders' Meeting of 21 May 2010 to increase the share capital of the Company with an amount of EUR 12 232 134.42 for a period of five years as from the date of the publication of said above decision. The Board of Directors has furthermore expressly been authorized to use this "authorized capital" in the event of a public take-over bid, within the limits of the Belgian Code of Companies, for a period of three years from the same date.

The authorization granted to the Board of Directors of the Company to cause the Company to acquire own shares, where such acquisition is necessary to avoid serious and imminent harm to the Company, has evenso been renewed by said extraordinary shareholders' meeting.

Finally the Board of Directors has been authorized, for a period of five (5) years as from the date of the publication of the above resolution of the extraordinary general meeting of shareholders, to acquire the maximum number of own shares or profit-sharing certificates as permitted by the Companies Code, being such number whose aggregate par value does not exceed ten percent (10%) of the capital, at a price equal to the average closing price of the share over the last thirty (30) calendar days prior to the transaction, increased or decreased by ten percent (10%), as well as, as far as necessary, to renew the authorization to transfer the own shares through sale or exchange or on the stock exchange, according to the same conditions as those set for the acquisition of own shares.

Significant agreements to which the Company is a party and which take effect, alter or terminate upon a change of control of the Company following a take-over bid, and the effects thereof

1. Supply agreements

- Supply agreement entered into with Vodafone (possibility to terminate with immediate effect within 2 months after notification of change of control by the Company);
- T-Mobile Supply and Purchase Framework Agreement (possibility to terminate within a 30 days notice);
- Cingular Wireless/AT&T Supply Agreement (non-assignment rights/obligations without consent other party);
- Virgin Mobile Australia Supply Agreement (non-assignment of rights/obligations without consent other party);
- Telstra Sourcing Agreement Mobile Services (non-assignment of rights/obligations without consent other party);
- Sanshin Electronics Corporation Limited Supply Agreement (non-assignment of rights/obligations without consent other party);

2. License agreements:

- Qualcomm CDMA Modem Card License Agreement (non-assignment of rights/obligations without prior written consent of Qualcomm – change of control falls under definition of "assignment");
- Motorola License Agreement dated (non-assignment without prior written approval Motorola);
- Interdigital License Agreement dated (non-assignment of rights/obligations);

Agreements between the Company and its directors or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a take-over bid

None of the agreements entered with the directors of the Company or any of its subsidiaries contains a provision providing for compensation (on top of the normal notice period) if they resign or are made redundant without valid reason or if their mandate is terminated because of a take-over bid.

EVENTS THAT COULD INFLUENCE THE DEVELOPMENT OF THE GROUP: OVERVIEW OF RISKS AND UNCERTAINTIES

In accordance with Article 96 of the Belgian Company Code, the annual report must describe the main risks and uncertainties that Option is confronted with in the market. Whilst most of such risks and uncertainties are related to the evolution of the market in which the Group is active as further outlined in the Review of Operations we would like to specifically mention the following risks and uncertainties:

(1) Going concern. As indicated in this report, the Board of Directors is of the opinion that, notwithstanding the existence since the last four financial years of losses carried forward, the use of going concern valuation rules is justified. Nevertheless, the Company's recent operational losses and the current trading environment could materially adversely affect its business and financial position. These losses might cause the Company to have to implement further cost cutting and restructuring measures which require the Company to reprioritize the uses to which its

capital is put to the potential detriment of its business needs, which, depending on the level of its borrowings, prevailing interest rates and exchange rate fluctuations, could result in reduced funds being available for the operation of the Company's business, including marketing activities, capital expenditures, acquisitions, dividend payments or other general corporate purposes. As a consequence, the Company may suffer from a competitive disadvantage compared to its competitors who may have greater liquidity and capital. Furthermore, the Company may not be able to obtain the financing needed to fulfill its future capital and refinancing needs. There is no guarantee that the financing, if needed, will be available or will be available at attractive conditions. Furthermore each debt financing, if available, may contain covenants limiting the Company's freedom to do business and/or the Company could become in breach under such covenants in which case the debt financing may be stopped and the liquidity of the Company in jeopardy.

