OPTION

WIRELESS TECHNOLOGY

3. FINANCIAL REVIEW

The Capital of the Company is represented by 41 249 296 shares. The shares are listed on the exchange "Euronext Brussels" under the code BE0003836534.

As a general rule, all Option shares, are issued in dematerialized form on a security account, following a decision of the Board of Directors dated 17 December 2007 (decision taken in accordance with Article 96 of the Act of 25 April 2007 on sundry provisions, of which decision the Annual Shareholders' Meeting of 31 March 2008 will be officially informed).At year-end 2007, all shares existed in dematerialized form.

At year-end 2007, the Company announced the following significant shareholders:

Identity of the person, entity or group of persons or entities (*)	Number basic shares held	Percentage of financial instruments held
Pepper NV (100% Jan Callewaert)..	7 054 504	17.10 %
Free float of which:..	34 194 792	82.90%
- SISU Capital Ltd (United Kingdom)...	1 331 495	3.23%
- SR Global Fund LP (Cayman Islands).......................................	1 457 500	3.53%
- UBS (Switzerland)	1 921 001	4.66%
- Goldman Sachs (USA)	2 225 658	5.40%
Total shares outstanding	41 249 296	100%

(*) *Each class of the voting financial instruments of the Company, for each person, entity or group of persons or entities, known to the Company to hold at least 3% or more directly or indirectly is listed.*

The Extraordinary Shareholders' Meeting held on 30 March 2007 authorized for issuance 2 200 000 naked warrants (subscription rights) "U". Pursuant to the terms and conditions of the warrant plan "U" that had been approved in the framework of the above issuance of warrants "U" the Board of Directors had been authorized to grant all or some of the above warrants to Directors, self-employed persons (as listed in the warrant plan "U") and/or personnel. At year-end 2007, none of these warrants "U" had been granted to any beneficiary.

DISCUSSION OF THE CONSOLIDATED ANNUAL ACCOUNTS

Unless mentioned explicitly, all numbers are according to IFRSs

The consolidated accounts include the following subsidiaries:
- Option Wireless Ltd, Cork (Ireland)
- Option Germany GmbH, Adelsried (Germany)
- Option Wireless Germany GmbH, Kamp-Lintfort (Germany)
- Option Wireless, Sweden AB, Stockholm (Sweden)
- Option Japan KK (Japan)
- Option Wireless Hong Kong Limited (China)
- Option Wireless Hong Kong Ltd. (Suzhou) Representation Office (China)
- Option Wireless Hong Kong Limited Taiwan Branch (Taiwan).

At the end of 2004, an American subsidiary was founded, Option Inc. Given its immaterial size, this subsidiary has not been included of the consolidation scope in 2007 and 2006.

REVENUES

Revenues for 2007 increased by 7.7% to EUR 301 507k, compared with EUR 279 868k in 2006.

GEOGRAPHICAL SPREAD OF SALES

We refer to the note 2 Business segments and geographical spread of the financial statements in this annual report for additional information about the geographical spread of sales.

GROSS MARGIN

Gross margin in the full year 2007 was 29.6% on total revenues, compared with gross margin of 37.4% in 2006. Costs of goods sold of EUR 212 300k during 2007 resulted in a gross profit of EUR 89 207k, a decrease of 14.7% compared to EUR 104 614k in 2006.

OPERATING EXPENSES

The operating expenses for the full year 2007, including depreciation and amortization charges were EUR 86 673k compared to EUR 62 477k for the previous year.

PROFIT FROM OPERATIONS (EBIT)

During 2007, EBIT decreased to EUR 2 534k (or 0.8% on revenues), compared to EUR 42 137k (or 15.1% on revenues) of 2006 representing a decrease of 94.0%.

EBITDA

EBITDA amounted to EUR 22 438k (or 7.4% on revenues) for the full year 2007, compared to EUR 53 134k (or 19.0% on revenues) of 2006 representing a decrease of 57.8%.

FINANCE RESULT

During 2007, Option obtained a positive financial result of EUR 138k. The total exchange rate gains amounted to EUR 750k mainly thanks to USD rates and Option received EUR 1 140k from risk free investments of the available cash. A total of EUR 1 091k financial discounts were given to customers for cash payments, EUR 473k related to the change in fair value of the existing derivative financial instruments and the other financial costs of EUR 187k were mainly related to financial leases and bank charges.

NET PROFIT AND EARNINGS PER SHARE

The earnings per share were as follows in 2007:

Net profit, for the full year 2007, amounted to EUR 6 432k or EUR 0.16 per basic and diluted share This compares to a net profit of EUR 35 316k or EUR 0.86 per basic and diluted share during 2006. Net profit decreased by 81.8%.

BALANCE SHEET

Total assets amounted to EUR 185 988k compared to EUR 176 489k at the end of the previous year.

Cash and cash equivalents increased over the year from EUR 36 062k to EUR 36 299k at the end of 2007.

Trade and other receivables increased from EUR 54 201k at the end of 2006 to 55 464k at the end of 2007.

This increase was attributable to the trade receivables which increased from EUR 52 400k to EUR 53 380k and the increase in other receivables mainly due to the positive fair value portion of financial derivatives being EUR 473k.
The trade receivable portfolio is sound. Most sales in non-OECD countries are covered by letters of credit or by credit insurance, provided by Delcredere. As an autonomous body, guaranteed by the Belgian Government, Delcredere's role is to promote international economic relations by covering risks relating to exports to, imports from and investments in non-OECD countries.

Inventories decreased from EUR 40 572k at the end of last year to EUR 39 251k at the end of 2007.
The decrease is explained by a combination of an increase of the work in progress, finished goods and raw material position, being EUR 4 685k and an increase of write offs on inventories, being EUR 5 585k compared to 2006.
18.8% of the inventory at quarter-end was related to components, 60.7% concerned work in progress whilst the level of finished goods at the year-end remained very low, representing only 20.5% of the total inventory. In 2006, these percentages were respectively 52.9% for components; 38.7% for work in progress and 8.4% for finished goods.

The net book value of intangible and tangible fixed assets was EUR 40 601k at the end of 2007, compared with EUR 42 097k as at 31 December 2006. During 2006, the total investments in tangible assets, mainly test equipment, amounted to EUR 11 467k and the Group invested EUR 20 931k in intangible assets of which EUR 17 699k for capitalized development projects and EUR 3 232k mainly due to additional licenses. In 2006, the Group secured a license to certain intellectual property rights for an amount of EUR 15 739k. At the end of 2007, the Group closed an amendment to the existing contract, the reflection of which has resulted in a decrease of intangible assets for an amount of EUR 14 348k and a decrease in current and non-current liabilities for in total EUR 15 739k.

Total current liabilities increased during the year to EUR 67 129k in 2007, compared with EUR 53 125k in 2006.
This increase is mainly related to the increased trade and other payables (+EUR 10 369k), an increase of provisions of EUR 5 976 and a decrease in income tax payable (- EUR 2 341k).
The Group generated a deferred tax liability mainly as a result of the capitalization of the commercial development projects under IFRS. In 2007, this deferred tax liability increased by EUR 435k which was nearly fully related to development projects.

On a balance sheet total of EUR 185 988k, the total shareholders' equity amounted to EUR 118 094k. Therefore, at the end of 2007, the Group solvency ratio was 63.5%, compared to 63.2% in 2006.

The cash flow generated from operating activities during 2007 amounted to EUR 32 765k compared to EUR 4 944k in the previous year.

APPROPRIATION OF THE NON-CONSOLIDATED RESULT

The statutory accounts of Option NV (Belgian GAAP) reported a net loss for the year 2007 of EUR -12 767k, compared with a net profit of EUR 22 832k in 2006.

