



**OPTION**  
WIRELESS TECHNOLOGY

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### 3. FINANCIAL REVIEW

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

At year-end 2008, all shares, save 1 (one) - which existed in registered form -, were dematerialized.

At year-end 2008, the Company had the following significant shareholders:

| Identity of the person, entity or group of persons or entities (*) | Number of shares | Percentage of financial instruments held |
|--|------------------|--|
| Jan Callewaert and Pepper NV (100% owned by Jan Callewaert)        | 7 154 504        | 17.34 %                                  |
| Free float of which:   | 34 094 792       | 82.66%                                   |
| - UBS (Switzerland)  | 1 283 492        | 3.11%                                    |
| - SISU Capital Ltd (United Kingdom)                                | 1 331 495        | 3.23%                                    |
| - SR Global Fund LP (Cayman Islands)                               | 1 457 500        | 3.53%                                    |
| - Goldman Sachs (USA)  | 1 518 572        | 3.68%                                    |
| - Neuberger Berman LLC (USA)                                       | 2 655 289        | 6.43%                                    |
| Total outstanding shares   | 41 249 296       | 100%                                     |

(\*) *Each class of the voting financial instruments of the Company, for each person, entity or group of persons, that represents at least 3% or more either directly or indirectly.*

The Extraordinary Shareholders' Meeting held on 26 August 2008 authorized to withdraw and destroy the 2 200 000 naked warrants "U" in order to issue 2 500 000 naked warrants "V". The new plan "V" was approved, granting warrants to Directors, members of personnel and other persons designated by name (as listed in the warrant plan "V"). Per year-end 2008, 2 241 540 warrants "V" have been granted (665 000 on August 26, 2008 and 1 576 540 on December 23, 2008) of which 665 000 have been accepted by the Board of Directors and members of the Executive Management Team. After balance sheet date 1 169 750 warrants "V" have been accepted by employees and other persons designated by name.

#### DISCUSSION OF THE CONSOLIDATED ANNUAL ACCOUNTS

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 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).
- Option Inc. (United States of America)
- Multi Mode Multi Media Solutions (M4S) (Belgium)

During 2008, the Swedish subsidiary "Option Wireless Sweden AB" has been liquidated.

On the 25<sup>th</sup> of June 2008, the "Group" acquired Multi Mode Multi Media Solutions (abbreviated "M4s"), a spin off of IMEC and specialized in the 4G development of parts related to radio frequencies. A Purchase Price Allocation exercise is currently in process. For further information, we refer to note 24.

#### REVENUES

Revenues for 2008 decreased by 11% to EUR 268 089k, compared with EUR 301 507k in 2007.

#### GEOGRAPHICAL SPREAD OF SALES

We refer to the note 3 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 2008 was 27.8% on total revenues, compared with gross margin of 29.6 % in 2007. Costs of products sold of EUR 193 458k during 2008 resulted in a gross profit of EUR 74 630k, a decrease of 16.3% compared to EUR 89 207k in 2007.

## OPERATING EXPENSES

The operating expenses for the full year 2008, including depreciation and amortization charges were EUR 103 929k compared to EUR 86 673k for the previous year.

## PROFIT FROM OPERATIONS (EBIT)

During 2008, EBIT decreased to EUR -29 299k (or -10.9% on revenues), compared to EUR 2 534k (or 0.8% on revenues) of 2007.

## EBITDA

EBITDA amounted to EUR -91k (or -0% on revenues) for the full year 2008, compared to EUR 22 438k (or 7.4% on revenues) of 2007 representing a decrease of EUR 22 529k.

## FINANCE RESULT

During 2008, Option obtained a negative financial result of EUR -540k. The net exchange rate result, amounted to EUR -1 697k and were mainly due to USD and GBP fluctuations. Option received EUR 813k from risk free investments of the available cash.

A positive result of EUR 573k was obtained in relation to the expired derivative financial instruments. Other financial costs of EUR -229k are mainly related to paid interests and bank charges.

## NET RESULT AND EARNINGS PER SHARE

The earnings per share were as follows in 2008:

Net result, for the full year 2008, amounted to EUR -19 001k or EUR -0.46 per basic and diluted share. This compares to a net profit of EUR 6 432k or EUR 0.16 per basic and diluted share during 2007. Net result decreased by EUR 25 433k compared to 2007.

## BALANCE SHEET

Total assets amounted to EUR 171 094k compared to EUR 185 988k at the end of the previous year.

Cash and cash equivalents decreased over the year from EUR 36 299k to EUR 33 328k at the end of 2008.

Trade and other receivables decreased from EUR 54 991k at the end of 2007 to EUR 44 819k at the end of 2008.

This decrease was attributable to the trade receivables which decreased from EUR 53 380k to EUR 42 857k and the increase in other receivables mainly due to higher VAT receivables.

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

Inventories decreased from EUR 39 251k at the end of last year to EUR 32 894k at the end of 2008.

The decrease is explained by a combination of an increase of the work in progress and finished goods of EUR 3 681k, a decrease in the raw material position, being EUR 8 315k and an increase of write offs on inventories, being EUR 1 723k compared to 2007.

The net book value of intangible and tangible fixed assets was EUR 37 031k at the end of 2008, compared with EUR 40 601k as at 31 December 2007. During 2008, the total investments in tangible assets, mainly test equipment, amounted to EUR 2 833k (2007: EUR 11 467k) and the Group invested EUR 23 010k (2007: EUR 20 931k) in intangible assets of which EUR 21 943k (2007: EUR 17 699k) for capitalized development projects and EUR 1 067k (2007: EUR 3 232k) mainly due to additional licenses.

Total current liabilities increased during the year to EUR 69 983k in 2008, compared with EUR 67 129k in 2007.

This increase is mainly driven by an increase in trade and other payables (+EUR 8 794k) and a decrease in provisions, other financial liabilities and income tax payable (- EUR 5 940k).

The Group generated a deferred tax liability mainly as a result of the capitalization of the commercial development projects under IFRS. In 2008, this deferred tax liability increased by EUR 1 322k which was nearly fully related to development projects.

The deferred tax assets were EUR 22 413k at the end of 2008 or an increase of EUR 11 080k compared to year end 2007, mainly resulting from tax losses carried forward in 2008.

On a balance sheet total of EUR 171 094k, the total shareholders' equity amounted to EUR 99 082k. Therefore, at the end of 2008, the Group solvency ratio was 57.9%, compared to 63.5% in 2007.

The cash flow generated from operating activities during 2008 amounted to EUR 22 578k compared to EUR 32 765k 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 2008 of EUR -39 124k, compared with a net loss of EUR -12 767k in 2007.

The Board of Directors proposes to carry forward the non-consolidated net loss of EUR -39 124k of 2008.

| Abridged appropriation account (According to Belgian Accounting Standards) |          |          |
|--|----------|----------|
| 31 December - in thousands EUR   | 2008     | 2007     |
| Profit/ (loss) carried forward from previous year                          | 12 410   | 25 177   |
| Profit/ (loss) for the period available for appropriation                  | (39 124) | (12 767) |
| Profit/ (loss) to be appropriated  | (26 714) | 12 410   |
| Legal reserve  | -        | -        |

## 4. FINANCIAL REVIEW

### 4.1. Consolidated Financial Statements

#### 4.1.1. Consolidated Income Statement

| Year ended 31 December                             | Note | 2008<br>€000     | 2007<br>€000    |
|--|------|------------------|-----------------|
| <b>Revenues</b>                                    | 3    | <b>268 089</b>   | <b>301 507</b>  |
| Cost of products sold                              | 4    | (193 458)        | (212 300)       |
| <b>Gross Profit</b>                                |      | <b>74 630</b>    | <b>89 207</b>   |
| Research and Development expenses                  | 4-5  | (42 749)         | (31 159)        |
| Sales, marketing and royalties expenses            | 4-5  | ( 41 375)        | (38 600)        |
| General and administrative expenses                | 4-5  | (19 806)         | (16 914)        |
| <b>Total Operating expenses</b>                    |      | <b>(103 929)</b> | <b>(86 673)</b> |
| <b>Result from operations</b>                      |      | <b>(29 299)</b>  | <b>2 534</b>    |
| Finance costs                                      | 6    | (2 477)          | (2 255)         |
| Finance income                                     | 6    | 1 937            | 2 393           |
| <b>Finance result-net</b>                          |      | <b>(540)</b>     | <b>138</b>      |
| <b>Profit / (loss) before income taxes</b>         |      | <b>(29 839)</b>  | <b>2 672</b>    |
| Tax benefits (expenses)                            | 7    | 10 838           | 3 760           |
| <b>Net Result</b>                                  |      | <b>(19 001)</b>  | <b>6 432</b>    |
| <b>Earnings per share</b>                          |      |                  |                 |
| Basic 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 earnings / (loss) per share                  | 18   | (0.46)           | 0.16            |
| Diluted earnings / (loss) per share                | 18   | (0.46)           | 0.16            |

#### 4.1.2. Consolidated Balance Sheet

| Year ended 31 December                                  |      | 2008           | 2007           |
|---|------|----------------|----------------|
|   | Note | €000           | €000           |
| <b>ASSETS</b>   |      |                |                |
| Intangible assets.....                                  | 8    | 20 740         | 20 462         |
| Property, plant and equipment.....                      | 9    | 16 291         | 20 139         |
| Deferred tax assets .....                               | 7    | 22 413         | 11 333         |
| Other non current assets .....                          | 10   | 383            | 82             |
| <b>Total non-current assets</b>                         |      | <b>59 827</b>  | <b>52 016</b>  |
| <br>  |      |                |                |
| Inventories.....  | 11   | 32 894         | 39 251         |
| Trade and other receivables .....                       | 10   | 44 819         | 54 991         |
| Cash and cash equivalents .....                         | 12   | 33 328         | 36 299         |
| Other financial assets .....                            | 13   | 0              | 473            |
| Income tax receivable.....                              | 7    | 227            | 2 958          |
| <b>Total current assets</b>                             |      | <b>111 268</b> | <b>133 972</b> |
| <br>  |      |                |                |
| <b>Total assets.....</b>                                |      | <b>171 094</b> | <b>185 988</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>             |      |                |                |
| <br>  |      |                |                |
| Issued capital.....                                     | 17   | 6 116          | 6 116          |
| Share premium .....                                     | 17   | 43 865         | 43 865         |
| Reserves .....  | 17   | 352            | 363            |
| Retained earnings .....                                 | 17   | 48 749         | 67 750         |
| <b>Total shareholders' equity</b>                       |      | <b>99 082</b>  | <b>118 094</b> |
| <br>  |      |                |                |
| Deferred tax liabilities .....                          | 7    | 2 013          | 691            |
| Other non current liabilities .....                     | 13   | 16             | 74             |
| <b>Total non-current liabilities</b>                    |      | <b>2 029</b>   | <b>765</b>     |
| <br>  |      |                |                |
| Trade and other payables.....                           | 14   | 67 353         | 58 559         |
| Provisions.....   | 15   | 2 437          | 5 976          |
| Other financial liabilities.....                        | 13   | 89             | 1 021          |
| Income tax payable .....                                |      | 104            | 1 573          |
| <b>Total current liabilities</b>                        |      | <b>69 983</b>  | <b>67 129</b>  |
| <br>  |      |                |                |
| <b>Total liabilities and shareholders' equity .....</b> |      | <b>171 094</b> | <b>185 988</b> |