(2) Option depends on third parties to offer wireless data communications services. If these services are not deployed as anticipated, consumers would be unable to use Option innovative products and revenues could decline. The marketability of the Company's products may suffer if wireless telecommunications operators do not deliver acceptable wireless services or if the price of such services would become too high for mass market adoption. In addition, the future growth depends on the successful deployment of next generation wireless data networks provided by those third parties, including those networks for which the Company is currently developing products. If these next generation networks are not deployed, delayed or not widely accepted, there will be no market for the products the Company is developing to operate on those networks. If the Company does not properly manage the development of its business, the Company may experience significant strains on its management and operations as well as disruptions in its business.

(3) Option is outsourcing manufacturing of its products to third parties and can be dependent upon the development and deployment of these third parties' manufacturing abilities and the overall quality of their work. The inability of any supplier or manufacturer to fulfill Option's supply requirement, demands and production schedules could impact future results. Option has short term supply commitments to its outsource manufacturers based on its estimation of customer and market demand. Where actual results vary from those estimates, whether due to execution on Option's parts or market conditions, Option could be at commercial risk. Suppliers may not continue to supply products to the Company on commercially acceptable terms, or at all.

(4) The Group expects to continue to depend upon only a small number of its customers for a substantial portion of its revenues. The Group deals with the individual affiliated companies of operator groups. Such individual affiliated companies are free to negotiate and manage their own contracts and placement of purchase orders. All these affiliated companies have different credit risk profiles and benefit from different terms and conditions. Moreover, the sale of the Company's products depends on the demand for broadband wireless access to enterprise networks and the internet and on the competitive pricing by the network operators of such wireless broadband access.

(5) The Company operates in a highly dynamic and competitive industry, which features substantial pricing pressure. If the Company is unable to compete effectively with its existing or any new competitor, its business, results of operations of financial condition could be materially adversely affected. Competition from more established companies with greater resources may prevent the Group from increasing or maintaining its market share and could result in price reductions and reduced revenues. The wireless data industry is intensely competitive and subject to rapid technological change. Competition might further intensify. More established and larger companies with greater financial, technical and marketing resources can start selling products that might compete with Company products. Existing or future competitors may be able to respond more quickly to technological developments and changes or may independently develop and patent technologies and products that are superior to those of the Group or achieve greater acceptance due to factors such as more favorable pricing or more efficient sales channels. If the Group would be unable to compete effectively with competitors' pricing strategies, technological advances and other initiatives, its market share and revenues may be reduced.

(6) Option may have difficulty managing its strategic repositioning, which may damage its ability to retain key personnel and to compete effectively. On the other hand, the Company may not be able

to maintain and expand its business if the Company is not able to hire, retain and manage additional qualified personnel.

(7) The Company's products may contain errors or defects, which could prevent or decrease their market acceptance and lead to unanticipated costs or other adverse business consequences.

(8) The market is evolving rapidly and the product life cycles are becoming shorter every year. In the event Option would be unable to design and develop new innovative products that gain sufficient commercial acceptance, the Group may be unable to recover its research and development expenses and Option may not be able to maintain its market share and the revenues could decline. The transition from pure hardware product sales to solution sales may further impact this as the typical sales cycle for a hardware product are shorter than those for an end to end solution. Furthermore, because of the short product life cycles Option's future growth is increasingly depending upon designing and developing new products that may not have been commercially tested. The ability to design and develop new products depends on a number of factors, including, but not limited to the following;

- the ability of the Group to attract and retain skilled technical employees;
- the availability of critical components from third parties;
- the ability of the Group to successfully complete the development of products in a timely manner;
- the ability of the Group to manufacture products at an acceptable price and quality.

A failure by Option or its suppliers in any of these areas, or a failure of these products to obtain commercial acceptance, could result in Option being unable to recover its research and development expenses and could result in a decrease in bottom line result. If the Company fails to develop and introduce new products successfully, the Company may lose key customers or product orders and its business could be harmed

(9) If the Company fails to develop and maintain strategic relationships, the Company may not be able to penetrate new markets. A key element of the Company's business strategy is to penetrate new markets by developing new products through strategic relationships with industry leaders in wireless communications (open innovation). The Company is currently investing, and plans to continue to invest, significant resources to develop these relationships. The Company believes that its success in penetrating new markets for its products will depend, in part, on its ability to develop and maintain these relationships and to cultivate additional or alternative relationships. There can be no assurance, however, that the Company will be able to develop additional strategic relationships, that existing relationships will survive and successfully achieve their purposes or that the companies with whom the Company has strategic relationships will not form competing arrangements with others or determine to compete unilaterally with the Company. The Company may fail effectively to identify or execute certain strategic partnerships and if it does pursue such partnerships it may fail to realise anticipated benefits to the business in a timely manner.