The intention in time of dividend distribution will depend of the net non-consolidated results of Option NV, the financial situation of the Company, the establishment of the legal reserves and other elements that the Board of Directors and the Ordinary Shareholders' Meeting will consider at that moment.

The Board of Directors proposes to add the non-consolidated net loss of EUR -12 767k of 2007 to the profit carried forward from the previous year.

Abridged appropriation account (According to Belgian Accounting Standards)		
31 December - in thousands EUR	2007	2006
Profit/ (loss) carried forward from previous year	25 177	2 345
Profit/ (loss) for the period available for appropriation	(12 767)	22 832
Profit/ (loss) to be appropriated	12 410	25 177
Legal reserve	-	-

4. FINANCIAL REPORT -IFRS

4.1. Consolidated Financial Statements

4.1.1. Consolidated Income Statement

For the year ended 31 December Thousands EUR (except per share figures)	Note	2007	2006
Revenues	2	**301 507**	**279 868**
Cost of products sold		(212 300)	(175 254)
Gross Profit		**89 207**	**104 614**
Research and development expenses	3-4	(31 159)	(18 302)
Sales, marketing and royalties expenses	3-4	(38 600)	(32 794)
General and administrative expenses	3-4	(16 914)	(11 381)
Total Operating expenses		**(86 673)**	**(62 477)**
Profit from operations		**2 534**	**42 137**
Finance costs	5	(2 255)	(1 790)
Finance income	5	2 393	2 390
Finance income-net		**138**	**600**
Profit before income taxes		**2 672**	**42 737**
Tax income/(expense)	6	3 760	(7 421)
Net Profit		**6 432**	**35 316**
Weighted average number of ordinary shares		41 249 296	41 249 296
Diluted weighted average number of ordinary shares		41 249 296	41 249 296
Basic and diluted earnings per share	17	0.16	0.86

4.1.2. Consolidated Balance Sheet

For the year ended 31 December Thousands EUR	Note	2007	2006
ASSETS			
Cash and cash equivalents	7	36 299	36 062
Trade and other receivables	8	55 464	54 201
Income tax receivable		2 958	110
Inventories	9	39 251	40 572
Total current assets		**133 972**	**130 945**
Property, plant and equipment	10	20 139	12 099
Intangible assets	11	20 462	29 998
Deferred taxes	12	11 333	3 303
Other receivables	8	82	144
Total non-current assets		**52 016**	**45 544**
Total assets		**185 988**	**176 489**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Trade and other payables	13	59 505	49 137
Income tax payable		1 573	3 914
Current portion of long-term debt	16	75	74
Provisions	14	5 976	-
Total current liabilities		**67 129**	**53 125**
Trade and other payables	13	-	11 326
Non-current portion of long-term debt	16	74	148
Deferred taxes	12	691	256
Total non-current liabilities		**765**	**11 730**
Issued capital	17	6 116	6 116
Share premium	17	43 865	43 865
Reserves	17	363	335
Retained earnings	17	67 750	61 318
Total shareholders' equity		**118 094**	**111 634**
Total liabilities and shareholders' equity		**185 988**	**176 489**

4.1.3. Consolidated Cash Flow Statement

For the year ended 31 December Thousands EUR	2007	2006
OPERATING ACTIVITIES		
Net Profit (A)	**6 432**	**35 316**
Depreciation and amortization	17 924	10 987
Impairment loss	1 980	10
Write-offs on inventories	8 892	145
Write-offs on trade debtors	1 476	200
Increase in provision	5 976	-
Unrealized foreign exchange losses/(gains)	796	(202)
Interest (income)	(1 140)	(1 112)
Interest expense	124	97
Loss/(gain) on reevaluation of fair value through profit or loss financial assets	(473)	-
Loss/(gains) on sale of property, plant and equipment	16	(5)
Tax expense	(3 760)	7 421
Total (B)	**31 811**	**17 541**
Cash flow from operating activities before changes in working capital (C)=(A)+(B)	**38 243**	**52 857**
Decrease/(increase) in trade and other receivables	(13 878)	(16 996)
Decrease/(increase) in inventories	1 322	(21 077)
Increase/(decrease) in trade and other payables	14 781	(2 296)
Total changes in working capital (D)	**2 225**	**(40 369)**
Cash generated from operations (E)=(C) + (D)	**40 468**	**12 488**
Interests (paid) (F)	(87)	(21)
Interests received (G)	1 133	377
Income tax (paid)/received (H)	(8 749)	(7 900)
CASH FLOW FROM OPERATING ACTIVITIES (I)=(E)+(F)+(G)+(H)	**32 765**	**4 944**
INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	(27)	5
Proceeds from sale of intangible assets	-	227
Acquisition of property, plant and equipment	(11 467)	(6 440)
Acquisition of intangible fixed assets	(3 232)	(1 660)
Expenditures on product development	(17 699)	(10 011)
CASH FLOW USED IN INVESTING ACTIVITIES (J)	**(32 425)**	**(17 879)**
FINANCING ACTIVITIES		
Repayment of borrowings	(74)	-
Payment of finance lease liabilities	-	(286)
CASH FLOW USED IN FINANCING ACTIVITIES (K)	**(74)**	**(286)**
Net increase/(decrease) in cash and cash equivalents = (I)+(J)+(K)	**266**	**(13 221)**
Cash and cash equivalents at beginning of year	36 062	49 288
Effect of exchange rate fluctuations	(29)	(5)
Cash and cash equivalents at end of year	36 299	36 062
Difference	**266**	**(13 221)**

4.1.4. Consolidated statement of shareholders' equity

Thousands EUR	Issued capital	Share premium	Share-based payment reserve	Translation reserves	Retained earnings	Total
As per 1 January 2006……………………	**6 116**	**43 865**	**360**	**(3)**	**26 002**	**76 340**
Net profit	-	-	-	-	35 316	35 316
Translation adjustment	-	-	-	(22)	-	(22)
As per 31 December 2006	**6 116**	**43 865**	**360**	**(25)**	**61 318**	**111 634**
Net profit	-	-	-	-	6 432	6 432
Translation adjustment	-	-	-	28	-	28
As per 31 December 2007	**6 116**	**43 865**	**360**	**3**	**67 750**	**118 094**

4.2. Notes to the consolidated financial statements

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

BUSINESS DESCRIPTION AND ORGANIZATION

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

Option NV has the legal form of a public limited company (Naamloze Vennootschap (NV) whose shares were offered for sale to the public and is incorporated under Belgian law. Its headquarters are located in Belgium (Gaston Geenslaan 14, 3001 Leuven). Option NV is present in different continents around the world. The main companies are the headquarters located in Leuven and the manufacturing and supply chain site in Cork (Ireland). A complete list of all the subsidiaries of the Company can be found at the end of this annual report (see note 23 Option companies).

The consolidated financial statements of the Company for the year ended 31 December 2007 comprise the Company and its subsidiaries (hereinafter jointly referred to as "Option" or the "Group"). The financial statements were authorized for issue by the board of directors on 12 March 2008 and signed on its behalf by Mr. Jan Callewaert.

STATEMENT OF COMPLIANCE

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

ADOPTION OF NEW AND REVISED STANDARDS

Standards and Interpretations effective in the current period

In the current year, the Group has adopted IFRS 7 *Financial Instruments disclosures, which is* effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 *Presentation of Financial Statements*.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments (refer to note 19) and management of capital (refer to note 18).

