

## OPTION REPORTS FIRST QUARTER 2006 RESULTS

**Leuven, Belgium – May 4<sup>th</sup>, 2006** - Option N.V. ([EURONEXT Brussels: OPTI; OPNVY](#)), the wireless technology company, announced today its results for the first quarter ended March 31<sup>st</sup>, 2006. The financial information reported in this release is presented in Euro and are prepared in accordance with International Financial Reporting Standards (IFRSs).

### Highlights of the first quarter included:

- Revenues for the first quarter of fiscal year 2006 increased by 94.5% to EUR 58.3 million compared with the EUR 30.0 million in the first quarter of 2005.
- Gross margin in Q1 2006 was 38.5% of revenues, compared with gross margin of 49.9% of Q1 2005, reflecting the move towards a volume player.
- EBIT increased to EUR 8.1 million or 14.0% on revenues during the first quarter of fiscal year 2006 compared with EUR 5.5 million or 18.4% of revenues, in the corresponding period in 2005, representing a growth of 47.6%.
- Net Earnings for the first quarter of fiscal year 2006 were EUR 7.6 million, or EUR 0.74 per basic share and EUR 0.74 per diluted share. This compares with a net profit of EUR 3.7 million, or EUR 0.37 per basic share and EUR 0.36 per diluted share in Q1 2005, representing an increase of 104.2%.
- Inventories grew by EUR 3.4 million during the first quarter, mainly due to the building of components stocks in order to secure sales in future quarters and finished goods ready for delivery for the first week of the second quarter. The level of finished goods at quarter-end remained low, representing just 15.5% of total inventory value.

### Consolidated Performance:

For the 3 month period ended 31 March Million EUR (except per share figures)	2006	2005
Revenues.....	58.3	30.0
Gross profit .....	22.4	14.9
Operating expenses.....	(14.3)	(9.4)
EBIT .....	8.1	5.5
Net profit .....	7.6	3.7
Weighted average number of ordinary shares before the stock split of April 24 <sup>th</sup> 2006.....	10 312 324	10 105 354
Earnings per share before the stock split (EUR) .....	0.74	0.37
Weighted average number of ordinary shares after the stock split (4:1) of April 24 <sup>th</sup> 2006.....	41 249 296	40 421 416
Revised earnings per share after the stock split (EUR) .....	0.18	0.09

## **Non financial highlights of the first quarter included:**

### Embedded Wireless Modules 1.8 Mbps

- Supply agreement with Acer Inc, Europe's leading notebook vendor for the GTM351E Embedded Wireless Module. Shipments of the GTM351E are supporting the commercial roll-out of a new range of wireless-enabled notebooks, the TravelMate 4260 and Aspire 5650 series.

### HSDPA data cards

- Successful completion of the world's first 3.6 Mbps data call with Cingular Wireless. The live call was made using a laptop computer equipped with an Option HSDPA data card over Cingular's HSDPA network in Las Vegas in early January. Option's leadership in 3.6 Mbps HSDPA was further highlighted with live demonstrations to the mobile community at CTIA Wireless in April.
- Announcement and immediate shipping of the GlobeTrotter HSDPA 1.8 Mbps data card. Mobilkom Austria became one of the first operators to offer Option's new HSDPA data card when it started retailing the Vodafone Mobile Connect Card Broadband. Vodafone Germany also announced the selection of Option's GlobeTrotter HSDPA data card.
- Selection of the GlobeTrotter GT MAX by Cingular Wireless as its global 3G data card solution for use with its pioneering GlobalConnect rate plan targeted at international business travelers.
- Selection of the GlobeTrotter GT MAX and GlobeTrotter FUSION+ HSDPA by T-Mobile.
- Selection of Option's GlobeTrotter 3G/EDGE 'HSDPA-Ready' data card by TIM Italy.
- Selection of the GlobeTrotter 3G/EDGE 'HSDPA Ready' by Mobistar, part of the Orange Group, as the Belgian operator's first product combining 3G and EDGE technologies.