(10) The Company may not be able to develop products that comply with applicable government regulations. The Company's products must comply with government regulations. For example, in many countries many aspects of communications devices are regulated, including radiation of electromagnetic energy, biological safety and rules for devices to be connected to telephone networks. Additionally, the Company cannot anticipate the effect that changes in domestic or foreign government regulations may have on its ability to develop and sell products in the future. Failure to comply with existing or evolving government regulations or to obtain timely regulatory approvals or certificates for its products could materially adversely affect its business, financial condition and results of operations or cash flows.

(11) The Company might forecast customer demand incorrectly and order the manufacture of excess or insufficient quantities of particular products, or the Company depends on sole source suppliers for some components used in its products. The availability and sale of those finished products would be harmed if any of these suppliers is not able to meet the Company's demand and production schedule and alternative suitable components are not available on acceptable terms, if at all.

(12) The Company's business depends on its continued ability to license necessary third-party technology, which the Company may not be able to do or it may be expensive to do so. The

Company licenses technology from third parties for the development of its products. Certain licenses do not have a specified term and may be terminated by the Company or by the licensor for cause or upon the occurrence of other specified events. There can be no assurance that the Company will be able to maintain its third-party licenses or that these licenses or the technologies that are the subject of these licenses will not be the subject of dispute or litigation, or that additional third-party licenses will be available to the Company on commercially reasonable terms, if at all. The inability to maintain or obtain third-party licenses required for its products or to develop new products and product enhancements could require the Company to seek to obtain substitute technology of lower quality or performance standards, if such exists, or at greater cost, which could seriously harm its competitive position, revenue and prospects.

(13) The Company may infringe on the intellectual property rights of others. Third parties could claim that the Company's products, or components within its products, infringe on their intellectual property rights. These claims may result in substantial costs, diversion of resources and management attention, harm the Company's reputation or interference with its current or prospective customer or supplier relation. The industry in which the Company operates has many participants that own, or claim to own, proprietary intellectual property. In the past we have received, and in the future may receive assertions or claims from third parties alleging that our products violate or infringe their intellectual property rights. The Company may be subject to these claims directly or through indemnities against these claims which the Company has provided to certain customers. Regardless of whether these infringement claims have merit or not, we may be subject to the following:

- We may be liable for potentially substantial damages, liabilities and litigation costs, including attorneys' fees;
- We may be prohibited from further use of the intellectual property and may be required to cease selling our products that are subject to the claim;
- We may have to license the third party intellectual property, incurring royalty fees that may or may not be on commercially reasonable terms. In addition, there is no assurance that we will be able to successfully negotiate and obtain such a license from the third party;
- We may have to develop a non-infringing alternative, which could be costly and delay or result in the loss of sales. In addition, there is no assurance that we will be able to develop such a non-infringing alternative;
- The diversion of management's attention and resources;
- We may be required to indemnify our customers for certain costs and damages they incur in such a claim.

FINANCIAL INSTRUMENTS AND RISKS

(1) 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. The risks of these changes are generally offset by the opposite effects of hedging, however not all financial risks can be fully hedged. To the extent the Group enters into contracts that are denominated in foreign currencies and does not adequate hedge that exposure, fluctuations in exchange rates between the Euro and the foreign currencies may affect the Group's operating results.

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

(3) Any changes to existing accounting pronouncements or taxation rules or practices may cause adverse fluctuations in the Company's reported results of operations or affect how the Company conducts its business.

(4) The Company may not be able to obtain the financing needed to fulfill its future capital and refinancing needs. There is no guarantee that the financing, if needed, will be available or will be available at attractive conditions. Furthermore each debt financing, if available, may contain covenants limiting the Company's freedom to do business and/or the Company could become in breach under such covenants.