### 4.1.3. Consolidated Cash Flow Statement

| Year ended 31 December   | Note | 2008<br>€000    | 2007<br>€000    |
|--|------|-----------------|-----------------|
| <b>OPERATING ACTIVITIES</b>  |      |                 |                 |
| <b>Net Result (A)</b> .....  |      | <b>(19 001)</b> | <b>6 432</b>    |
| Amortisation of intangible assets.....   | 8    | 15 001          | 12 909          |
| Depreciation of property, plant and equipment.....                                       | 9    | 6 499           | 5 015           |
| Loss/(gains) on sale of property, plant and equipment .....                              |      | 157             | 16              |
| (Reversal of) write-offs on current assets .....   |      | 4 090           | 10 368          |
| Impairment losses .....  | 8    | 7 707           | 1 980           |
| Increase / (decrease) in provisions.....   | 15   | (1 639)         | 5 976           |
| Loss/(gain) on reevaluation of fair value through profit or loss financial assets..      |      | (473)           | (473)           |
| Unrealized foreign exchange losses/(gains).....  |      | (398)           | 796             |
| Interest (income).....   | 6    | (813)           | (1 140)         |
| Interest expense .....   | 6    | 149             | 124             |
| Equity settled share based payment expense .....   | 17   | 154             | -               |
| Tax benefit .....  | 7    | (10 838)        | (3 760)         |
| <b>Total (B)</b> .....   |      | <b>19 596</b>   | <b>31 811</b>   |
| <b>Cash flow from operating activities before changes in working capital (C)=(A)+(B)</b> |      | <b>595</b>      | <b>38 243</b>   |
| Decrease / (increase) in inventories .....   |      | 1 888           | 1 322           |
| Decrease / (increase) in trade and other receivables .....                               |      | 10 860          | (13 878)        |
| Increase / (decrease) in trade and other payables .....                                  |      | 7 206           | 14 781          |
| Use of provisions.....   |      | (1 900)         | -               |
| <b>Total changes in working capital (D)</b> .....  |      | <b>18 054</b>   | <b>2 225</b>    |
| <b>Cash generated from operations (E)=(C) + (D)</b> .....                                |      | <b>18 649</b>   | <b>40 468</b>   |
| Interests (paid) (F) .....   |      | (29)            | (87)            |
| Interests received (G) .....   |      | 1 217           | 1 133           |
| Income tax (paid)/received (H) .....   |      | 2 741           | (8 749)         |
| <b>CASH FLOW FROM OPERATING ACTIVITIES (I)=(E)+(F)+(G)+(H)</b> .....                     |      | <b>22 578</b>   | <b>32 765</b>   |
| <b>INVESTING ACTIVITIES</b>  |      |                 |                 |
| Acquisition of intangible assets.....  | 8    | (1 067)         | (3 232)         |
| Expenditures on product development .....  | 8    | (21 943)        | (17 699)        |
| Acquisition of property, plant and equipment.....  | 9    | (2 833)         | (11 467)        |
| Proceeds from sale of property, plant and equipment .....                                | 9    | 22              | (27)            |
| <b>CASH FLOW USED IN INVESTING ACTIVITIES (J)</b> .....                                  |      | <b>(25 821)</b> | <b>(32 425)</b> |
| <b>FINANCING ACTIVITIES</b>  |      |                 |                 |
| Proceeds from borrowings.....  | 13   | 29              | -               |
| Repayment of borrowings.....   | 13   | (75)            | (74)            |
| <b>CASH FLOW USED IN FINANCING ACTIVITIES (K)</b> .....                                  |      | <b>(46)</b>     | <b>(74)</b>     |
| <b>Net increase/(decrease) in cash and cash equivalents = (I)+(J)+(K)</b> .....          |      | <b>(3 288)</b>  | <b>266</b>      |
| Cash and cash equivalents at beginning of year .....                                     | 12   | 36 299          | 36 062          |
| Effect of foreign exchange difference .....  |      | 317             | (29)            |
| Cash and cash equivalents at end of year.....  | 12   | 33 328          | 36 299          |
| <b>Difference</b> .....  |      | <b>(3 288)</b>  | <b>266</b>      |

#### 4.1.4. Consolidated statement of shareholders' equity

| Thousands EUR                    | Note | Issued capital | Share premium | Share- based payment reserve | Foreign currency translation reserves | Retained earnings | Total          |
|----------------------------------|------|----------------|---------------|------------------------------|---------------------------------------|-------------------|----------------|
| <b>At 1 January 2007.....</b>    |      | <b>6 116</b>   | <b>43 865</b> | <b>360</b>                   | <b>(25)</b>                           | <b>61 318</b>     | <b>111 634</b> |
| Net result .....                 |      | -              | -             | -                            | -                                     | 6 432             | 6 432          |
| Translation adjustment .....     | 17   | -              | -             | -                            | 28                                    | -                 | 28             |
| <b>At 31 December 2007 .....</b> |      | <b>6 116</b>   | <b>43 865</b> | <b>360</b>                   | <b>3</b>                              | <b>67 750</b>     | <b>118 094</b> |
| Net result .....                 |      | -              | -             | -                            | -                                     | (19 001)          | (19 001)       |
| Share based payments             | 17   | -              | -             | 153                          | -                                     | -                 | 153            |
| Translation adjustment .....     | 17   | -              | -             | -                            | (164)                                 | -                 | (164)          |
| <b>At 31 December 2008 .....</b> |      | <b>6 116</b>   | <b>43 865</b> | <b>513</b>                   | <b>(161)</b>                          | <b>48 749</b>     | <b>99 082</b>  |

## 4.2. Notes to the consolidated financial statements

### NOTE 1: CORPORATE INFORMATION

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

Option NV has the legal form of a public limited company (Naamloze Vennootschap (NV) whose shares were offered for sale to the public and is incorporated under Belgian law. Its headquarters are located in Belgium (Gaston Geenslaan 14, 3001 Leuven). Option NV is present in different continents around the world. The main companies are the headquarters located in Leuven and the manufacturing and supply chain site in Cork (Ireland). A complete list of all the subsidiaries of the Company can be found at the end of this annual report (see note 24 Option companies).

The consolidated financial statements of the Company for the year ended 31 December 2008 comprise the Company and its subsidiaries (hereinafter jointly referred to as "Option" or the "Group"). The financial statements were authorized for issue by the board of directors on March 19, 2009 and signed on its behalf by Mr. Jan Callewaert.

#### ➤ **BASIS OF PREPARATION**

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

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

#### ➤ **STATEMENT OF COMPLIANCE**

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

#### ➤ **BASIS OF CONSOLIDATION**

The consolidated financial statements include the financial statements of the Company and all the subsidiaries controlled by the Company. IAS 27 states that control exists when the Company has the power to govern the financial and operating policies and obtains the benefits from the entities' activities. Control is presumed to exist when the Company owns, directly or indirectly, more than 50 % of an entity's voting rights of the share capital. Option NV has a 100% stake in all its subsidiaries (cfr Note 24).

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

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

#### ➤ **CHANGES IN ACCOUNTING POLICY AND DISCLOSURES**

Based on a review on its financial statements, the Group has changed the presentation and classification of some items on the face of the:

- income statement: change in presentation of the cash discounts;
- balance sheet: disclosure of other financial assets and liabilities and netting of the outstanding trade receivable amounts of two main subcontractors against their outstanding trade payable amounts, based on an agreement between those subcontractors and the Group (effect 2008 : EUR 5 253k); and
- cash flow statement: breakdown of amortisation and depreciation costs.

#### ***Standards and Interpretations effective in the current period***

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

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

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions;

- IFRIC 12 – Service Concession Arrangements (not yet endorsed by EU - expected on Q1 2009, interpretation applicable for 2009);
- IFRIC 14 IAS 19 – The Limit on the Defined benefits Asset, Minimum Funding Requirements and their interaction (endorsed by EU December 2008, applicable for 2009);
- IFRIC 13 - Customer Loyalty Programs, effective for financial years beginning on or after 1 July 2008.
- IAS 39 and IFRS 7 - Reclassification of Financial Assets (Amendments to IAS 39 and IFRS 7), effective for financial years beginning on or after 1 July 2008;
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation, effective for financial years beginning on or after 1 October 2008 but not yet endorsed by EU (expected on Q2 2009, interpretation applicable for 2009).

These standards and interpretations did not have any effect on the financial performance or position of the Group, except IFRIC 11. This gives rise to additional disclosures, including, in some cases, revisions to accounting policies.

The principal effects of these changes are as follows:

**IFRIC 11 IFRS 2 – Group and Treasury Share transactions.** The group had adopted IFRIC Interpretation 11 insofar as to consolidated financial statements. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The Group amended its accounting policy accordingly. The Group has issued instruments affected by this interpretation. (See Note 17 – Shareholders' Equity).

**IFRIC 12 – Service Concession Arrangements.** The IFRIC issued IFRIC 12 in November 2006. This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has no impact on the Group.

**IFRIC 14 IAS 19 – The Limit on the Defined benefits Asset, Minimum Funding Requirements and their interaction.** IFRIC Interpretation 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefits scheme that can be recognized as an asset under IAS 1 Employee Benefits. The Group does not have defined benefits schemes, therefore the adoption of this interpretation had no impact on the financial position or performance of the Group.

**IFRIC 13 - Customer Loyalty Programs.** IFRIC issued IFRIC 13 in June 2007. This interpretation requires customer loyalty credits to be accounted for as separate components of the sales transaction in which they are granted. No customer loyalty programs are issued by the Group, therefore, this interpretation has no impact on the performance of the Group.

**Amendments to IAS 39 and IFRS 7: Reclassification of Financial Instruments** were issued in October 2008. These amendments permit reclassification of non-derivative financial assets classified as held for trading (ie not designated) out of the category at FVTPL and permit reclassification of financial assets from AFS to L&R, if definition of L&R is met and if there is intention/ability to hold for the foreseeable future.

A company shall apply those amendments from on or after 1 July 2008. Any reclassification of a financial asset made in periods beginning on or after 1 November 2008 shall take effect only from the date when the reclassification is made. Any reclassification of a financial asset shall not be applied retrospectively before 1 July 2008.

No member of the Group has these instruments and, therefore, these amendments have no impact on the Group.