### 3GSM World Congress

- Four new and innovative products were announced at the 3GSM World Congress in Barcelona:
  - o The GlobeTrotter GT MAX: the world's first tri-band HSDPA / 3G UMTS Wireless Data Card compatible with all commercial HSDPA / 3G UMTS networks deployed today. A second unique feature of the GT MAX is Option's patented retractable antenna that eliminates the need to remove the data card from the PC while in transit.
  - o The GlobeSurfer /ICON: a new breed of wireless device that delivers simple and fast wireless broadband connectivity for consumer or business applications whether at home or at work. With its DSL comparable data speed and zero-installation, the GlobeSurfer /ICON connects through any Desktop or Laptop USB port. The GlobeSurfer /ICON opens up the potential for Option's mobile network operator customers to enter the fixed-wireless market.
  - o The GlobeSurfer HSDPA: the new member within Option's fixed-wireless product family aimed at delivering flexible wireless broadband connectivity to Small Offices, Home Office and Mobile Office environments. The GlobeSurfer HSDPA is the fastest broadband wireless router available today and enables the user to establish an instant hotspot with a speed of up to 1.8 Mbps over an HSDPA connection and share this connection with multiple users.
  - o The GlobeTrotter FUSION + HSDPA: the world first HSDPA/UMTS/EDGE & Wi-Fi combo data card. Capable of connecting at speeds of up to 1.8 Mbps over HSDPA and up to 54 Mbps over Wi-Fi the GlobeTrotter FUSION+ HSDPA is the fastest and most complete wireless data card commercially available.

### Fixed-Wireless devices

- Selection of GlobeSurfer /ICON by Vodafone Germany. As the Vodafone Zuhause EasyBox, the ICON is spearheading Vodafone's entry into the emerging fixed wireless market in Germany.
- Selection of GlobeSurfer 3G by TMN, the mobile subsidiary of the Portugal Telecom Group.
- Demonstration of the GlobeSurfer HSDPA at CeBIT by O2.

#### Other customer announcements

- Selection of the GlobeTrotter 3G QUAD wireless data card by SmarTone-Vodafone Hong-Kong extending Option's long-standing relationship with Vodafone into a region the world's leading international operator group considers to be strategically important.
- Selection of the GlobeTrotter COMBO for integration into Casio's IT-3000 mobile data terminals that are being deployed within Deutsche Bahn, the German national railway.

#### Corporate announcements

- International experience and expertise on the Option Board was enhanced with the election of three new Directors at the Annual Meeting on March 31, 2006.

Commenting on the results, Mr. Jan Callewaert, Founder and Chief Executive Officer said:

"Revenues for the quarter of EUR 58.3 million and EBIT of EUR 8.1 million, representing an EBIT margin of 14%, were in line with our own management expectations. The gross margin of 38.5% showed an increase compared to the 38.1% gross margin in the previous quarter. With a net profit of EUR 7.6 million, growth of 102.4% compared to the first quarter of last year, we are on track to deliver further upon our commitments.

The GlobeTrotter 3G QUAD data card represented 43% of unit sales during the quarter, whilst the 3G HSDPA data card experienced strong take-up rising from 23.5% for the HSDPA-Ready solution in the last quarter of 2005 to 43% of unit sales during the first quarter of 2006. GlobeTrotter data cards incorporating WLAN technologies accounted for 13.6% of unit sales during the quarter which is in line with the previous quarter.

We anticipate 3G HSDPA data cards rising to above 55% of unit sales during the next quarter, to quickly become our next "best seller". The product comes in two flavors: one version in the standard extended form factor and the other with our unique GT MAX pop-in pop-out antenna design that permits the card to retract completely into the PC.

With HSDPA now a common feature of our expanding portfolio of non-PC data cards, we anticipate this new category of products to contribute around 10 % of unit sales in the next quarter.

We are awarded two new design wins for the HSDPA GTM351E Embedded Wireless Module, the first with a leading wireless device manufacturer and the second with a leading laptop OEM.