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*; IFRIC 8 *Scope of IFRS 2*; IFRIC 9 *Reassessment of Embedded Derivatives*; and IFRIC 10 *Interim Financial Reporting and Impairment*. The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

Early adoption of Standards and Interpretations

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

Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements, the following Standards and interpretations were in issue but not yet effective:

- IAS 1 Presentation of Financial Statements (annual periods beginning on or after 1 January 2009). This Standard replaces IAS 1 Presentation of Financial Statements (revised in 2003) as amended in 2005

- Amendment to IAS 27 Consolidated and Separate Financial Statements (applicable for annual periods beginning on or after 1 July 2009). This Standard amends IAS 27 Consolidated and Separate Financial Statements (revised 2003)

- IFRS 3 Business Combinations (applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). This Standard replaces IFRS Business Combinations as issued in 2004

- IFRS 8 Operating Segments (applicable for accounting years beginning on or after 1 January 2009)

- Amendment to IAS 23 Borrowing Costs (applicable for accounting years beginning on or after 1 January 2009)

- IFRIC 11 IFRS 2 Group and Treasury share Transactions (applicable for accounting years beginning on or after 1 March 2007)

- IFRIC 12 Service Concession Arrangements (applicable for accounting years beginning on or after 1 January 2008)

- IFRIC 13 Customer Loyalty Programmes (applicable for accounting years beginning on or after 1 July 2008)

- IFRIC 14 'IAS 19-The limit on a defined benefit asset, minimum funding requirements and their interaction' (applicable for accounting years beginning on or after 1 January 2008).

The Group anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group in the period of initial application.

USE OF ESTIMATES

The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes, particularly the recoverability of fixed assets, deferred income taxes, intangible assets, warranty accruals and other probable liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The Group uses estimates in its normal course of business to evaluate the warranty, excess and obsolete inventory, the doubtful debtors, the useful life of R&D projects, the valuation of intellectual properties, the derivative financial instruments and other reserves. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

PRINCIPLES OF CONSOLIDATION

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

At the end of 2004, an American subsidiary was founded, Option Inc. Given its immaterial size, this subsidiary has not been included in the consolidation scope of 2007 and 2006.

THE ACCOUNTING POLICIES CAN BE SUMMARIZED AS FOLLOWS:

(1) FOREIGN CURRENCIES

- FUNCTIONAL AND PRESENTATION CURRENCY

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

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

- FOREIGN CURRENCY TRANSACTIONS

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

- TRANSLATION OF THE RESULTS AND FINANCIAL POSITION OF FOREIGN OPERATIONS

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

(2) REVENUE RECOGNITION

The Group generates revenues primarily from the sales of its products and technology, as well as the licensing of its technology. These sales are recognized as revenues when

(1) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
(2) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(3) the amount of revenue can be measured reliably;
(4) it is probable that the economic benefits associated with the transaction will flow to the entity; and
(5) the costs incurred or to be incurred in respect of the transaction measured reliably.

For multiple element sales, the total revenue is allocated to the fair value of the individual elements, each of which are then recognized in accordance with the accounting principle, applicable to that element. Where the fair value of one or more of the elements cannot be determined, the revenue is spread over the expected remaining contractual lifetime.

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

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

At the time of the transaction, the Group assesses whether the amount due from the customer is fixed and determinable and collecting of the resulting receivable is reasonably assured. The Group assesses whether the amount due from the customer is fixed and determinable based on the terms of the agreement with the customer, including, but not limited to, the payment terms associated with the transaction. The collection is assessed based on a number of factors, including past transaction history with the customer and credit-worthiness of the customer. If the Group determines that collection of an amount due is not reasonably assured, recognition is deferred until collection becomes reasonably assured.

Customers include Value added Resellers, Original Equipment Manufacturers, wireless service providers, global operators and end-users. Deferred revenue is recorded when cash in advance is received before the above revenue recognition criteria are met.

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

Any cash discount given on top of the market rate is netted against revenue.

(3) ROYALTIES BASED ON THE SALE OF PRODUCTS

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

(4) INCOME TAXES

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

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

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all taxable temporary differences only to the extent that it is probable for management that future taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

(5) INVENTORIES

Raw materials (mainly electronic components) and work in progress are stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis.
Finished goods inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and where applicable, direct labors costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

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

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

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

(6) PROPERTY PLANT AND EQUIPMENT

The Group's property and equipment, including dedicated production equipment, is recorded at historical cost less accumulated depreciation and impairment. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are recognized in the income statement as part of the gain or loss on disposal in the year of disposal. Gains and losses on disposals of property, plant and equipment are included in other income or expense.

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

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

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

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

(7) ACCOUNTING FOR LEASES

Lease operations can be divided into two types of lease:

- *Finance lease*

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. They are measured at the lower of fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses.
Each lease payment is apportioned between reduction of the lease obligation and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in short and long-term payables. The interest element is charged to the income statement over the lease period. Assets under finance lease are depreciated over the useful life of the assets according to the rules set out by the Group. In case where it is not certain that the Group will acquire the ownership of the asset at the end of the lease term, depreciation is spread over the shorter of the lease term and the useful life of the asset.

- *Operating lease*

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

(8) INTANGIBLES

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

Research expenditure is recognized as an expense as incurred.

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

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

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

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible assets can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.
Subsequent to initial recognition, these internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately. The amortization of capitalized development costs is recognized in the income statement under the caption “Research and Development costs”.

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

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

(B) OTHER INTANGIBLE ASSETS

The Group’s other intangible assets include licenses, which are acquired for the integration into its products or as a means for exploitation and software for Material Requirements Planning (MRP) and consolidation purposes. These are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is computed using the straight-line method over the estimated useful lives of the assets, which are : 1,5 to 5 years. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(9) IMPAIRMENT

The carrying amounts of financial assets, property, plant and equipment and intangible assets are reviewed whenever events or changes in circumstances occur to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

For intangible assets initially recognized that do not meet the criteria described here above (refer accounting policy 8 A), an impairment loss is recognized. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized in the income statement..

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

(10) WARRANTY

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

Warranty on sales from the e-shop of the Group and sales outside European Union are limited to not more than one year.

(11) PROVISIONS

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

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

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

(12) EMPLOYEE BENEFIT PLANS

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

Share-based compensation
The Group operates equity-settled share-based compensation plans through which it grants share options (here after referred to as "warrants") to employees, contractors and directors. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, with a corresponding increase in equity.

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

(13) SEGMENT REPORTING

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

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

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets and liabilities do not include
Income tax items.

(14) FINANCIAL INSTRUMENTS

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

Trade and other receivables

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

Customers for which overdue amounts rise from commercial discussions, are provided against revenue. In those cases, where the credit risk arise from the possibility that customers may not be able to settle their obligations as agreed, are provided against an allowance for doubtful debtors.

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

Trade and other payables

Trade payables and other payables are stated at amortized cost.

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

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

Derivative financial instruments
The Group only enters into derivative financial instruments in order to manage underlying exposures. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Any resulting gain or loss is recognized in the income statement.

(15) EARNINGS PER SHARE

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

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

NOTE 2: BUSINESS SEGMENTS AND GEOGRAPHICAL SPREAD

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

As from 2004, Option evolved to a Group with only one remaining business segment, namely equipment sales. Although Option has an extended product range, the Group believes that they can be looked at as belonging to a single operating segment as the products have similar economic characteristics and they are similar in each of the following categories:

- the nature of the products
- the nature of the production processes
- the type or class of customer for these products
- the methods used to distribute the products
- the nature of the regulatory environment for these products.