**IFRIC 16 Hedges of a Net Investment in a Foreign Operation** was issued in July 2008 and becomes effective for financial years beginning on or after 1 October 2008. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss; relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. No member of the Group has these instruments and, therefore, these amendments have no impact on the Group.

### ***Early adoption of Standards and Interpretations***

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

### ***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 Revised Presentation of Financial Statements.* The revised Standards was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standards separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with

owners, with non-owners change in equity The Group is still evaluating whether it will have one or two statements for the 2009 financial statements

- *IFRS 2 Share-based Payment – Vesting conditions and cancellations (Revised)*. The IASB issued an amendment to IFRS 2 in January 2008 that clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. This interpretation becomes effective for financial years beginning on or after 1 January 2009. It did not have an impact on the financial position or performance of the Group as no events occurred that this interpretation relates to.
- *IFRS 8 Operating Segments (applicable for accounting years beginning on or after 1 January 2009)*. This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Group expects that IFRS 8 will not have a major impact.
- *IAS 23 Borrowing Costs*. A revised IAS 23 Borrowing costs was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.
- *Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements*. The amendments to IFRS 1 allow an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement of the separate financial statement. Both revisions will be effective for financial years beginning on or after 1 January 2009. The requirements do not have impact on the consolidated financial statements.
- *IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial statements*. The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognized. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. The standards may be early applied. However, the Group does not intend to take advantage of this possibility.
- *IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*. These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfill a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Group, as the Group has not issued such instruments.
- *IAS 39 Financial instruments: Recognition and Measurement – Eligible Hedged Items*. These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 January 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of the financial instrument as hedged item. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group.
- *Improvements to IFRS's*. In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The Group has not yet adopted the amendments and is still evaluating whether it will have impacts.
- *IFRIC 15 Agreement for the construction of real estate*. IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. IFRIC 15 will not have an impact on the consolidated financial statement because the Group does not conduct such activity.

The impact of drafts of standards or interpretations currently being studied by the IASB and the IFRIC were not anticipated in these financial statements.

## ➤ ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date.

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

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

### *Operating Lease as Lessor*

The Group has entered into a sublease of own leased premises to a third party; the agreement came to an end at December 31, 2008. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contract as operating lease.

### *Going concern*

The Group is from the opinion that, notwithstanding the existence since the last two financial years of losses carried forward, the use of going concern valuation rules is justified, based on the facts that:

- there is a budget that appears realistic and conservative;
- the continues focus on cost reduction for which it is expected that overall expenses will be reduced with 20% compared to 2008;
- the Groups ongoing efforts to secure additional liquidity in order to strengthen the Groups cash position and secure its future working capital needs.
- the Group operates in the wireless data segment, one of the most important growth areas for the Telecom sector. The growth potential is further evidenced by the development of new product categories, such as MID (Mobile Internet Devices) in which the Group is ideally positioned to play a leading role as one of the innovators in this segment.

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

### *Development costs*

Development costs are capitalized in accordance with the accounting policy in Note 2. Initial capitalization of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2008, the best estimate of the carrying amount of capitalized development costs was EUR 17 508k (2007: EUR 16 578k), see note 8 for further details.

### *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. At 31 December 2008, the company has recognized impairment losses on the capitalized development projects for EUR 7 707k (2007: EUR 1 980 k), Further details, including a sensitivity analysis of key assumptions, are given in Note 8.

### *Deferred Tax Assets*

Deferred tax assets are recognised for all unused tax losses and other timing differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised tax losses at 31 December 2008 was EUR 47 870k (2007: EUR 17 026k).

These losses do not expire and may not be used to offset taxable income elsewhere in the Group. Further details are contained in Note 7.

### *Warranty provision*

The Group estimates the cost for the warranty coverage by applying statistical techniques on the sales recorded. The warranty period is between 12 and 24 months, determined by the location of the customer.

As 31 December 2008, the estimated provision for warranty is EUR 847k (2007: EUR 1 259k). Further details are given in Note 15.

## NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

### **(1) FOREIGN CURRENCY TRANSLATION**

#### ➤ *FUNCTIONAL AND PRESENTATION CURRENCY*

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

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

#### ➤ *FOREIGN CURRENCY TRANSACTIONS*

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

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

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

### **(2) REVENUE RECOGNITION**

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

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

Revenue from products is recognized by the Group when

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

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

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

The Company's product sales are generally not sold with a right of return unless the product is defective and covered by the warranty clause (See also Note 15).

The Company's sales typically include multiple product and/or service elements such as technical support for its products. In that case the total revenue is allocated to the fair value of the individual elements, each of which are then recognized in accordance with the accounting principle applicable to that element. Where the fair value of one or more of the elements cannot be determined, the revenue is spread over the expected remaining contractual lifetime.

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

Revenues from services are recognized when the services are performed, when there is no material continuing performance and collection is reasonably assured. Revenues on service arrangements contingent on final customer

acceptance are deferred until such acceptance has been received, and all other criteria for revenue recognition have been met. The costs associated with these arrangements are recognized as incurred.

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

Most of these agreements provide for upfront fees for technology access, license fees and significant milestone fees.

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

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

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

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

Any cash discount is netted against revenue.

### **(3) ROYALTIES BASED ON THE SALE OF PRODUCTS**

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

### **(4) TAXES**

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

#### **Current income tax**

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

#### **Deferred income tax**

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. For further details see Note 7.

### **(5) INVENTORIES**

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

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

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

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

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

## **(6) PROPERTY PLANT AND EQUIPMENT**

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

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

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

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

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

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

## **(7) LEASES**

Lease operations can be divided into two types of lease:

### **➤ Finance lease**

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

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

### **➤ Operating lease**

Leases under which a substantial part of risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating lease are charged to the income statement on a straight-line basis over the term of the lease. For further details see Note 16.

## **(8) INTANGIBLE ASSETS**

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

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

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

## **(A) RESEARCH AND DEVELOPMENT COSTS AND RELATED GOVERNMENT 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; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

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

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

## **(B) OTHER INTANGIBLE ASSETS**

The Group's other intangible assets include

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

These are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is computed using the straight-line method over the estimated useful lives of the assets, which are from 1,5 to 5 years depending to the specific licence or software. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

## **(9) IMPAIRMENT OF ASSETS**

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

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

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

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

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

## **(10) PROVISIONS**

A provision is recognized when:

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

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

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

### **➤ Warranty provision**

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

The warranty on sales from the e-shop of the Group and sales outside European Union are limited to one year only.

## **(11) EMPLOYEE BENEFIT PLANS**

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

## **(12) SHARE-BASED PAYMENT TRANSACTIONS**

The Group operates equity-settled share-based compensation plans through which it grants share options (here after referred to as "warrants") to employees, contractors and directors. The cost of equity-settled transactions with employees for awards granted are measured by reference to the fair value at the grant date. 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 terms and conditions at which the warrants were granted. At each balance sheet date, the entity revises its estimates of the number of warrants that are expected to become exercisable except where forfeiture is only due to shares not achieving the threshold for vesting. It recognizes

the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the warrants are exercised. Further details are given in Note 17.

### **(13) FINANCIAL ASSETS AND LIABILITIES**

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

#### **➤ Trade and other receivables**

Trade debtors and other amounts receivable are shown on the balance sheet at nominal value (in general, the original amount invoiced) less an allowance for doubtful debts.

Such an allowance is recorded in the income statement when it is probable that the Group will not be able to collect all amounts due.

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

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

#### **➤ Trade and other payables**

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

#### **➤ Cash and cash equivalents**

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

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

### **(14) BORROWING COSTS**

Borrowing costs are recognised as an expense when incurred.

### **(15) DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

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

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

### **(16) EARNINGS PER SHARE**

Basic net earnings per share 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.

## **(17) 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.

### NOTE 3: 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 wireless 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 2009.

| Origination of sales 31 December, | 2008 | 2007 |
|-----------------------------------|------|------|
| External devices                  | 88%  | 90 % |
| Other                             | 12%  | 10%  |

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 2008 are obtained within Europe compared with 72% in 2007. 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     | 2008 | 2007 |
|--------------|------|------|
| Europe       | 72%  | 72%  |
| Americas     | 13%  | 10%  |
| Asia-Pacific | 10%  | 10%  |
| Other        | 5%   | 8%   |

### NOTE 4: ADDITIONAL INFORMATION ON OPERATING EXPENSES BY NATURE

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

| Thousands EUR                             | Depreciation on property, plant and equipment |              | Amortization on intangible assets |               | Impairment loss on intangible assets |              | Total         |               |
|---|---|--------------|-----------------------------------|---------------|--------------------------------------|--------------|---------------|---------------|
|   | 2008  | 2007         | 2008                              | 2007          | 2008                                 | 2007         | 2008          | 2007          |
| Cost of products sold.....                | 386   | 332          | -                                 | -             | -                                    | -            | 386           | 332           |
| Operating Expenses including :            |   |              |                                   |               |                                      |              |               |               |
| - Research and development expenses       | 5 200   | 3 904        | 14 749                            | 12 361        | 7 707                                | 1 980        | 27 656        | 18 245        |
| - Sales, marketing and royalties expenses | 96  | 64           | 95                                | 414           | -                                    | -            | 191           | 478           |
| - General and administrative expenses     | 818   | 715          | 158                               | 134           | -                                    | -            | 976           | 849           |
| <b>Total</b>                              | <b>6 500</b>                                  | <b>5 015</b> | <b>15 002</b>                     | <b>12 909</b> | <b>7 707</b>                         | <b>1 980</b> | <b>29 209</b> | <b>19 904</b> |

In 2008, the Group reviewed the existing capitalized R&D projects which resulted in an impairment of EUR 7 707k (2007: EUR 1 980k) mainly having its source in changing technologies and fast changing market conditions.

The research and development expenses that were expensed as incurred amounted to EUR 12 885k (2007: EUR 10 652k).

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

| Thousands EUR                           | 2008          | 2007          |
|---|---------------|---------------|
| Cost of products sold.....              | 5 135         | 4 486         |
| Research and development expenses       | 4 411         | 4 753         |
| Sales, marketing and royalties expenses | 7 226         | 5 825         |
| General and administrative expenses     | 7 193         | 6 313         |
| <b>Total</b>                            | <b>23 965</b> | <b>21 377</b> |

We refer to note 5: Payroll and related benefits of the financial statements in this annual report for further information.

#### Cost of products sold

At year-end 94.5%, or EUR 182 755k of the cost of product sold relates to materials (2007: 93.7% or EUR 204 393k)

#### NOTE 5: PAYROLL AND RELATED BENEFITS

| Thousands EUR  | 2008          | 2007          |
|--|---------------|---------------|
| Wages and salaries .....   | 16 473        | 15 347        |
| Social security contributions .....                                  | 5 480         | 4 743         |
| Other personnel expenses .....                                       | 1 213         | 681           |
| Contributions to pension plan .....                                  | 798           | 606           |
|  | <b>23 965</b> | <b>21 377</b> |
| a) Total number of people registered at year-end.....                | 679           | 615           |
| b) Average number of people registered in full time equivalent ..... | 656           | 626           |
| Direct and indirect labor.....                                       | 226           | 216           |
| Employees.....   | 425           | 402           |
| Management.....  | 5             | 8             |

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 798k (2007: EUR 606k).