Through our focus on execution, our total portfolio continues to expand – in terms of new products, new customers and the countries we serve. We now serve more than 80 operator customers across Europe, the Middle East, Africa, Asia and North America. With commercial launches of higher-speed, next generation versions of several HSDPA products on target for the second half of this year, existing and prospective customers can plan the enhancements of their networks with confidence.

Following a research report published by ABI Research recently, it is with great pride that Option is able to announce it is the n°1 vendor of cellular data cards all technologies combined in 2005 and this with a worldwide market share of 32%. As the market is evolving rapidly to a much higher volume business-to-consumer environment, we will continue to set the benchmark.

To conclude we have sufficient visibility to reach EUR 82+ million for the second quarter therefore we keep the guidance of revenues of in the range of EUR 140 – 145 million for the first half 2006 with net positive earnings, the year revenues growth of 75%+ remaining unaffected."

## **Financial Review as per International Financial Reporting Standards (IFRSs)**

### **INCOME STATEMENT**

#### **Revenues**

Revenues for the first quarter 2006 amounted to EUR 58.3 million, compared with EUR 30.0 million (+94.5%) generated during the first quarter of 2005.

#### **Gross Profit**

Taking into account a cost of goods sold of EUR 35.9 million the gross profit reached EUR 22.4 million, compared to a gross profit of 14.9 EUR million in the first quarter of 2005.

Gross margin of 38.5% on the Q1 revenues, related only to equipment sales, showed a decrease compared with the 49.9% gross margin of Q1 2005.

#### **Operating expenses**

The quarterly operating expenses, including depreciation and amortization charges, were EUR 14.3 million, compared to EUR 9.4 million in the first quarter of 2005.

#### **EBIT**

EBIT for the first quarter was EUR 8.1 million, or 14.0% on Q1 revenues, compared to EUR 5.5 million, or 18.4% on the revenues of the first quarter of 2005, representing a growth of 47.6%.

#### **Finance result**

During the first quarter of 2006, Option obtained a positive financial result of EUR 426.5 thousand. The exchange rate gains on USD amounted to EUR 527.5 thousand and Option received EUR 205.2 thousand from risk free investments of the available cash.

A total of EUR 266.5 thousand financial discounts were given to customers for cash payments and the other financial costs of EUR 39.7 thousand were mainly related to leasing contracts.

#### **Tax expense**

Thanks to a change in the Belgian tax legislation Option NV benefited from a 'notional interest' tax deduction for the first time. Following the new law, allowing Belgian companies to reduce the taxable basis in relation to the total adjusted equity, the total group taxes dropped with EUR 600 thousand during the first quarter of 2006. Option could benefit from a similar reduction, depending on the equity at December 31st 2006, during the first quarter of 2007.

#### **Net Profit**

The net profit for the first quarter amounted to EUR 7.6 million or EUR 0.74 per basic share (or EUR 0.74 per diluted share). This compared to a net profit of EUR 3.7 million or EUR 0.37 per basic share (or EUR 0.36 per diluted share) during the first quarter of 2005, representing an increase of 104.2%.

As from April the 24th, 2006, the stock was split in four. Applying the transaction retroactively, earnings per share would have been the following: For the first quarter 2006 the earnings per basic share of EUR 0.18 (and EUR 0.18 per diluted share) compared to earnings per basic share of EUR 0.09 (and EUR 0.09 per diluted share) in the first quarter of 2005.

## **BALANCE SHEET**

Cash increased from EUR 49.2 million at the end of 2005 to EUR 52.1 million at the end of the first quarter of 2006.

Trade receivables decreased from EUR 35.7 million at the end of 2005 to EUR 34.1 million at the first quarter of 2006.

During the first quarter of 2006, inventories increased from EUR 19.5 million to EUR 22.9 million. This increase is explained by the building of component stocks in order to secure future quarter's sales and finished goods ready for delivery for the first week of the second quarter. Nevertheless, with 15.5% of the total inventories, the level of finished goods at quarter-end remains low.

Fixed assets were EUR 21.0 million (net book value) as at march 31st 2006, an increase of EUR 1.6 million compared to the net book value of EUR 19.4 million at the end of the previous fiscal year. During the first three months of 2006 the Company invested mainly in additional licenses and commercial development projects. In the first quarter of 2006, the total investments in tangible assets amounted to EUR 345 thousand and the Company invested EUR 3.7 million in intangible assets.