In 2006, a new business segment (embedded modules - included in 'Other' in the below table) arose next to the existing segment 'External devices' and this will most likely exceed the threshold for segment reporting disclosure in the course of 2008.

Origination of sales 31 December,	2007	2006
External devices	90%	100 %
Other	10%	0%

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

72% of the Group's revenues in 2007 are obtained within Europe compared with 87% in 2006. Given the limited number of customers, the Group is following up on its sales efforts on a global basis, rather than on a regional basis.

Revenues	2007	2006
Europe	72%	87%
Americas	10%	4%
Asia-Pacific	10%	3%
Other	8%	6%

NOTE 3: ADDITIONAL INFORMATION ON OPERATING EXPENSES BY NATURE

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

Thousands EUR	Depreciation on property and equipment		Amortization on intangible assets		Impairment loss on intangible assets		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Cost of products sold………………………..	332	236	-	-	-	-	332	236
Research and development expenses	3 904	2 121	12 361	7 590	1 980	10	18 245	9 721
Sales, marketing and royalties expenses	64	30	414	441	-	-	478	471
General and administrative expenses	715	456	134	113	-	-	849	569
Total	**5 015**	**2 843**	**12 909**	**8 144**	**1 980**	**10**	**19 904**	**10 997**

In 2007, the Group reviewed the existing capitalized R&D projects which resulted in an impairment of EUR 1 980k (2006: EUR 10k) mainly having its source in changing technologies and fast changing market conditions.

The Research expenses that were expensed as incurred amounted to EUR 374k (2006: EUR 346k).

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

Thousands EUR	2007	2006
Cost of products sold…………………..	4 486	3 853
Research and development expenses	4 753	2 970
Sales, marketing and royalties expenses	5 825	3 349
General and administrative expenses	6 313	3 765
Total	**21 377**	**13 937**

We refer to note 4: Payroll and related benefits of the financial statements in this annual report for further information.

Cost of products sold

As in prior year, 92% of the cost of products sold related to materials.

NOTE 4: PAYROLL AND RELATED BENEFITS

Thousands EUR	2007	2006
Wages and salaries..	15 347	10 294
Compulsory social security contributions..	4 743	3 126
Other personnel expenses	681	25
Contributions to pension plan...	606	492
	21 377	**13 937**
a) Total number of people registered at year-end...	615	497
b) Average number of people registered in full time equivalent...........................	626	486
Direct and indirect labor...	216	190
Employees	402	287
Management	8	9

As from 2003, the Company and two of its subsidiaries contribute to local pension funds, which are managed by high rated insurance companies. It concerns defined contribution schemes and the contribution can be partially fixed and partially related to the operating profit. The contributions to the pension funds amounted to EUR 606k (2006: EUR 492k).

NOTE 5: FINANCE INCOME-NET

Thousands EUR	2007	2006
Interest income	1 140	1 112
Interest expense	(124)	(97)
Net foreign exchange gains/(losses)	750	881
Cash discounts	(1 091)	(1 253)
Change in fair value of the existing derivative financial instruments	(473)	-
Other, mainly bank charges...	(64)	(43)
	138	**600**

The net foreign exchange result amounted to EUR 750k or 0.25% of total revenues of 2007 (2006: EUR 881 or 0.31% of total revenues of 2006) mainly due to open purchase invoices in USD.

NOTE 6: TAX EXPENSE INCOME/(EXPENSE)

Thousands EUR	2007	2006
Tax income/(expense) comprises:		
Current tax income/(expense)	2 133	(9 390)
Deferred tax income/(expense)	1 627	1 969
Total tax income/(expense)	**3 760**	**(7 421)**
Profit before tax	2 672	42 737
Income tax expense calculated at 33.99%	(908)	(14 526)
Effect of non-taxable income	(173)	(147)
Effect of expenses that are not deductible in determining taxable profit	(1 645)	(4 167)
Effect of different tax rates of subsidiaries operating in other jurisdictions	6 486	11 419
Tax income/(expense) recognized in the income statement	3 760	(7 421)

The tax rate used for the 2007 and 2006 reconciliations above is the corporate tax of 33.99% payable by companies in Belgium under Belgian tax law.

An important amount of adjustments, recorded in the quarter four 2007, gave rise to a significant tax loss in Option NV and has lead to a positive tax result for the group in 2007.

NOTE 7: CASH AND CASH EQUIVALENTS

Thousands EUR	2007	2006
Bank accounts	36 276	36 047
Cash	23	15
	36 299	**36 062**

Bank accounts include short term deposit less than 3 months for an amount of EUR 24 270k in 2007 (2006:EUR 0k).

NOTE 8: TRADE AND OTHER RECEIVABLES

CURRENT TRADE AND OTHER RECEIVABLES

Thousands EUR	2007	2006
Trade receivables	58 315	52 611
Allowance for doubtful accounts	(4 935)	(211)
Subtotal	*53 380*	*52 400*
Financial Derivatives– positive fair values	473	-
Recoverable VAT	903	745
Other receivables	708	1 056
Subtotal	*2 084*	*1 801*
	55 464	**54 201**

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

NON-CURRENT TRADE AND OTHER RECEIVABLES

Thousands EUR	2007	2006
Cash guarantees	82	144
	82	**144**

The cash guarantees are mainly related to rent guarantees in the major facilities.

NOTE 9: INVENTORIES

Thousands EUR	2007	%	2006	%
Raw materials	7 390	*18.8%*	21 455	*52.9%*
Work in progress	23 814	*60.7%*	15 692	*38.7%*
Finished goods	8 047	*20.5%*	3 425	*8.4%*
	39 251		**40 572**	

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

Inventories decreased from EUR 40 572k to EUR 39 251k at the end of 2007. This decrease is mainly explained by additional write offs against inventories. At the end of 2007, the total provision for inventories amounted to EUR 8 342k (2006: EUR 1 347k).

There are no inventories pledged for security.

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

Thousands EUR	Machinery and computer equipment	Furniture and Vehicles	Leasehold improvements	Under construction	Total 2007
Acquisition cost					
Balance at 1 January 2007	19 894	1 565	815	2 702	24 976
Effect of movements in foreign exchange	(3)	(5)	-	-	(8)
Additions	11 688	336	831	246	13 101
Disposals	(1 218)	(27)	-	-	(1 245)
Transfer to other asset categories	2 636	(39)	-	(2 702)	(105)
Other movements	-	-	-	-	-
Balance at 31 December 2007	**32 997**	**1 830**	**1 646**	**246**	**36 719**
Depreciation					
Balance at 1 January 2007	(11 964)	(538)	(375)	-	(12 877)
Effect of movements in foreign exchange	1	1	-	-	2
Depreciation	(4 369)	(402)	(244)	-	(5 015)
Disposals	1 235	27	13	-	1 275
Transfer to other asset categories	-	35	-	-	35
Other movements	-	-	-	-	-
Balance at 31 December 2007	**(15 097)**	**(877)**	**(606)**	**-**	**(16 580)**
Carrying amount					
at 1 January 2007	**7 930**	**1 027**	**440**	**2 702**	**12 099**
at 31 December 2007	**17 900**	**953**	**1 040**	**246**	**20 139**

Acquisition cost					
Balance at 1 January 2006	17 663	615	320	-	18 598
Effect of movements in foreign exchange	5	(2)	-	-	3
Additions	2 267	976	495	2 702	6 440
Disposals	(41)	(24)	-	-	(65)
Balance at 31 December 2006	**19 894**	**1 565**	**815**	**2 702**	**24 976**
Depreciation					
Balance at1 January 2006	(9 553)	(354)	(276)	-	(10 183)
Depreciation	(2 559)	(185)	(99)	-	(2 843)
Disposals and cancellation	41	24	-	-	65
Transfer to other asset categories	107	(26)	-	-	81
Other movements	-	3	-	-	3
Balance at 31 December 2006	**(11 964)**	**(538)**	**(375)**	**-**	**(12 877)**
Carrying amount					
at 1 January 2006	**8 110**	**261**	**44**	**-**	**8 415**
at 31 December 2006	**7 930**	**1 027**	**440**	**2 702**	**12 099**

A gross amount of EUR 5 427k relates to property, plant and equipment that have been fully depreciated but are still in use.