#### NOTE 6: FINANCE RESULT-NET

| Thousands EUR  | 2008           | 2007           |
|--|----------------|----------------|
| Interest income .....  | 813            | 1 140          |
| Net foreign exchange gains .....   | -              | 750            |
| Change in fair value of the existing derivative financial instruments      | 1 054          | 473            |
| Other  | 70             | 30             |
| <b>Finance income</b>  | <b>1 937</b>   | <b>2 393</b>   |
| Interest expense .....   | (149)          | (124)          |
| Cash discounts .....   | -              | (1 091)        |
| Change in fair value of the existing derivative financial instruments..... | (481)          | (947)          |
| Net foreign exchange losses  | (1 697)        | -              |
| Other, mainly bank charges.....  | (150)          | (93)           |
| <b>Finance costs</b>   | <b>(2 477)</b> | <b>(2 255)</b> |
| <b>Finance net result</b>  | <b>(540)</b>   | <b>138</b>     |

The net foreign exchange result amounted to EUR -1 697k or -0.6% of total revenues of 2008 (2007: EUR 750k or 0.25% of total revenues of 2007) mainly due to open purchase invoices in USD and open sales invoices in GBP (see also the accounting policy 1 in note 2). During 2008, the Group recognised revenues net of cash discounts, whilst in 2007 the cash discounts were recognised in the finance result. In 2008 the cash discounts represented an amount of EUR 1 044k.

#### NOTE 7: INCOME TAX

| Thousands EUR  | 2008          | 2007         |
|--|---------------|--------------|
| <b>Tax benefit/(expense) comprises:</b>  |               |              |
| Current tax benefit/(expense)  | 111           | 2 133        |
| Deferred tax benefit/(expense)   | 10 727        | 1 627        |
| <b>Total tax income/(expense)</b>  | <b>10 838</b> | <b>3 760</b> |
| Result before tax  | (29 839)      | 2 672        |
| Tax benefit / (expense) calculated at 33.99%                                   | 10 142        | (908)        |
| Effect of non-taxable income   | (173)         | (173)        |
| Effect of expenses that are not deductible in determining taxable profit       | (1 607)       | (1 645)      |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 2 476         | 6 486        |
| <b>Tax income/(expense) recognized in the income statement</b>                 | <b>10 838</b> | <b>3 760</b> |

The tax rate used for the 2008 and 2007 reconciliations above is the corporate tax of 33.99% payable by companies in Belgium under Belgian tax law.

The loss recorded in 2008 gave rise to a significant tax loss in the Company (Option NV) and has led to a deferred tax benefit for the group in 2008.

#### ➤ DEFERRED INCOME TAX

| <b>Consolidated Balance Sheet</b>        |               |               |                    |              |
|--|---------------|---------------|--------------------|--------------|
| Thousands EUR                            | <b>Assets</b> |               | <b>Liabilities</b> |              |
|  | 2008          | 2007          | 2008               | 2007         |
| Property, plant and equipment            | 179           | 295           | -                  | -            |
| Intangible assets                        | 4 588         | 610           | (1 963)            | (627)        |
| Inventories                              | -             | -             | (50)               | (64)         |
| Other items                              | 1 131         | 4 641         | -                  | -            |
| Tax value of loss carry forwards         | 16 515        | 5 787         | -                  | -            |
| <b>Gross tax assets/(liabilities)</b>    | <b>22 413</b> | <b>11 333</b> | <b>(2 013)</b>     | <b>(691)</b> |
| Netting by taxable entity                | -             | -             | -                  | -            |
| <b>Deferred tax assets/(liabilities)</b> | <b>22 413</b> | <b>11 333</b> | <b>(2 013)</b>     | <b>(691)</b> |

The deferred tax asset following losses carried forward resulted from the 2007 and 2008 negative result.

The losses carried forward in 2008 of EUR 30 844k resulted in an additional deferred tax asset of EUR 10 728k at year end 2008.

The timing difference in net book value of intangible assets between taxable basis and IFRS basis resulted in a deferred tax asset of EUR 4 588k.

The other deferred tax assets in 2008 resulted mainly from temporary tax differences with respect to accrued royalty charges.

The Group is of the opinion that those deferred tax assets can be recognised due to the fact that:

- The main part of the tax asset is related primarily to the same taxation authority;
- The use of the tax losses carried forward is unlimited in time;
- The Group has a track record in utilizing tax losses carried forward in the past and;

Moreover, it is more likely than not that sufficient future profits are foreseen to recover those tax losses carried forward.

The capitalization of development expenses under IFRS in one entity of the Group resulted in a deferred tax liability of EUR 1 963k.

## NOTE 8: INTANGIBLE ASSETS

| Thousands EUR   | Capitalized development | Concessions, patents, licenses | Software       | Total 2008      |
|---|-------------------------|--------------------------------|----------------|-----------------|
| <b>Acquisition cost</b>                                   |                         |                                |                |                 |
| <b>Balance at 1 January 2008</b> .....                    | 44 122                  | 8 480                          | 2 053          | 54 655          |
| Effect of movements in foreign exchange.....              |                         |                                | 2              | 2               |
| Additions.....  |                         | 430                            | 637            | 1 067           |
| Expenditures on product development.....                  | 21 943                  |                                |                | 21 943          |
| <b>Balance at 31 December 2008</b> .....                  | <b>66 065</b>           | <b>8 910</b>                   | <b>2 692</b>   | <b>77 667</b>   |
| <b>Amortization and impairment loss</b>                   |                         |                                |                |                 |
| <b>Balance at 1 January 2008</b> .....                    | (27 544)                | (4 997)                        | (1 652)        | (34 193)        |
| Effect of movements in foreign exchange.....              | (25)                    |                                |                | (25)            |
| Amortization.....   |                         | (1 455)                        | (266)          | (1 721)         |
| Amortization for expenditures on product development..... | (13 281)                |                                |                | (13 281)        |
| Impairment loss.....                                      | (7 707)                 |                                |                | (7 707)         |
| <b>Balance 31 December 2008</b> .....                     | <b>(48 557)</b>         | <b>(6 452)</b>                 | <b>(1 918)</b> | <b>(56 927)</b> |
| <b>Carrying amount</b>                                    |                         |                                |                |                 |
| <b>at 1 January 2008</b> .....                            | <b>16 578</b>           | <b>3 483</b>                   | <b>401</b>     | <b>20 462</b>   |
| <b>at 31 December 2008</b> .....                          | <b>17 508</b>           | <b>2 458</b>                   | <b>773</b>     | <b>20 740</b>   |
| <b>Acquisition cost</b>                                   |                         |                                |                |                 |
| <b>Balance at 1 January 2007</b> .....                    | 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          |
| Transfer to other asset categories.....                   | (98)                    | -                              | 70             | (28)            |
| Other movements.....                                      | -                       | (15 739)                       | -              | (15 739)        |
| <b>Balance at 31 December 2007</b> .....                  | <b>44 122</b>           | <b>8 480</b>                   | <b>2 053</b>   | <b>54 655</b>   |
| <b>Amortization and impairment loss</b>                   |                         |                                |                |                 |
| <b>Balance at 1 January 2007</b> .....                    | (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)         |
| Transfer to other asset categories.....                   | 98                      | -                              | -              | 98              |
| <b>Balance 31 December 2007</b> .....                     | <b>(27 544)</b>         | <b>(4 997)</b>                 | <b>(1 652)</b> | <b>(34 193)</b> |
| <b>Carrying amount</b>                                    |                         |                                |                |                 |
| <b>at 1 January 2007</b> .....                            | <b>11 152</b>           | <b>18 504</b>                  | <b>342</b>     | <b>29 998</b>   |
| <b>at 31 December 2007</b> .....                          | <b>16 578</b>           | <b>3 483</b>                   | <b>401</b>     | <b>20 462</b>   |

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 a net amount of EUR 14 348k and a decrease in current and non-current liabilities for in total EUR 15 739k.

### ➤ IMPAIRMENT OF INTANGIBLE ASSETS WITH DEFINITE USEFUL LIFE

In 2008, the Group reviewed the existing capitalized R&D projects which resulted in an impairment of EUR 7 707k (2007: EUR 1 980k) mainly having its source in changing technologies and fast changing market conditions. This analysis was based on projects with a faster than anticipated end-of-life, projects with reduced contributions and projects with no visibility on sales beyond end of 2009. The value was determined based on an estimate of the projected contributions from these development projects in the coming quarters.

Of this impairment in 2008, EUR 5 011k related to the early termination of development projects and EUR 2 696k resulted from the difference between the carrying amount and the value for specific development projects.

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

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

| Thousands EUR                                 | Machinery<br>and<br>computer<br>equipment | Furniture<br>and<br>Vehicles | Leasehold<br>improvements | Under<br>construction | Total 2008      |
|---|---|------------------------------|---------------------------|-----------------------|-----------------|
| <b>Acquisition cost</b>                       |   |                              |                           |                       |                 |
| <b>Balance at 1 January 2008</b> .....        | 32 997                                    | 1 830                        | 1 646                     | 246                   | 36 719          |
| Effect of movements in foreign exchange.....  | 5   | 46                           | 1                         | -                     | 52              |
| Additions.....                                | 2 325                                     | 413                          | 94                        | -                     | 2 832           |
| Disposals .....                               | (352)                                     | (132)                        | -                         | -                     | (484)           |
| Transfer to other asset categories .....      | 202                                       | 14                           | 30                        | (246)                 | -               |
| <b>Balance at 31 December 2008</b> .....      | <b>35 177</b>                             | <b>2 171</b>                 | <b>1 771</b>              | <b>-</b>              | <b>39 119</b>   |
| <b>Depreciation</b>                           |   |                              |                           |                       |                 |
| Balance at 1 January 2008.....                | (15 097)                                  | (877)                        | (606)                     | -                     | (16 580)        |
| Effect of movements in foreign exchange ..... | (2)                                       | (12)                         | (1)                       | -                     | (15)            |
| Depreciation .....                            | (5 823)                                   | (353)                        | (323)                     | -                     | (6 499)         |
| Disposals and cancellation .....              | 192                                       | 74                           | -                         | -                     | 266             |
| <b>Balance at 31 December 2008</b> .....      | <b>(20 730)</b>                           | <b>(1 168)</b>               | <b>(930)</b>              | <b>-</b>              | <b>(22 828)</b> |
| <b>Carrying amount</b>                        |   |                              |                           |                       |                 |
| <b>at 1 January 2008</b> .....                | <b>17 900</b>                             | <b>953</b>                   | <b>1 040</b>              | <b>246</b>            | <b>20 139</b>   |
| <b>at 31 December 2008</b> .....              | <b>14 447</b>                             | <b>1 003</b>                 | <b>841</b>                | <b>-</b>              | <b>16 291</b>   |
| <b>Acquisition cost</b>                       |   |                              |                           |                       |                 |
| <b>Balance at 1 January 2007</b> .....        | 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)           |
| <b>Balance at 31 December 2007</b> .....      | <b>32 997</b>                             | <b>1 830</b>                 | <b>1 646</b>              | <b>246</b>            | <b>36 719</b>   |
| <b>Depreciation</b>                           |   |                              |                           |                       |                 |
| <b>Balance at 1 January 2007</b> .....        | (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              |
| <b>Balance at 31 December 2007</b> .....      | <b>(15 097)</b>                           | <b>(877)</b>                 | <b>(606)</b>              | <b>-</b>              | <b>(16 580)</b> |
| <b>Carrying amount</b>                        |   |                              |                           |                       |                 |
| <b>at 1 January 2007</b> .....                | <b>7 930</b>                              | <b>1 027</b>                 | <b>440</b>                | <b>2 702</b>          | <b>12 099</b>   |
| <b>at 31 December 2007</b> .....              | <b>17 900</b>                             | <b>953</b>                   | <b>1 040</b>              | <b>246</b>            | <b>20 139</b>   |