(5) The Company is likely to continue to be negatively affected by the impact that the recent rapid economic downturn has had, and may continue to have, on consumer spending; this combined with the seasonality of the business limits visibility on results of operations.

(6) The continuing global financial crisis and current uncertainty in global economic conditions could have a material adverse effect on the results of operations and financial condition of the Company.

(7) 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.

(8) As indicated above, the wireless data industry is increasingly competitive and subject to rapid technological change. The arrival of more established and larger companies, as well as the rapid technological change may create price erosion and affect Option's margins and profitability. Furthermore the Group's failure to predict and comply with evolving wireless standards or with applicable governmental regulations could hurt its ability to introduce and sell new products.

(9) Any acquisitions the Company makes could disrupt its business and harm its financial condition and results of operations.

(10) The Company may require additional capital in the future, which may not be available to it. Future financings to provide this capital may dilute investor's ownership in the Company. Any additional capital raised through the sale of additional shares may dilute Shareholder's percentage ownership interest in the Company and may have an effect on the market price of the shares.

(11) The Company's quarterly operating results may vary significantly from quarter to quarter and may cause its stock price to fluctuate. The Company's future quarterly operating results may fluctuate significantly and may fall short of or not exceed the expectations of security analysts, investors or management.

CONFLICTS OF INTERESTS

The conflict of interest procedure as set forth in Article 523 of the Belgian Code of Companies was applied in 2011 as set further out above in the corporate governance statement of this annual report.

REPORT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Option's Board of Directors is responsible for assessing risks inherent to the Group and the effectiveness of Internal controls. The Belgian Corporate Governance Code 2009 recommends highlighting risk factors and the measures the Board has taken to keep these risks at an acceptable level. The Group's internal control organization is based on the 5 pillars of the COSO[5] Framework:

- Control environment;
- Risk analysis;
- Control activities;
- Information and communication;
- Supervision and monitoring.

Control environment

The Board of Directors set up an Audit Committee and a Remuneration Committee. The Audit Committee gives guidance and controls the financial reporting of the Group. It ensures the presence of sufficient internal control mechanisms and, in co-operation with the statutory auditor of the Group, investigates questions which are in relation to accounting and valuation rules. The Remuneration Committee's role is to provide for a fair policy of remuneration for the employees and Executive Management and to ensure best international practices are respected when determining remunerations

[5] COSO (Committee of Sponsoring Organizations) is a private non-governmental international body recognized on matters of governance, internal control, risk management and Financial reporting.

and incentives. Management defines the management style and values as well as the skills and job descriptions needed for all functions and tasks within the organization.

The Group has adopted the Corporate Governance Charter and the Board of Directors introduced a Code of Dealing, which explains the prohibition of using inside information for dealing in Option's financial instruments.

The Group has a clear organization chart, covering the different entities belonging to the Group. For all functions, areas of responsibilities are defined.

Risk analysis

We refer to the section "overview of risks and uncertainties" and "financial instruments" of this report which describes the risks related to the evolution of the market and business, the Group is operating in. The Board of Directors and management determines the strategy, the budget and mid- to long term business plan for the coming periods. During this process, risks and uncertainties are discussed and taken into account to further finalize the Groups strategy and budgets. To complete the Board's impression on risks, in 2008 the Audit Committee requested management to prepare a risk analysis, which was performed by an external party. The analysis indentified the following risk categories:

- Physical risks: production driven and force majeure risks
- Financial risks: credit risk, liquidity risk and market risk
- Customer risks: product recalls
- Supplier risks: lead times, quality issues and dependency upon key suppliers
- Organizational risks: Strategy, IT risks, shortening product life cycle, product portfolio

Physical risk

In order to avoid a disruption in production, the Group has outsourced a part of its production to different third party manufacturers. However, this exposes the Group to a number of risks and uncertainties outside of its control. If one of these third-party manufacturers were to experience delays, disruptions, capacity constraints or quality control problems in its manufacturing operations, product shipments to customers of the Group could be delayed or rejected or its customers could consequently elect to cancel the underlying product purchase order. Because the Company outsources the surface mounting of almost all of its products, the cost, quality and availability of third-party manufacturing operations are essential to the successful production and sale of the Group's products. Force majeure risks could lead to property and material damage, cyber risks and business interruption.