LEASED ASSETS

The assets recorded under a number of financial lease agreements consist of the following:

Thousands EUR	2007	2006
Machinery and equipment	0	3 145
Accumulated depreciation	0	(3 145)
Net carrying amount	**0**	**0**

The lease agreements mainly related to test equipment for which the purchase option has been exercised and those have been transferred to machinery and computer equipment in 2007.

NOTE 11: INTANGIBLE ASSETS

Thousands EUR	Capitalized development	Concessions, patents, licenses	Software	Total 2007
Acquisition cost				
Balance at 1 January 2007	26 561	21 229	1 622	49 412
Effect of movements in foreign exchange	(40)	-	-	(40)
Additions	-	2 990	361	3 351
Expenditures on product development	17 699	-	-	17 699
Disposals	-	-	-	-
Transfer to other asset categories	(98)	-	70	(28)
Other movements	-	(15 739)	-	(15 739)
Balance at 31 December 2007	**44 122**	**8 480**	**2 053**	**54 655**
Amortization and impairment loss				
Balance at 1 January 2007	(15 409)	(2 725)	(1 280)	(19 414)
Effect of movements in foreign exchange	12	-	-	12
Amortization	(7)	(2 272)	(372)	(2 651)
Amortization for expenditures on product development	(10 258)	-	-	(10 258)
Impairment loss	(1 980)	-	-	(1 980)
Disposals	-	-	-	-
Transfer to other asset categories	98	-	-	98
Other movements	-	-	-	-
Balance 31 December 2007	**(27 544)**	**(4 997)**	**(1 652)**	**(34 193)**
Carrying amount				
at 1 January 2007	**11 152**	**18 504**	**342**	**29 998**
at 31 December 2007	**16 578**	**3 483**	**401**	**20 462**

Acquisition cost				
Balance at 1 January 2006	16 697	4 125	1 328	22 150
Effect of movements in foreign exchange	21	-	-	21
Additions	18	17 104	294	17 416
Expenditures on product development	9 994	-	-	9 994
Disposals	-	-	(260)	(260)
Transfer to other asset categories	(260)	-	260	0
Other movements	91	-	-	91
Balance 31 December 2006	**26 561**	**21 229**	**1 622**	**49 412**
Amortization and impairment loss				
Balance at 1 January 2006	(8 941)	(1 203)	(975)	(11 119)
Effect of movements in foreign exchange	(2)	-	-	(2)
Amortization	(11)	(1 451)	(295)	(1 757)
Amortization for expenditures on product development	(6 387)	-	-	(6 387)
Impairment loss	(10)	-	-	(10)
Disposals	-	-	32	32
Transfer to other asset categories	32	(71)	(42)	(81)
Other movements	(90)	-	-	(90)
Balance 31 December 2006	**(15 409)**	**(2 725)**	**(1 280)**	**(19 414)**
Carrying amount				
at 1 January 2006	**7 756**	**2 922**	**353**	**11 031**
at 31 December 2006	**11 152**	**18 504**	**342**	**29 998**

A gross amount of EUR 4 642k relates to intangible assets that have been fully amortized but are still in use.

In 2007, the Group reviewed the existing capitalized R&D projects which resulted in an impairment of EUR 1 980k (2006: EUR 10k) mainly having its source in changing technologies and fast changing market conditions.

Of this amount, EUR 1 323k related to the early termination of development projects and EUR 657k resulted from the difference between the carrying amount and the residual value for specific development projects. The residual value was determined based on an estimate of the projected contributions from these development projects in the next quarters.

In 2006, the Group secured a license to certain intellectual property rights for an amount of EUR 15 739k. At the end of 2007, the Group closed an amendment to the existing contract, the reflection of which has resulted in a decrease of intangible assets for an amount of EUR 14 348k and a decrease in current and non-current liabilities for in total EUR 15 739k.

NOTE 12: DEFERRED TAXES ASSETS AND LIABILITIES

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Net	
Thousands EUR	2007	2006	2007	2006	2007	2006
Property, plant and equipment	295	138	-	-	295	138
Intangible assets	610	-	-	(136)	610	(136)
Inventories	-	-	(64)	(75)	(64)	(75)
Other items	4 641	3 165	(627)	(45)	4 014	3 120
Tax value of loss carry forwards	5 787	-	-	-	5 787	-
Gross tax assets/(liabilities)	**11 333**	**3 303**	**(691)**	**(256)**	**10 642**	**3 047**
Netting by taxable entity	-	-	-	-	-	-
Net deferred tax assets/(liabilities)	**11 333**	**3 303**	**(691)**	**(256)**	**10 642**	**3 047**

The deferred tax asset following losses carried forward resulted from a significant portion of non recurring adjustments. The other deferred tax assets resulted mainly from temporary tax differences with respect to accrued royalty charges and a general bad debt provision.

Temporary differences with respect to investments in subsidiaries amount to EUR 803k.

The losses carried forward of EUR 17 026k resulted in a deferred tax assets of EUR 5 787k.
It is more likely than not that the losses carried forward will be accepted by the relevant tax authorities and sufficient future profits are foreseen to recover the losses. The tax losses carried forward are unrestricted in use.

NOTE 13: TRADE AND OTHER PAYABLES

CURRENT TRADE AND OTHER PAYABLES

Thousands EUR	2007	2006
Trade payables	52 717	41 288
Salaries, tax and payroll related liabilities	1 864	1 591
Financial Derivatives– negative fair values	946	-
Other payables and accrued expenses and deferred income	3 978	6 258
	59 505	**49 137**

NON-CURRENT TRADE AND OTHER PAYABLES

Thousands EUR	2007	2006
Other payables	-	11 326
	-	**11 326**

The current and non-current other payables of 2006 is explained by the corresponding liability related to the license secured by the Group to certain intellectual property rights. At the end of 2007, the Group closed an amendment to the existing contract, the reflection of which has resulted in a decrease of intangible assets for an amount of EUR 14 348k and a decrease in current and non-current liabilities for in total EUR 15 739k.

NOTE 14: PROVISIONS

Thousands EUR	2007	2006
Warranty provision	1 259	110
Loss on supply agreements	1 156	-
Legal and other claims	3 561	-
	5 976	**110**

The Group fully reviewed all of its accounts and made appropriate provisions in order to properly reflect the state of the business for year-end 2007. A large part of the provisions are related to ongoing discussions with patent holders on intellectual properties rights and legal liabilities. The outcome of these discussions may differ from the assessment made. The remaining part of the provisions concern warranty and loss on supply agreements.

Up to 2007, the accrual for warranty was recorded under the caption "Accrued expenses and deferred income". In 2007, this was recorded under the caption "Provisions" and amounted to EUR 1 259k (2006: EUR 110k). As the warranty provision is subject to an estimation of the potential liability, this one is reclassified under the caption "Provisions" in 2007.