## NOTE 10: TRADE AND OTHER RECEIVABLES

### ➤ CURRENT TRADE AND OTHER RECEIVABLES

| Thousands EUR                   | 2008          | 2007          |
|---------------------------------|---------------|---------------|
| Trade receivables               | 43 469        | 58 315        |
| Allowance for doubtful accounts | (612)         | (4 935)       |
| <i>Subtotal</i>                 | <i>42 857</i> | <i>53 380</i> |
| Recoverable VAT                 | 1 458         | 903           |
| Other receivables               | 504           | 708           |
| <i>Subtotal</i>                 | <i>1 962</i>  | <i>1 611</i>  |
|                                 | <b>44 819</b> | <b>54 991</b> |

For terms and conditions relating to related party receivables, refer to Note 22. Trade receivables are non-interest bearing and are generally on 60-90 days' terms.

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

#### Aging of trade receivables:

| Thousands EUR                              | Gross Amounts |               | Allowance for doubtful accounts |                |
|--|---------------|---------------|---------------------------------|----------------|
|  | 2008          | 2007          | 2008                            | 2007           |
| < 60 days (neither past due no impairment) | 41 654        | 52 403        | -                               | -              |
| 60 - 90 days                               | 1 044         | 640           | -                               | -              |
| 90 - 120 days                              | -             | 490           | -                               | (406)          |
| > 120 days                                 | 771           | 4 781         | (612)                           | (4 529)        |
|  | <b>43 469</b> | <b>58 315</b> | <b>(612)</b>                    | <b>(4 935)</b> |

See also Note 20 for further information about credit risk.

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

### ➤ OTHER NON-CURRENT ASSETS

| Thousands EUR         | 2008       | 2007      |
|-----------------------|------------|-----------|
| Cash guarantees ..... | 383        | 82        |
|                       | <b>383</b> | <b>82</b> |

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

## NOTE 11: INVENTORIES

| Thousands EUR                   | 2008          | %      | 2007          | %      |
|---------------------------------|---------------|--------|---------------|--------|
| Raw materials.....              | 7 417         | 22.5%  | 15 732        | 40.0%  |
| Work in progress .....          | 24 330        | 74.0%  | 23 814        | 60.7%  |
| Finished goods .....            | 11 212        | 34.1%  | 8 047         | 20.5%  |
| Provision for inventories ..... | (10 065)      | -30.6% | (8 342)       | -21.2% |
|                                 | <b>32 894</b> |        | <b>39 251</b> |        |

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

Inventories decreased from EUR 39.251k to EUR 32 894 k at the end of 2008. This decrease is mainly explained by additional write down of inventories and a decrease in raw materials. At the end of 2008, the total provision for inventories amounted to EUR 10 065k (2007: EUR 8 342k).

The increase in provision for inventories of EUR 1 725k is recognised in the cost of product sold, mainly to cover excess positions and to lower the stock value to net realisable value for certain products. In addition an amount of EUR 2.4 million has been expensed as a result of inventory write offs during 2008.

There are no inventories pledged for security.

#### NOTE 12: CASH AND CASH EQUIVALENTS

| Thousands EUR      | 2008          | 2007          |
|--------------------|---------------|---------------|
| Bank accounts..... | 33 311        | 36 276        |
| Cash.....          | 17            | 23            |
|                    | <b>33 328</b> | <b>36 299</b> |

Bank accounts do not include short term deposit (between one day and 3 months) in 2008 (2007: EUR 24 270k).

## NOTE 13: FINANCIAL ASSETS AND LIABILITIES

### ➤ OTHER FINANCIAL ASSETS

| Thousands EUR                                     | 2008     | 2007       |
|---|----------|------------|
| Financial Derivatives– positive fair values ..... | 0        | 473        |
|   | <b>0</b> | <b>473</b> |

In 2007 and 2008, the Group entered into derivative financial instruments to manage its exposure on the US dollar cash flows. 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 as financial result. All contracts related to those financial instruments expired before year-end 2008. The profit resulting from the derivative financial instruments amounted to EUR 573k (2007: EUR -473k) and is recognized in the income statement as a financial income.

### ➤ OTHER FINANCIAL LIABILITIES

#### Non current

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

| Thousands EUR           | 2008 | 2007 |
|-------------------------|------|------|
| Subordinated loan ..... | -    | 74   |
| Credit agreement        | 16   | -    |

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%. The 2007 non-current portion became current in 2008.

During 2008, a subsidiary entered into a credit agreement of EUR 25k to support a hardware investment. This credit agreement is reimbursable in 24 monthly installments of EUR 1.1k. The interest rate is 6.53%.

#### TERM AND DEBT REPAYMENT SCHEDULE

|                            | 2009       | 2010+    |
|----------------------------|------------|----------|
| IWT loan-base amount ..... | 74         | 0        |
| IWT loan-interests .....   | 23         | 0        |
| Credit amount              | 13         | 3        |
| Credit interests           | 1          | -        |
| <b>Total.....</b>          | <b>111</b> | <b>3</b> |

#### Current

Current financial liabilities are composed as follow:

| Thousands EUR                                    | 2008      | 2007         |
|--|-----------|--------------|
| Current portion of IWT loan .....                | 75        | 75           |
| Financial Derivatives– negative fair values..... | -         | 946          |
| Current portion of interest free loan            | 14        | -            |
| <b>Other financial liabilities</b>               | <b>89</b> | <b>1 021</b> |

Any remaining debts under finance lease arrangements have been settled prior to 31 December 2006. During 2008, the Company entered into an interest free loan with a hard- and software provider, which will expire in 2009.

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

| Thousands EUR                    | 2008  | 2007  |
|----------------------------------|-------|-------|
| Pledge on the company's business | 1 977 | 1 977 |

Currently, the Company is in process to terminate above mentioned pledge.

During 2008 the Company entered into a credit facility of EUR 10 million with a financial institution of which no amounts have been withdrawn. As such this has no effect on the financial statements per 31 December 2008. At year end, the credit facility was not available under current covenants. Therefore, the Company is currently in negotiation to enhance the credit facility with revised covenant packages to secure it's future capital requirements.

#### NOTE 14: TRADE AND OTHER PAYABLES

| Thousands EUR  | 2008          | 2007          |
|--|---------------|---------------|
| Trade payables.....  | 55 720        | 52 717        |
| Salaries, tax and payroll related liabilities.....         | 3 993         | 1 864         |
| Other payables, accrued expenses and deferred income ..... | 7 640         | 3 978         |
|  | <b>67 353</b> | <b>58 559</b> |

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other payables are non-interest bearing and have an average term of six months.
- Interest payable is normally settled quarterly throughout the financial year.
- For terms and conditions relating to related parties, refer to Note 22.

#### NOTE 15: PROVISIONS

| Thousands EUR             | 2007         | Additions  | (Use)          | (Reversal)     | 2008         |
|---------------------------|--------------|------------|----------------|----------------|--------------|
| Warranty provision        | 1 259        | 132        | (25)           | (519)          | 847          |
| Loss on supply agreements | 1 156        |            | (914)          |                | 242          |
| Legal and other claims    | 3 561        | 383        | (1900)         | (696)          | 1 348        |
|                           | <b>5 976</b> | <b>515</b> | <b>(2 839)</b> | <b>(1 215)</b> | <b>2 437</b> |

A large part of the provisions, set up in 2007, have been used since a large part of the discussions with patent holders on intellectual properties rights and legal liabilities have been settled. The outcome of the remaining legal and other claims may differ from the assessment made.

The main part of the loss on supply agreements has been used during 2008. The warranty provision has been reversed with an amount of EUR 519k, mainly due to a decrease of the 2007 back-log position for units returned under warranty.

#### NOTE 16: OPERATING AND FINANCE LEASES

##### **OPERATING LEASES**

###### ➤ **LEASES AS LESSEE**

Non-cancelable operating lease rentals are payable as follows:

| Thousands EUR                    | 2008         | 2007         |
|----------------------------------|--------------|--------------|
| Less than one year .....         | 2 096        | 1 957        |
| Between one and five years ..... | 4 847        | 5 478        |
| More than five years .....       |              | -            |
|                                  | <b>6 943</b> | <b>7 435</b> |

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 2008, EUR 2 761k was recognized as an expense in the income statement in respect of operating leases (2007: EUR 2 293k).

###### ➤ **LEASES AS LESSOR**

Non-cancelable operating sublease rentals are receivable as follows:

| Thousands EUR                    | 2008     | 2007      |
|----------------------------------|----------|-----------|
| Less than one year .....         | 6        | 77        |
| Between one and five years ..... | -        | -         |
| More than five years .....       | -        | -         |
|                                  | <b>6</b> | <b>77</b> |

The Group's Irish entity is subleasing premises to a third party. None of the leases include contingent rentals. In 2008, EUR 77k (2007: EUR 77k) was recognized as rental income in the income statement. This sublease will come to an end at the beginning of 2009. The future operating lease receivable will be EUR 6k, not later than one year.