Financial risk

A detailed description of the financial risk management, being the credit, liquidity and market risk is disclosed in note 21 of the annual report.

Customer risk

Product recalls is an identified risk the Group could be confronted with. The Company's products are technologically complex and must meet stringent industry, regulatory and customer requirements. The products produced by the Group may contain undetected errors or defects, especially when first introduced or when new models or versions are released. This could lead to a rejection or recall of this particular product.

Supplier risk

Quality issues can depend on one supplier for one specific product has been identified as a risk. The availability and sale of finished products would be harmed if any of these suppliers is not able to meet the Group's demand and production schedule and if alternative suitable components are not available on acceptable terms.

Organizational risk

Since the Group is operating in a fast moving and competitive technology sector, strategic pillars needs to be identified. The Group embarked on an industrial transformation that is continuing since the Group moved away from the highly commoditized segments of the market.

If the Group fails to develop and introduce successfully new products in its product portfolio, the Group could lose key customers or product orders and as a result, the Groups business could be harmed. In addition, as the Groups introduces new products or new versions of its existing products, its current customers may not require or desire the technological innovations of these products and may not purchase them or might purchase them in smaller quantities than the Company had expected. This, as well as fast changing technologies, could lead to shortened life cycles.

The Group has an ERP system which is used in its major entities (SAP). A failure could lead to a major impact with respect to financial data, master data, monitoring production, procurement and sales flows.

Control activities

The control activities include the measures taken by the Group to ensure that the most important risks, which were identified, are controlled or mitigated.
The Group manages its force majeure risks, being property and material damage, business interruption, cyber risk by entering into insurance contracts covering such risks.
Before commercializing its products, the Group performs the necessary tests to reach the level of technical acceptance. In order to try to assure the best possible quality standards during production, the Company has developed inhouse test and calibration systems. These systems are used in the production of most of the Company's products. The inhouse developed systems allow the Company to monitor the quality parameters used during production process that takes place in the factory of the Company's subcontractors. The test results are automatically uploaded in a database of the Company allowing it to check and verify the production history of those products. Furthermore, the Group has entered into a specific insurance contract to cover all external costs resulting from a potential recall risk.
The Group has changed its procurement process which is now processed by the third party manufacturer and supervised by the Group.
The Group has identified its strategic pillars. In order to cope with changing market conditions the Board and management have a number of strategic meetings in order to determine the further strategy of the Group. Product life cycles are monitored closely.
To guarantee the continuity of ERP system (SAP), back-ups are made on a daily basis and the maintenance is performed by an experienced third party. During 2009 and 2010 the current SAP security setup and access rights have been reviewed during an "SAP security project" under which new roles were developed. The driving factors of this project were based on control of integrity (segregation of duties) and completeness of figures / data.
An important element to control activities is the annual budget exercise in which strategy, risk, business plans and intended results are tested. The performance towards the targets is monitored monthly by the Finance team and discussed in management meetings.

Information and communication

In order to transmit reliable financial information a standardized information flow process has been defined, which is consistent for all entities belonging to the Group. This process flow includes the specific tasks to be completed by all entities for each monthly closing as well as specific deadlines. The Group has an accounting manual and works with a uniform reporting format, used by all its entities, to ensure the consistency of data as well as to detect potential anomalies.
The financial information is presented to the Audit Committee and to the Board of Directors on a quarterly basis. When approved, a financial press release or business update is sent in due time to the market. Following such release, the whole organization of the Group is informed. The information shared on a regular basis with the staff is not limited to a financial update, but includes as well business updates and in case this is required, strategically updates.

Supervision and monitoring

Supervision is done by the Board of Directors through the Audit Committee's activities and responsibilities. The Audit Committee reviews and discusses the quarterly closings based on a presentation of the Group's financial management. Minutes of the meeting are prepared including the follow up action points. Given the structure and current size of the Group, there is no internal auditor's function.

STATEMENT

The Board, to the best of their knowledge, declares the following:

a) the annual financial statements were prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the undertakings included in the consolidation taken as a whole;

b) the annual report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Leuven, March 28th, 2012

The Board of Directors