NOTE 15: OPERATING LEASES

OPERATING LEASES

LEASES AS LESSEE

Non-cancelable operating lease rentals are payable as follows:

Thousands EUR	2007	2006
Less than one year	1 957	2 030
Between one and five years	5 478	4 986
More than five years	-	-
	7 435	**7 016**

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

In 2007, EUR 2 293k was recognized as an expense in the income statement in respect of operating leases (2006: EUR 1 646k).

LEASES AS LESSOR

Non-cancelable operating sublease rentals are receivable as follows:

Thousands EUR	2007	2006
Less than one year	77	77
Between one and five years	-	84
More than five years	-	-
	77	161

The Group's Irish entity is subleasing premises to a third party. The sublease agreement comes to an end during 2008. In 2007, EUR 77k (2006: EUR 77k) was recognized as rental income in the income statement.

NOTE 16: FINANCE LEASES AND CREDIT FACILITIES

NON-CURRENT LIABILITIES

Non-current portion of long-term debt consisted of the following:

Thousands EUR	2007	2006
Subordinated loan	74	147

In 2003, the Company obtained from the Flemish Innovation Institute I.W.T. a subordinated loan of EUR 222k to support Option's innovative efforts in the Wireless LAN area and seamless transition to the GPRS PC data cards. This loan is reimbursable in 12 quarterly installments of EUR 18.5k as from March 2007 and the interest rate is 7.95%.

TERM AND DEBT REPAYMENT SCHEDULE

	2008	2009	2010+
IWT loan-base amount..	74	74	0
IWT loan-interests...	29	23	0
IWT loan-total	103	97	0

CURRENT LIABILITIES

Current portion of long-term debt consisted of the following:

Thousands EUR	2007	2006
Current portion of IWT loan..	74	74

Any remaining debts under finance lease arrangements have been settled prior to 31 December 2006. There have been no new finance lease arrangements since then.

Pledges on the Company's business in favour of a financial institute for past loan facilities consist of the following:

Thousands EUR	2007	2006
Pledge expires on 14 November 2010	1 977	1 977

NOTE 17: SHAREHOLDERS'EQUITY

We refer to the section "Consolidated statement of shareholders' equity" of these financial statements regarding the detail of the equity components.

CAPITAL STRUCTURE

	Shares
31 December 2006	**41 249 296**
31 December 2007	**41 249 296**

The authorized share capital comprises 41 249 296 ordinary shares, for an amount of EUR 6 116k. The shares have no par value and have been issued and fully paid. All shares held in the Company carry the same rights.

On 30 March 2007 the Shareholders' Meeting approved a warrant plan for 2 200 000 naked warrants (subscription rights), of which none had been granted to any beneficiaries during 2007.

TRANSLATION RESERVES

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations.

EQUITY-SETTLED SHARE OPTION PLAN

Warrants "U"

On 30 March 2007 the Shareholders' meeting approved the issuance of 2 200 000 warrants "U". At year-end 2007 none of these warrants "U" had been granted to any beneficiaries by the Board of Directors.

In 2007, there were no expenses related to equity-settled share-based payment transactions (2006: EUR 0k).

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

Earnings per common share	2007	2006
Net profit (in Thousands EUR)	6 432	35 316
Weighted average shares of common stock outstanding:		
Basic	41 249 296	41 249 296
Effect of warrants	-	-
Diluted	41 249 296	41 249 296
Per Share (in EUR)		
Basic and diluted earnings per share	0.16	0.86

The diluted earning per share does not take into account the warrant plan that was created early 2007, as no warrants were granted for this plan at the end 2007.

NOTE 18: CAPITAL MANAGEMENT

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

The Group's objectives when managing capital are:

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

The Group's overall strategy and objectives remain unchanged from 2006.

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

The Group has no material debt. The gearing ratio at year-end was as follows:

Thousands EUR	2007	2006
Current portion of long term debt	75	74
Cash and cash equivalents	(36 299)	(36 062)
Net	(36 224)	(35 988)
Equity	118 094	111 634
Gearing ratio	**(30.6)%**	**(32.1)%**

The Group is not subject to any externally imposed capital requirements..

NOTE 19: FINANCIAL RISK MANAGEMENT

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

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

Categories of significant financial instruments:

Thousands EUR	2007	2006
Financial assets		
Derivative financial instruments	473	-
Cash and cash equivalents	36 299	36 062
Trade receivables	53 380	52 400
Recoverable VAT	903	745
Income tax receivable	2 958	110

Financial liabilities		
Derivative financial instruments	946	-
Trade payables	52 717	41 288
Salaries, tax and payroll related liabilities	1 864	1 591
IWT loan	148	222
Income tax payable	1 573	3 914

CREDIT RISK ON ACCOUNTS RECEIVABLE

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

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

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

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

Trade receivables consist of a large number of customers, spread across geographical areas. The receivables for customers who belong to the same group, in different geographical areas, are treated separately. Only one customer represents 6.3% of the total trade receivables of the Group for the year ended 31 December 2007. Other customers with open receivables represent less than 5.5% of the total trade receivables of the Group at year-end.
In 2006, one customer represented 11.3 % of the total receivables of the Group. Other customers with open receivables represented less than 10% of the total receivables of the Group at the end of 2006.

The average credit period on sales of goods is 60 days. No interest is systematically charged on overdue payments. The group has performed a detailed analysis of its accounts receivable, which were more than 90 days overdue during 2007.

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

Included in the Group's trade receivable balance are debtors with a carrying amount of EUR 2.626k which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is more than 120 days.

Aging of past due, but not impaired:

Thousands EUR	2007	2006
60 - 90 days	640	2 542
90 - 120 days	84	1 286
> 120 days	1 902	4 772
	2 626	**8 600**

Movement in the allowance for doubtful debts:

Thousands EUR	2007	2006
Balance at the beginning of the year	211	-
(Decrease) Increase in Allowances	4 724	211
	4 935	**211**

The EUR 4 724k increases in allowances represents the total net loss on receivables.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the considerable spread in the customer base. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables:

Thousands EUR Gross Amounts	2007	2006
60 - 90 days	-	-
90 - 120 days	406	-
> 120 days	2 878	211
	3 284	**211**

LIQUIDITY RISK

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

In 2003, the Company obtained from the Flemish Innovation Institute I.W.T. a subordinated loan of EUR 222k as mentioned in note 16 Finance leases and credit facilities and which is the only credit facility the Group has.

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

Thousands EUR	2007	2008	2009	2010
2007				
Derivative financial instruments	-	946	-	-
Trade payables	-	52 717	-	-
Salaries, tax and payroll related liabilities	-	1 864		
Income tax payable	-	1 573	-	-
IWT loan	-	103	97	-
	-	**57 203**	**97**	**-**
2006				
Trade payables	41 288	-	-	-
Salaries, tax and payroll related liabilities	1 591	-	-	-
Income tax payable	3 914	-	-	-
IWT loan	108	103	97	-
	46 901	**103**	**97**	**-**

MARKET RISK: INTEREST RISK

The Group is not subject to material interest risk. . As in 2006, the Group has no floating rate financial assets or liabilities and no interest rate derivatives.

MARKET RISK: CURRENCY RISK

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

2007	Closing rate December 31,2007	Possible volatility in %	Possible closing rate December 31,2007
EUR/USD	1.4721	6.13%	1.3818-1.5623

The Group's exposure in USD as of 31 December 2007 is as follows:

Carrying amounts - Thousands USD	31 December 2007
Trade payables	(44 380)
Trade receivables	29 037
Cash and cash equivalents	14 896
	(447)

If the USD had weakened/strengthened during 2007 by the above estimated possible changes against the euro, the 2007 net result would have been 27 thousand euro higher/lower.