#### NOTE 17: SHAREHOLDERS' EQUITY

##### ➤ CAPITAL STRUCTURE – ISSUED CAPITAL

At year-end 2008, the Company announced the following significant shareholders:

| Identity of the person, entity or group of persons or entities (*) | Number of shares | Percentage of financial instruments held |
|--|------------------|--|
| Pepper NV (100% Jan Callewaert)                                    | 7 154 504        | 17.34 %                                  |
| Free float of which:   | 34 094 792       | 82.66%                                   |
| - UBS (Switzerland)  | 1 283 492        | 3.11%                                    |
| - SISU Capital Ltd (United Kingdom)                                | 1 331 495        | 3.23%                                    |
| - SR Global Fund LP (Cayman Islands)                               | 1 457 500        | 3.53%                                    |
| - Goldman Sachs (USA)  | 1 518 572        | 3.68%                                    |
| - Neuberger Berman LLC (USA)                                       | 2 655 289        | 6.43%                                    |
| Total outstanding shares   | 41 249 296       | 100%                                     |

|                  | Shares     |
|------------------|------------|
| 31 December 2008 | 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.

##### ➤ SHARE PREMIUM

| €thousands                   | 2008   | 2007   |
|------------------------------|--------|--------|
| At 31 December 2008 and 2007 | 43 865 | 43 865 |

##### ➤ SHARE BASED PAYMENT RESERVE

| €thousands                   | 2008 | 2007 |
|------------------------------|------|------|
| At 31 December 2008 and 2007 | 513  | 360  |

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

#### Warrants "V"

On 26 August 2008 the Shareholders' meeting approved the issuance of 2 500 000 warrants "V". Upon acknowledgement that none of the 2 200 000 naked warrants "U" were granted to or subscribed by personnel of the company, the meeting resolved to withdraw and to destroy the 2 200 000 naked warrants "U".

The new plan "V" is offered to Directors, members of the Executive Management Team, employees and persons designated by name (as listed in the warrant plan "V").

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

- 340,000 warrants were granted to the directors (100% accepted in 2008);

- 325,000 warrants were granted to the members of the Executive Management Team<sup>1</sup> (100% accepted in 2008);
- 1,576,540 warrants were offered on the 23th of December 2008 to employees and self-employed advisors of Option NV and subsidiaries (none have been accepted in 2008).

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

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

The weighted average fair value of the warrants “V” granted during the financial year 2008 is EUR 0.86. The warrants were priced using the Black & Scholes model. Where relevant, the expected life used in the model has been adjusted on management’s best estimate. Expected volatility is based on the historical share price volatility over the past 4 years. The risk free interest rate is based on the OLO Bonds as valued by the National Bank of Belgium. The following inputs into the model were performed for the accepted warrants “V”:

| Inputs into the model                      | 2008       |
|--|------------|
| Grant date share price .....               | 2.09       |
| Exercise price .....                       | 2.84       |
| Expected volatility .....                  | 60.94%     |
| Expected lifetime of the warrant “V” ..... | 4 years    |
| Risk-free interest rate .....              | 3.59%      |
| Number of warrants “V” outstanding .....   | 665 000    |
| Number of shares outstanding .....         | 41 249 296 |

The following reconciles the outstanding warrants “V” granted under the plan at the beginning and end of the financial year :

| Number of Warrants “V”                            | 2008           |
|---|----------------|
| <b>Balance at beginning of the financial year</b> | <b>0</b>       |
| Accepted during the financial year .....          | 665 000        |
| Exercised during the financial year .....         | -              |
| Expired during the financial year .....           | -              |
| <b>Balance at end of the financial year .....</b> | <b>665 000</b> |

The fair value of the granted warrants “V” were calculated at EUR 153k for the financial year 2008.

#### ➤ FOREIGN CURRENCY TRANSLATION RESERVES

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

#### NOTE 18: EARNINGS PER SHARE

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

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

---

<sup>1</sup> Except Philippe Rogge (Pirogue Consulting BVBA), who only became a member of the Executive Management Team in 2009.

| <b>Earnings per common share</b>                     | 2008       | 2007       |
|--|------------|------------|
| Net result (in Thousands EUR).....                   | (19 001)   | 6 432      |
| Weighted average shares of common stock outstanding: |            |            |
| Basic .....  | 41 249 296 | 41 249 296 |
| Diluted .....  | 41 249 296 | 41 249 296 |
| <b>Per Share (in EUR)</b>                            |            |            |
| Basic earnings per share.....                        | -0.46      | 0.16       |
| Diluted earnings per share .....                     | -0.46      | 0.16       |

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

#### NOTE 19: CAPITAL MANAGEMENT

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

The Group's objectives when managing capital are:

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

The Group's overall strategy and objectives remain unchanged during the years ended 31 December 2008 and 31 December 2007.

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

The Group has no material debt. The Group monitors capital using a gearing ratio and the group's policy is to keep the gearing ratio around 30% The gearing ratio at year-end was as follows:

| Thousands EUR                     | 2008         | 2007         |
|-----------------------------------|--------------|--------------|
| Current portion of long term debt | (75)         | (75)         |
| Cash and cash equivalents         | 33 328       | 36 299       |
| Net                               | 33 253       | 36 224       |
| Equity                            | 99 082       | 118 094      |
| <b>Gearing ratio</b>              | <b>33.6%</b> | <b>30.6%</b> |

#### NOTE 20: FINANCIAL RISK MANAGEMENT

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

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

Categories of significant financial instruments:

| Thousands EUR   | Notes | 2008   | 2007   |
|---|-------|--------|--------|
| <b>Financial assets measured at cost or amortised cost</b>      |       |        |        |
| Cash and cash equivalents                                       | 12    | 33 328 | 36 299 |
| Trade receivables   | 10    | 42 857 | 53 380 |
| Recoverable VAT   |       | 1 458  | 903    |
| Income tax receivable   | 7     | 227    | 2 958  |
| <b>Derivative financial instruments</b>                         | 13    | -      | 473    |
| <b>Financial liabilities measured at cost or amortised cost</b> |       |        |        |
| Trade payables  | 14    | 55 720 | 52 717 |
| Salaries, tax and payroll related liabilities                   |       | 3 933  | 1 864  |
| IWT loan and interest free loan                                 | 13    | 89     | 148    |
| Income tax payable  | 7     | 104    | 1 573  |
| <b>Derivative financial instruments</b>                         | 13    | -      | 946    |

➤ **CREDIT RISK**

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

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

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

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

Trade receivables consist of a large number of customers, spread across geographical areas. The receivables for customers who belong to the same group, in different geographical areas, are treated separately. Only one customer represents 11.6% of the total trade receivables of the Group for the year ended 31 December 2008. In 2007, one customer represented 6.3 % of the total receivables of the Group.

The average credit period on sales of goods is 60 days. No interest is systematically charged on overdue payments. The group has performed a detailed analysis of its accounts receivable, which were more than 90 days overdue during 2008.

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 1 204k (2007: 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 | 2008         | 2007         |
|---------------|--------------|--------------|
| 60 - 90 days  | 1 044        | 640          |
| 90 - 120 days | -            | 84           |
| > 120 days    | 160          | 1 902        |
|               | <b>1 204</b> | <b>2 626</b> |

Movement in the allowance for doubtful debts:

| Thousands EUR                        | 2008       | 2007         |
|--------------------------------------|------------|--------------|
| Balance at the beginning of the year | 4 935      | 211          |
| New reserves                         | 208        | 4 724        |
| (Write-offs)                         | (3 485)    |              |
| (releases)                           | (1 046)    |              |
|                                      | <b>612</b> | <b>4 935</b> |

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

Aging of impaired trade receivables:

| Thousands EUR | 2008       | 2007         |
|---------------|------------|--------------|
| Gross Amounts |            |              |
| 60 - 90 days  | -          | -            |
| 90 - 120 days | -          | 406          |
| > 120 days    | 612        | 2 878        |
|               | <b>612</b> | <b>3 284</b> |

➤ **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 13 Leases.

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

| Thousands EUR                                 | 2008          | 2009          | 2010     | 2011 |
|---|---------------|---------------|----------|------|
| <b>2008</b>                                   |               |               |          |      |
| Derivative financial instruments              |               | -             | -        |      |
| Trade payables                                |               | 55 720        | -        |      |
| Salaries, tax and payroll related liabilities |               | 3 933         |          |      |
| Income tax payable                            |               | 104           | -        |      |
| IWT and other loan                            |               | 111           | 3        |      |
|   |               | <b>59 868</b> | <b>3</b> |      |
| <b>2007</b>                                   |               |               |          |      |
| 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            |          |      |
|   | <b>57 203</b> | <b>97</b>     | -        |      |

➤ **MARKET RISK: INTEREST RATE RISK**

The Group is not subject to material interest risk. As in 2007, the Group has no floating rate financial assets or liabilities and no interest rate derivatives.

➤ **MARKET RISK: FOREIGN CURRENCY RISK**

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

| 2008    | Closing rate<br>December 31,2008 | Possible<br>volatility in % | Possible closing rate<br>December 31,2008 |
|---------|----------------------------------|-----------------------------|---|
| EUR/USD | 1.3917                           | 11.60%                      | 1.2303 – 1.5531                           |
| 2007    | Closing rate<br>December 31,2007 | Possible<br>volatility in % | Possible closing rate<br>December 31,2007 |
| EUR/USD | 1.4721                           | 6.13%                       | 1.3818 -1.5623                            |

The Group's exposure in USD as of 31 December 2008 and 2007 is as follows:

| Carrying amounts - Thousands USD | 31 December<br>2008 | 31 December<br>2007 |
|----------------------------------|---------------------|---------------------|
| Trade payables                   | (47 929)            | (44 380)            |
| Trade receivables                | 24 143              | 29 037              |
| Cash and cash equivalents        | 18 055              | 14 896              |
|                                  | <b>(5 731)</b>      | <b>(447)</b>        |

If the USD had weakened/strengthened during 2008 by the above estimated possible changes against the euro, the 2008 net result would have been EUR 478k higher/lower.

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

| 2008    | Closing rate<br>December 31,2008 | Possible<br>volatility in % | Possible closing rate<br>December 31,2008 |
|---------|----------------------------------|-----------------------------|---|
| EUR/GBP | 0.9525                           | 10.87%                      | 0.849 – 1.056                             |

The Group's exposure in GBP as of 31 December 2008 is as follows:

| Carrying amounts - Thousands GBP | 31 December 2008 |
|----------------------------------|------------------|
| Trade payables                   | (26)             |
| Trade receivables                | 2 458            |
| Cash and cash equivalents        | 4 671            |
|                                  | <b>7 103</b>     |

If the GBP had weakened/strengthened during 2008 by the above estimated possible changes against the euro, the 2008 net result would have been EUR 811k higher/lower.

The carrying amounts in GBP in 2007 have not been disclosed, since they are immaterial

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

[NOTE 21: CONTINGENT LIABILITIES](#)

Under license agreements, the Group is committed to royalty payments using certain essential patents - intellectual property rights (IPR) - to be used in 2.5G and 3G wireless products. The Group has progressively entered into license agreements with the basic patent holders, which brought down the uncertainty associated with such unasserted claims significantly. As in the prior fiscal year, the Group has continued to recognize its current best estimate of the obligations, including ongoing discussions with a patent holder. The Group believes it has adequately accrued for those essential patents at December 31, 2008. 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 22: RELATED PARTIES TRANSACTIONS

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

|   | 2008 | 2007 |
|---|------|------|
| - Option Wireless Ltd, Cork (Ireland)                                   | 100% | 100% |
| - Option Germany GmbH, Adelsried (Germany)                              | 100% | 100% |
| - Option Wireless Germany GmbH, Kamp-Lintfort (Germany)                 | 100% | 100% |
| - Option Wireless, Sweden AB, Stockholm (Sweden)                        | -    | 100% |
| - Option Japan KK (Japan)   | 100% | 100% |
| - Option Wireless Hong Kong Limited (China)                             | 100% | 100% |
| - Option Wireless Hong Kong Ltd. (Suzhou) Representation Office (China) | 100% | 100% |
| - Option Wireless Hong Kong Limited Taiwan Branch (Taiwan).             | 100% | 100% |
| - Option Inc. (United States of America)                                | 100% | 100% |
| - Multi Mode Multi Media Solutions (M4S) (Belgium)                      | 100% | -    |

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

In 2008, the fees paid to Brown Rudnick LLP amounted to EUR 38k (2007: 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 2008, the compensation for the Board of Directors amounted to EUR 321k (2007: EUR 270 k).

| Name                             | Board meetings attended |       | Audit Committees attended | Remuneration Committees attended | Strategic Committees Attended | Total remuneration Thousands EUR |
|----------------------------------|-------------------------|-------|---------------------------|----------------------------------|-------------------------------|----------------------------------|
|                                  | Physical attendance     | calls |                           |                                  |                               |                                  |
| Jan Callewaert (1)               | 4/4                     | 8/8   | N.A.                      | N.A.                             | 6/6                           | 48.50 (2007: 45)                 |
| Arnoud De Meyer                  | 4/4                     | 6/8   | 5/5                       | 2/2                              | 2/4                           | 49.00 (2007: 45)                 |
| Philip Vermeulen (2)             | 2/2                     | 5/5   | 3/3                       | 1/2                              | N.A.                          | 20.50 (2007: 45)                 |
| Lawrence Levy                    | 4/4                     | 8/8   | 3/3                       | 2/2                              | 4/4                           | 49.00 (2007: 43.75)              |
| Jan Loeber                       | 4/4                     | 7/8   | N.A.                      | N.A.                             | 6/6                           | 47.50 (2007: 41,5)               |
| David Hytha                      | 4/4                     | 5/8   | N.A.                      | N.A.                             | 6/6                           | 45.50 (2007: 41,5)               |
| Q-List BVBA (3)                  | 2/2                     | 3/3   | 2/2                       | 1/2                              | N.A.                          | 26.50 (2007: N.A.)               |
| An Other Look To Efficiency SPRL | 2/2                     | 3/3   | 2/2                       | N.A.                             | N.A.                          | 16.83 (2007: N.A.)               |
| Visinnova BVBA                   | 2/2                     | 2/3   | N.A.                      | N.A.                             | 2/2                           | 18.08 (2007: N.A.)               |

(1) Excluding CEO remuneration to Mondo NV  
(2) Until 26 August 2008  
(3) From 26 August onwards

In addition, one non-executive Board member received an amount of EUR 4k in his capacity of member of the Board in Ireland.

The following number of Warrants "V" were granted to the Board of Directors in the course of 2008

|                        |               |
|------------------------|---------------|
| <u>Jan Callewaert</u>  | <u>50,000</u> |
| <u>Jan Loeber</u>      | <u>50,000</u> |
| <u>Arnoud De Meyer</u> | <u>50,000</u> |
| <u>David Hytha</u>     | <u>50,000</u> |
| <u>Lawrence Levy</u>   | <u>50,000</u> |

|   |                       |
|---|-----------------------|
| <u>Q-List BVBA</u>                      | <u>30,000</u>         |
| <u>An Other Look To Efficiency SPRL</u> | <u>30,000</u>         |
| <u>Visinnova BVBA</u>                   | <u>30,000</u>         |
|   | <b><u>340,000</u></b> |

**Total**

All the above mentioned warrants were timely accepted.

➤ **EXECUTIVE MANAGEMENT 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 2008 amounted to EUR 540k fixed (2007: EUR 540k). The variable compensation related to 2008 was waived.

The outstanding receivable towards Pepper NV (100% Jan Callewaert) amounted to EUR 51k in 2008 and remained unchanged compared to 2007. Mr. Jan Callewaert holds directly and indirectly (through Pepper NV) 17.34% of the shares of the Company.

For the year 2008, an aggregate gross amount of EUR 1 404k (2007: EUR 958k) was attributed to the other five members of the Executive Management Team (2007: six members of the Executive Management Team). In 2008, an amount of EUR 108k was accrued as variable pay relating to 2008 performance (2007: EUR 0k). For the five members of the Executive Management Team, benefits include an extra-legal pension scheme, the cost of which amounted to EUR 68k (2007: EUR 73k).

The 2007 compensations have been restated in order to be consistent and comparable with the amounts disclosed in 2008, including only the compensations of the Executive Management Team.

The following number of warrants "V" were granted to the members of the Executive Management Team in the course of 2008:

|                      |                |
|----------------------|----------------|
| Jan Callewaert       | 75,000         |
| Filip Buerms         | 50,000         |
| Patrick Hofkens      | 50,000         |
| Bernard Schaballie   | 50,000         |
| David Whelan         | 50,000         |
| John Patrick Ziegler | 50,000         |
| <b>Total</b>         | <b>325,000</b> |

All the above mentioned warrants were timely accepted.

**NOTE 23: EVENTS AFTER BALANCE SHEET DATE**

Subsequent to December 31, 2008, the following events or transactions occur which required disclosure:

- The Group is taking the necessary steps to re-align the Group's cost base with the new economic reality, including a restructuring, combined with other cost saving projects and measures. This will be effected via a combination of headcount reduction and general improvements in the Group's non-HR cost base.
- The Group strengthened its Executive Management Team and its organization structure with the appointment of Philippe Rogge as the Group's first Chief Operating Officer (COO).
- After balance sheet date 1 169 750 warrants "V" have been accepted by employees and other persons designated by name.

**NOTE 24: OPTION COMPANIES AND BUSINESS COMBINATION**

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

| <b>NAME OF THE SUBSIDIARY</b>                           | <b>REGISTERED OFFICE</b>  | <b>% OF SHAREHOLDING</b> |
|---|---|--------------------------|
| <b>BELGIUM</b>  |   |                          |
| OPTION NV   | Gaston Geenslaan 14<br>3001 Leuven, Belgium   | Consolidating company    |
| Multi Mode Multi Media Solutions (M4S)                  | Gaston Geenslaan, 14<br>3001 Leuven, Belgium  | 100%                     |
| <b>IRELAND</b>  |   |                          |
| OPTION WIRELESS Ltd, Cork                               | Kilbarry Industrial Park<br>Dublin Hill, Cork   | 100 %                    |
| <b>GERMANY</b>  |   |                          |
| OPTION GERMANY GmbH                                     | Beim Glaspalast 1<br>D-86153 Augsburg - Germany   | 100 %                    |
| <b>GERMANY</b>  |   |                          |
| OPTION WIRELESS GERMANY GmbH                            | SüdstraBe 9<br>47475 K a m p - Lin t f o r t - Germany  | 100 %                    |
| <b>USA</b>  |   |                          |
| OPTION INC.   | 13010 Morris Road<br>Building 1, suite 600<br>Alpharetta, GA 30004<br>USA   | 100 %                    |
| <b>JAPAN</b>  |   |                          |
| OPTION WIRELESS JAPAN KK                                | 5-1, Shinbashi 5-chome<br>Minato-ku<br>Tokyo 105-0004, Japan  | 100 %                    |
| <b>CHINA</b>  |   |                          |
| OPTION WIRELESS HONG KONG LIMITED                       | 35/F Central Plaza<br>18 Harbour Road<br>Wanchai Hong Kong, China   | 100 %                    |
| <b>CHINA</b>  |   |                          |
| OPTION WIRELESS HONG KONG LIMITED REPRESENTATION OFFICE | 909-1 Genway Building<br>188 Wangdun Road<br>Suzhou Industrial Park (SIP)<br>Suzhou 215123, Jiangsu Province, China | 100 %                    |
| <b>TAIWAN</b>   |   |                          |
| OPTION WIRELESS HONG KONG LIMITED, TAIWAN BRANCH        | 4F Theta Building<br>10, Lane 360, Ne-Hu Road, Sec 1, Taipei City,<br>TAIWAN  | 100 %                    |

➤ **DE-CONSOLIDATED COMPANY**

| <b>NAME OF THE SUBSIDIARY</b> | <b>REGISTERED OFFICE</b>                               |
|-------------------------------|--|
| <b>SWEDEN</b>                 |  |
| OPTION WIRELESS SWEDEN AB     | Sturegatan 2<br>172 31 Sundbyberg<br>Stockholm, Sweden |

➤ **BUSINESS COMBINATION**

At the 25<sup>th</sup> of June 2008 the Group acquired Multi Mode Multi Media solutions (abbreviated "M4S"), an entity which is specialised in the development of 4G radio frequencies.

The proportion of shares acquired was 100% and the cost of the acquisition was EUR 1

Analysis of current assets and liabilities acquired.

| Thousands EUR               | 2008     |
|-----------------------------|----------|
| <b>Current assets</b> ..... |          |
| Cash & cash equivalents     | 22       |
| Trade & other receivables   | 11       |
| inventories                 | -        |
| <b>Current Liabilities</b>  |          |
| Trade & other payables      | (31)     |
| <b>Total</b>                | <b>2</b> |
| Goodwill on acquisition     | -        |
| <b>Total</b>                | <b>2</b> |

At the date of finalisation of these financial statements, the necessary market valuations and other calculations had not been finalised and is currently in process. Management considers the impact on goodwill and deferred taxes as minor.

The cost of this acquisition was paid through Cash

The impact on the net result of the Group was minor since the costs arising from this subsidiary have been capitalized as development projects.