2006	Closing rate December 31,2006	Possible volatility in %	Possible closing rate December 31,2006
EUR/USD	1.3176	8.43%	1.2065-1.4287

The Group's exposure in USD as of 31 December 2006 is as follows:

Carrying amounts - Thousands USD	31 December 2006
Trade payables	(15 902)
Trade receivables	20 325
Cash and cash equivalents	3 468
	7 891

If the USD had weakened/strengthened during 2006 by the above estimated possible changes against the euro, the 2006 net result would have been 665 thousand euro higher/lower.

These analyses are representative for the Group's exposure throughout the year.

In 2007, the Group entered into derivative financial instruments to manage its exposure on the US dollar cash flows, being a forward contract, a purchased put option and a sold call option. All derivatives are recorded at fair value and classified as trading, which means that all volatility through changes in the fair value is recorded through the income statement. The loss resulted from the derivative financial instruments amounted to EUR 473k.

Nature	Volume	Currency	Fair Market Values changes 31 December 2007 Thousands EUR	Fair market value as of 31 December 2007	Maturity dates
Forward purchased	10 mios	USD	(946)	101	29 December 2008
PUT	20 mios	USD	263	563	29 December 2008
Sold CALL	40 mios	USD	210	(1 137)	29 December 2008
Net Market Value			**(473)**	**(473)**	

NOTE 20: CONTINGENCIES

Under license agreements, the Group is committed to royalty payments using certain essential patents - intellectual property rights (IPR) - to be used in 2.5G and 3G wireless products. The Group has progressively entered into license agreements with the basic patent holders, which brought down the uncertainty associated with such unasserted claims significantly. As in the prior fiscal year, the Group has continued to recognize its current best estimate of the obligations, including ongoing discussions with a patent holder. The Group believes it has adequately accrued for those essential patents at December 31, 2007. In the opinion of management, the amount of any ultimate liability with respect to these actions will not materially affect the Group's consolidated financial position.

NOTE 21: RELATED PARTIES TRANSACTIONS

Since 1997 the Company has a professional relationship with the US based law firm Brown Rudnick Berlack Israels LLP. Mr. Lawrence Levy who joined the Board of Directors of the Company early 2006 is one of the Senior Counsels of this law firm. Going forward, the Company will continue to work for certain matters with this law firm. It is being understood that Mr. Lawrence Levy will not directly work on Company related matters in his capacity of Senior Counsel of Brown Rudnick Berlack Israels LLP.

In 2007, the fees paid to Brown Rudnick amounted to EUR 77k.

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

BOARD OF DIRECTORS COMPENSATION

In 2007, the compensation for the Board of Directors amounted to EUR 270k.

Name	Board meetings attended		Audit Committees attended	Audit Committees attended	Strategic Committees Attended	Total remuneration Thousands EUR
	Physical attendance	*calls*				
Jan Callewaert (1)	4/4	11/11	5/5	N/A	1/1	45 (2006: 39.6)
Arnoud De Meyer	4/4	9/11	5/5	3/3	1/1	45 (2006: 39.6)
Triakon NV represented by Lucien De Schamphelaere (resigned on 30 March 2007)	0/0	2/2	N/A	N/A	N/A	8.25 (2006: 39.6)
Philip Vermeulen	4/4	11/11	5/5	3/3	N/A	45 (2006: 39.6)
Lawrence Levy	4/4	11/11	N/A	3/3	1/1	43.75 (2006: 39.6)
Jan Loeber	4/4	8/11	N/A	N/A	1/1	41.5 (2006: 38.6)
David Hytha	4/4	9/11	N/A	N/A	1/1	41.5 (2006: 30.2)
(1) Excluding CEO remuneration to Mondo NV						

In addition, one non-executive Board member received an amount of EUR 8k in his capacity of member of the Board in Ireland.

EXECUTIVE OFFICERS COMPENSATION

The CEO of the Group is the owner of a management company that is performing management services for the Group. The remuneration for these management services in 2007 amounted to EUR 540k fixed; no variable compensation was granted in 2007.

The outstanding receivable towards Pepper NV (100% Jan Callewaert) amounted to EUR 51k in 2007 and remained unchanged compared to 2006. Mr. Jan Callewaert holds through Pepper NV 17.10% of the shares of the Company.

For the year 2007, an aggregate gross amount of EUR 1 318k (2006: EUR 788k) was attributed to the nine Vice Presidents (2006: eight Vice Presidents). In 2007, no amount was accrued as variable pay relating to 2007 performance (2006: EUR 16k). For the nine Vice Presidents, benefits include an extra-legal pension scheme, the cost of which amounted to EUR 104k (2006: EUR 67k).

No expense was incurred during 2007 as share-based compensation to the Vice Presidents and to the CEO (2006: EUR 0k).

NOTE 22: EVENTS AFTER BALANCE SHEET DATE

Subsequent to December 31, 2007, there have been no events or transactions that would require disclosure.

NOTE 23: OPTION COMPANIES

LIST OF COMPANIES, ACCOUNTED FOR BY THE FULL CONSOLIDATION METHOD

NAME OF THE SUBSIDIARY	REGISTERED OFFICE	% OF SHAREHOLDING
BELGIUM		
OPTION NV	Gaston Geenslaan 14 3001 Leuven, Belgium	Consolidating company
IRELAND		
OPTION WIRELESS Ltd, Cork	Kilbarry Industrial Park Dublin Hill, Cork	100 %
GERMANY		
OPTION GERMANY GmbH	Streitheimer Strasse 22 D-86477 Adelsried, Germany	100 %
GERMANY		
OPTION WIRELESS GERMANY GmbH	SüdstraBe 9 47475 K a m p - Lin t f o r t - Germany	100 %
SWEDEN		
OPTION WIRELESS SWEDEN AB	Sturegatan 2 172 31 Sundbyberg Stockholm, Sweden	100 %
JAPAN		
OPTION WIRELESS JAPAN KK	5-1, Shinbashi 5-chome Minato-ku Tokyo 105-0004, Japan	100 %
CHINA		
OPTION WIRELESS HONG KONG LIMITED	35/F Central Plaza 18 Harbour Road Wanchai Hong Kong, China	100 %
CHINA		
OPTION WIRELESS HONG KONG LIMITED REPRESENTATION OFFICE	909-1 Genway Building 188 Wangdun Road Suzhou Industrial Park (SIP) Suzhou 215123, Jiangsu Province, China	100 %
TAIWAN		
OPTION WIRELESS HONG KONG LIMITED,TAIWAN BRANCH	4F Theta Building 10, Lane 360, Ne-Hu Road, Sec 1, Taipei City, TAIWAN	100 %

NON-CONSOLIDATED COMPANY

NAME OF THE SUBSIDIARY	REGISTERED OFFICE
U.S.A	
OPTION Inc.	1209 Orange Street Wilmington, DE 19801

NOTE 24: INFORMATION ON THE AUDITOR'S ASSIGNMENTS AND RELATED FEES

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

Thousands EUR	2007	2006
Worldwide audit services for the annual financial statements	400	169
Worldwide tax and legal services	244	124
Other worldwide services	86	2
	730	**295**

5. CONSOLIDATED AND STATUTORY REPORT 2007 OF THE BOARD OF DIRECTORS OF OPTION NV

The Consolidated and Statutory Board Report 2007 to the AGM is available on the following link:
http://www.option.com/invest/pdf/Stat_Board_AGM_2007_EN.pdf

6. AUDITOR'S REPORT

The Auditor's Report on 2007 Consolidated Accounts is available on the following link:
http://www.option.com/invest/pdf/Audit_report_cons_2007_EN.pdf

7. ABBREVIATED STATUTORY ACCOUNTS OF OPTION NV AND EXPLANATORY NOTES

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

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

The statutory auditor's report is unqualified and certifies that the non consolidated financial statements of Option NV for the year ended 31 December 2007 give a true and fair view of the financial position and results of Option NV in accordance with all legal and regulatory dispositions.