After acquisition date, the Group increased the share capital of the entity from EUR 80k to EUR 500k. As a result of this capital increase the Company has accepted 2 500 000 warrants

NOTE 25: 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  | 2008       | 2007       | 2006       |
|--|------------|------------|------------|
| Worldwide audit services for the annual financial statements . | 474        | 400        | 169        |
| Worldwide tax and legal services .....                         | 139        | 244        | 124        |
| Other worldwide services .....                                 | 156        | 86         | 2          |
|  | <b>769</b> | <b>730</b> | <b>295</b> |

## 5. CONSOLIDATED AND STATUTORY REPORT 2008 OF THE BOARD OF DIRECTORS OF OPTION NV

The Consolidated and Statutory Board Report 2008 to the AGM is available on the following link:

[http://www.option.com/Upload/main/Stat\\_Board\\_AGM\\_2008\\_EN.pdf](http://www.option.com/Upload/main/Stat_Board_AGM_2008_EN.pdf)

## 6. AUDITOR'S REPORT

The Auditor's Report on 2008 Consolidated Accounts is available on the following link:

[http://www.option.com/Upload/main/Audit\\_report\\_cons\\_2008\\_EN.pdf](http://www.option.com/Upload/main/Audit_report_cons_2008_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 2008 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 .....                       | 2008          | 2007          | 2006           |
|---|---------------|---------------|----------------|
| <b>Fixed assets</b>                       | <b>28 233</b> | <b>37 214</b> | <b>24 132</b>  |
| Intangible assets.....                    | 12 675        | 18 763        | 9 869          |
| Tangible assets .....                     | 12 376        | 15 821        | 11 632         |
| Financial assets.....                     | 3 182         | 2 630         | 2 631          |
| <b>Current Assets</b> .....               | <b>49 489</b> | <b>38 381</b> | <b>75 898</b>  |
| Stocks and contracts in progress.....     | 3 037         | 2 669         | 2 419          |
| Accounts receivable within one year ..... | 40 749        | 19 750        | 44 059         |
| Cash & cash investments .....             | 5 428         | 15 593        | 28 849         |
| Deferred charges and accrued income.....  | 275           | 369           | 571            |
| <b>Total Assets</b> .....                 | <b>77 722</b> | <b>75 595</b> | <b>100 030</b> |

#### LIABILITIES

| Thousands EUR .....                              | 2008          | 2007          | 2006           |
|--|---------------|---------------|----------------|
| <b>Capital and reserves</b>                      | <b>24 861</b> | <b>63 986</b> | <b>76 752</b>  |
| Capital .....                                    | 6 116         | 6 116         | 6 116          |
| Share premium.....                               | 44 848        | 44 848        | 44 847         |
| Legal reserve.....                               | 612           | 612           | 612            |
| Profit/(loss) carried forward.....               | (26 714)      | 12 410        | 25 177         |
| <b>Creditors</b>                                 | <b>52 861</b> | <b>11 609</b> | <b>23 278</b>  |
| Subordinated loan .....                          | -             | 74            | 148            |
| Amounts payable after more than one year.....    | -             | -             | -              |
| Amounts payable after more within one year ..... | 51 879        | 10 721        | 22 454         |
| Accrued charges and deferred income.....         | 982           | 814           | 676            |
| <b>Total liabilities</b> .....                   | <b>77 722</b> | <b>75 595</b> | <b>100 030</b> |

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

### ABBREVIATED PROFIT AND LOSS ACCOUNT

| Thousands EUR .....  | 2008            | 2007            | 2006            |
|--|-----------------|-----------------|-----------------|
| <b>I. Revenues</b>   | <b>49 039</b>   | <b>56 265</b>   | <b>54 287</b>   |
| Turnover .....   | 11 905          | 18 009          | 6 504           |
| Increase (decrease) in stocks in finished goods, work and contracts in progress .....                        | (151)           | -               | (8)             |
| Capitalized development costs .....  | 15 440          | 15 007          | 6 843           |
| Other operating income (mainly intercompanies transactions) .....  | 21 845          | 23 249          | 40 948          |
| <b>II. Operating charges</b>   | <b>(75 827)</b> | <b>(69 275)</b> | <b>(36 416)</b> |
| Raw materials, consumables and goods for resale .....  | 10 028          | 14 562          | 4 727           |
| Services and other goods .....   | 32 744          | 28 832          | 15 531          |
| Remuneration, social security costs and pensions .....   | 17 309          | 14 816          | 10 445          |
| Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets ..... | 15 357          | 11 014          | 5 530           |
| Increase, decrease in amounts written off stocks, contracts  | 173             | -               | 145             |
| Contracts in progress and trade debtors .....  | -               | -               | -               |
| Provision for contingencies .....  | -               | -               | -               |
| Other operating charges .....  | 215             | 51              | 38              |
| <b>III. Operating profit/(loss)</b>  | <b>(26 788)</b> | <b>(13 010)</b> | <b>17 871</b>   |
| <b>IV. Financial income</b>  | <b>2 616</b>    | <b>1 779</b>    | <b>11 076</b>   |
| <b>V. Financial charges</b>  | <b>(2 700)</b>  | <b>(1 538)</b>  | <b>(774)</b>    |
| <b>VI. Profit/(loss) on ordinary activities before taxes</b>   | <b>(26 872)</b> | <b>(12 767)</b> | <b>28 173</b>   |
| <b>VII. Exceptional charges</b>  | <b>(12 241)</b> |                 |                 |
| <b>IX. Profit/(loss) for the period before taxes</b>   | <b>(39 113)</b> | <b>(12 767)</b> | <b>28 173</b>   |
| <b>X. Income tax expense</b>   | <b>(11)</b>     | <b>-</b>        | <b>(5 341)</b>  |
| <b>XIII. Profit/(loss) for the period available for appropriation</b>  | <b>(39 124)</b> | <b>(12 767)</b> | <b>22 832</b>   |

### ABBREVIATED APPROPRIATION ACCOUNT (ACCORDING TO BELGIAN ACCOUNTING STANDARDS)

| Thousands EUR .....  | 2008     | 2007     | 2006   |
|--|----------|----------|--------|
| Profit/(loss) to be appropriated .....                         | 12 410   | 25 177   | 25 177 |
| Profit/(loss) for the period available for appropriation ..... | (39 124) | (12 767) | 22 832 |
| Profit/(loss) carried forward from previous year .....         | (26 714) | 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 1<sup>st</sup> 2005:

Research expenditure is recognized as an expense as incurred.

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

-An asset is developed that can be identified;

-It is probable that the asset developed will generate future economic benefits; and  
 -The development costs of the asset can be measured reliably.  
 Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have a finite useful life that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding three years.

*Vehicles*

Vehicles are linearly depreciated at rate of 20%.

*Office Furniture*

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

*Financial assets*

During the financial period investments are not revalued.

*Stocks*

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

*Products*

The products are valued at costs that only directly attribute.

*Contracts in progress*

Contracts in progress are valued at production cost.

*Debts*

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

*Foreign currencies*

Debts, liabilities and commitments denominated in foreign currencies are translated using the exchange rate of 31 December 2008. 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, 2008 .....                         | Shares held by<br>company (by<br>number) | % held by company | % held by<br>subsidiaries |
|---|--|-------------------|---------------------------|
| Option Germany – Augsburg (D) .....             | 1  | 100%              | 0%                        |
| Option Wireless– Cork (IRL) .....               | 2 000 000                                | 100%              | 0%                        |
| Option Wireless Hong Kong Limited – China ..... | 10 000                                   | 100%              | 0%                        |
| Multi Mode Multi Media Solutions (M4S) .....    | 1 450 000                                | 100%              | 0%                        |

***Statement of Capital***

| Issued capital<br>31 December, 2008 .....           | Amounts<br>(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<br>December 31 2008, ..... |                     |                  |

Different categories of shares

|                                     |            |
|-------------------------------------|------------|
| Registered shares and bearer shares | 41 249 296 |
| Registered                          | -          |
| Bearer                              | 41 249 296 |

Authorized capital

On 31 December 2008 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 2006-2008 on Euronext

|                                 | 2008                    | 2007                     | 2006                     |
|---------------------------------|-------------------------|--------------------------|--------------------------|
| Number of shares outstanding    | 41 249 296              | 41 249 296               | 41 249 296               |
| Year-end share price            | 1.90                    | 5.61                     | 10.30                    |
| Market capitalization (million) | 78                      | 231                      | 425                      |
| Share price High                | 7.92 (January 3, 2008)  | 15.13 (February 15 2007) | 24.33 (February 23,2006) |
| Share price Low                 | 1.62 (December 9, 2008) | 5.21 (October 25 2007)   | 9.09 (October 6,2006)    |
| Free float                      | 82.66 %                 | 82.90 %                  | 82.90 %                  |

During 2008, a total of 33 106 725 shares were traded on Euronext on 256 trading days, meaning an average for the year of nearly 129 323 shares per day.

### 8.3. Financial calendar

Option intends to release its quarterly financial information in 2009 on the following dates – before market hours:

1Q Results            Thursday 30 April, 2009  
2Q Results            Thursday 30 July, 2009  
3Q Results            Thursday 29 October, 2009

General Meeting of Shareholders 2009            Thursday 30 April, 2009 at 10 AM  
General Meeting of Shareholders 2010            Friday 30 April, 2010 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:

JP Ziegler  
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](mailto:investor@option.com)

## 9. INFORMATION SHEET BY END 2008

| NAME                   | OPTION NV  |
|------------------------|--|
| FORM                   | Limited Company as per Belgian Law   |
| ADDRESS                | Gaston Geenslaan 14, B-3001 LEUVEN   |
| PHONE                  | +32(0)16 31 74 11  |
| FAX                    | +32(0)16 31 74 90  |
| E-Mail                 | investor@option.com  |
| WEBSITE                | www.option.com   |
| ENTERPRISE No.         | 0 429 375 448  |
| VAT                    | BE 429 375 448   |
| ESTABLISHMENT DATE     | July 3rd, 1986   |
| DURATION               | Indefinite duration  |
| AUDITOR                | Deloitte-Auditors represented by Mr. Geert Verstraeten in the absence of Mr; 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 April   |
| LISTING                | Euronext -- continumarktStock – Ordinary Stock - Continuous - compartment B - ticker OPTI        |
| DEPOSIT BANK           | FORTIS   |
| MEMBER OF INDEX        | Next Economy<br>Next 150<br>Bel SmallMid<br>VLAM 21  |
| OTHER LABELS           | Ethibel Pioneer<br>Europe 500<br>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](http://www.option.com)). Only the printed Annual Report, published in Belgium in accordance with the applicable rules and legislation is legally valid, and Option takes no responsibility for the accuracy or correctness of the Annual Report available via the Internet. Other information on the website of Option or on any other website does not form part of this Annual Report.

#### **FORWARD-LOOKING STATEMENTS**

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

## 10. GLOSSARY

### **BOOK VALUE PER SHARE**

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

### **CASH FLOW PER SHARE**

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

### **EBIT**

Earnings Before Interest and Taxes.  
Profit from operations.

### **EBITDA**

Profit from operations plus depreciation and amortization.

### **EPS**

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

### **GEARING RATIO**

Net debt divided by shareholders' equity

### **NET CAPEX**

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

### **NET FINANCIAL DEBT**

Non-current and current debts minus cash.

### **SOLVENCY RATIO**

Shareholder's' equity divided by total assets.

### **WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES**

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

### **WORKING CAPITAL**

Current assets less current liabilities.