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

ASSETS

Thousands EUR	2007	2006
Fixed assets	**37 214**	**24 132**
Intangible assets	18 763	9 869
Tangible assets	15 821	11 632
Financial assets	2 630	2 631
Current Assets	**38 381**	**75 898**
Stocks and contracts in progress	2 669	2 419
Accounts receivable within one year	19 750	44 059
Cash & cash investments	15 593	28 849
Deferred charges and accrued income	369	571
Total Assets	**75 595**	**100 030**

LIABILITIES

Thousands EUR	2007	2006
Capital and reserves	**63 986**	**76 752**
Capital	6 116	6 116
Share premium	44 848	44 847
Legal reserve	612	612
Profit/(loss) carried forward	12 410	25 177
Creditors	**11 609**	**23 278**
Subordinated loan	74	148
Amounts payable after more than one year	-	-
Amounts payable after more within one year	10 721	22 454
Accrued charges and deferred income	814	676
Total liabilities	**75 595**	**100 030**

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

ABBREVIATED PROFIT AND LOSS ACCOUNT

Thousands EUR	2007	2006
I. Revenues	**56 265**	**54 287**
Turnover	18 009	6 504
Increase (decrease) in stocks in finished goods, work and contracts in progress	-	(8)
Capitalized development costs	15 007	6 843
Other operating income (mainly intercompanies transactions)	23 249	40 948
II. Operating charges	**(69 275)**	**(36 416)**
Raw materials, consumables and goods for resale	14 562	4 727
Services and other goods	28 832	15 531
Remuneration, social security costs and pensions	14 816	10 445
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	11 014	5 530
Increase, decrease in amounts written off stocks, contracts Contracts in progress and trade debtors	-	145
Provision for contingencies	-	-
Other operating charges	51	38
III. Operating profit/(loss)	**(13 010)**	**17 871**
IV. Financial income	**1 779**	**11 076**
V. Financial charges	**(1 538)**	**(774)**
VI. Profit/(loss) on ordinary activities before taxes	**(12 767)**	**28 173**
X. Income tax expense	**-**	**(5 341)**
IX. Profit/(loss) for the period before taxes	**(12 767)**	**22 832**
XIII. Profit/(loss) for the period available for appropriation	**(12 767)**	**22 832**

ABBREVIATED APPROPRIATION ACCOUNT (ACCORDING TO BELGIAN ACCOUNTING STANDARDS)

Thousands EUR	2007	2006
Profit/(loss) to be appropriated	25 177	25 177
Profit/(loss) for the period available for appropriation	(12 567)	22 832
Profit/(loss) carried forward from previous year	12 410	2 345
Legal reserve	-	-

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

Formation expenses
Formation expenses are charged against income except for costs capitalized.

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

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

Research and development

As from January 1st 2005:
Research expenditure is recognized as an expense as incurred.
Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets only if all of the following conditions are met:
-An asset is developed that can be identified;
-It is probable that the asset developed will generate future economic benefits; and
-The development costs of the asset can be measured reliably.
Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have a finite useful life that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding two years.

Vehicles
Vehicles are linearly depreciated at rate of 20%.

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

Financial assets
During the financial period investments are not revalued.

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

Products
The products are valued at costs that only directly attribute.

Contracts in progress
Contracts in progress are valued at production cost.

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

Foreign currencies
Debts, liabilities and commitments denominated in foreign currencies are translated using the exchange rate of 31 December 2007. Transactions are converted at the daily exchange rate.
Exchange differences have been disclosed in the annual accounts as follows:
- Positive exchange results in caption IV. Financial income of the profit and loss account;
- Negative exchange results in caption V. Financial charges of the profit and loss account.

7.4. Explanatory notes - Abbreviated statutory accounts - Belgian GAAP

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

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

Statement of Capital

Issued capital 31 December , ...	Amounts (in EUR)	Number of shares
At the end of the preceding period	6 116 067	41 249 296
At the end of the period...	6 116 067	41 249 296

Structure of the capital December 31, ...		
Different categories of shares		
Registered shares and bearer shares		41 249 296
Registered		-
Bearer		41 249 296

Authorized capital

On 31 December 2007 the authorized (but non-issued) capital amounted to EUR 6 116k

8. INVESTOR RELATIONS AND FINANCIAL CALENDAR

8.1. The Option Share on Euronext

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

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

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

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

8.2. Share history in 2004-2007 on Euronext

	2007	2006
Number of shares outstanding	41 249 296	41 249 296
Year-end share price	5.61	10.30
Market capitalization (million)	231	425
Share price High	15.13 (February 15 2007)	24.33 (February 23,2006)
Share price Low	5.21 (October 25 2007)	9.09 (October 6,2006)
Free float	82.90 %	82.90 %

During 2007, a total of 75 208 382 shares were traded on Euronext on 255 trading days, meaning an average for the year of nearly 294 935 shares per day.

8.3. Financial calendar

Option intends to release its quarterly financial information in 2008 on the following dates – before market hours:

1Q Results	Thursday 24 April, 2008
2Q Results	Thursday 24 July, 2008
3Q Results	Thursday 23 October, 2008

General Meeting of Shareholders 2008	Monday 31 March, 2008 at 10 AM
General Meeting of Shareholders 2009	Tuesday 31 March, 2009 at 10 AM

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

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

9. INFORMATION SHEET BY END 2007

NAME	OPTION NV
FORM	Limited Company as per Belgian Law
ADDRESS	Gaston Geenslaan 14, B-3001 LEUVEN
PHONE	+32(0)16 31 74 11
FAX	+32(0)16 31 74 90
E-Mail	investor@option.com
WEBSITE	www.option.com
ENTERPRISE No.	0 429 375 448
VAT	BE 429 375 448
ESTABLISHMENT DATE	July 3rd, 1986
DURATION	Indefinite duration
AUDITOR	Deloitte-Auditors represented by Leo Van Steenberge
FINANCIAL YEAR CLOSING	31 December
CAPITAL	6 116 067,21 EUR
NUMBER OF SHARES	41 249 296
ANNUAL MEETING	Last business day of March
LISTING	Euronext -– continumarktStock – Ordinary Stock - Continuous - compartment B - ticker OPTI
DEPOSIT BANK	FORTIS
MEMBER OF INDEX	Next Economy Next 150 Bel SmallMid VLAM 21
OTHER LABELS	Ethibel Pioneer Europe 500 SRI Kempen

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

AVAILABILITY OF THE ANNUAL REPORT
The Annual Report is available to the public free of charge upon request to:

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

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

FORWARD-LOOKING STATEMENTS

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

10. GLOSSARY

BOOK VALUE PER SHARE
Total Shareholders' equity divided by the number of weighted average number of ordinary shares.

CASH FLOW PER SHARE
Net profit plus non-cash charges such as depreciation and impairment loss divided by number of weighted average number of ordinary shares.

EBIT
Earnings Before Interest and Taxes.
Profit from operations.

EBITDA
Profit from operations plus depreciation and amortization.

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

GEARING RATIO
Net debt divided by shareholders' equity

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

NET FINANCIAL DEBT
Non-current and current debts minus cash.

SOLVENCY RATIO
Shareholder's' equity divided by total assets.

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

WORKING CAPITAL
Current assets less current liabilities.