Total current liabilities decreased from EUR 49.6 million at the end of 2005 to EUR 47.5 million. This decrease is mainly due to the reduction of the trade payables (-EUR 4.5 million).

The Company generated a deferred tax liability mainly as a result of the capitalization of the commercial development projects under IFRS. During the first quarter of 2006, this deferred tax liability increased with EUR 290 thousand, all related to capitalization of development projects.

On total assets of EUR 132.8 million, the equity amounted to EUR 83.9 million, which results in a solvency ratio of 63.2% at quarter-end.

The Company generated EUR 6.9 million cash from operating activities during the first quarter of 2006, compared to EUR 5.2 million generated in same period of 2005. Cash flow from operating activities increased mainly thanks to higher operating profit before changes in working capital. The evolution in the changes in working capital was reflected by the decrease of trade receivables and the decrease of trade payables. The evolution of inventories increased due to the building of component stocks in order to secure future quarter's sales and finished goods ready for delivery for the first week of the second quarter. The evolution in the cash flow from investing activities is explained by the additional investments in intangibles assets and commercial development projects.

**- OPTION N.V. -**

**Unaudited consolidated income statement prepared in accordance with International Financial Reporting Standards (IFRSs)**

For the 3 month period ended 31 March Thousands EUR (except per share figures)	2006	2005
<b>Revenues</b> .....	<b>58 318</b>	<b>29 977</b>
Cost of products sold .....	(35 875)	(15 028)
<b>Gross profit</b> .....	<b>22 443</b>	<b>14 949</b>
Gross margin/Revenues % .....	38.5 %	49.9 %
Research and development expenses .....	(4 237)	(4 221)
Sales, marketing and royalties expenses .....	(7 821)	(4 294)
General and administrative expenses .....	(2 241)	(919)
<b>Total operating expenses</b> .....	<b>(14 299)</b>	<b>(9 434)</b>
<b>Profit from operations (EBIT)</b> .....	<b>8 144</b>	<b>5 515</b>
EBIT/Revenues % .....	14.0 %	18.4 %
Depreciation and amortization .....	2 503	1 547
EBITDA .....	10 647	7 062
EBITDA/Revenues % .....	18.3 %	23.6 %
Exchange gain/(loss) .....	527	(583)
Interest income/(expense) .....	(101)	(26)
<b>Finance result</b> .....	<b>426</b>	<b>(609)</b>
<b>Profit before taxes</b> .....	<b>8 570</b>	<b>4 906</b>
Tax expense .....	(974)	(1 187)
<b>Net profit</b> .....	<b>7 596</b>	<b>3 719</b>
Weighted average number of ordinary shares .....	10 312 324	10 105 354
Diluted average number of ordinary shares .....	10 312 324	10 312 524
Earnings per share (in EUR) .....	0.74	0.37
Diluted earnings per share (in EUR) .....	0.74	0.36
<b>EPS after the stock split of April 24<sup>th</sup> 2006 (applied retroactively)</b> .....		
Weighted average number of ordinary shares .....	41 249 296	40 421 416
Diluted average number of ordinary shares .....	41 249 296	41 250 096
Earnings per share (in EUR) .....	0.18	0.09
Diluted earnings per share (in EUR) .....	0.18	0.09

- OPTION N.V. -

**Unaudited consolidated balance sheet prepared in accordance with International Financial Reporting Standards (IFRSs)**

As at Thousands EUR	31 March 2006	31 December 2005
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents .....	52 052	49 288
Trade and other receivables .....	35 034	37 050
Income tax receivable .....	38	20
Inventories .....	22 876	19 495
	<b>110 000</b>	<b>105 853</b>
<b>Non-current assets</b>		
Property, plant and equipment .....	8 063	8 415
Intangible assets .....	12 903	11 031
Deferred tax assets .....	1 714	1 714
Other receivables .....	102	-
	<b>22 782</b>	<b>21 160</b>
<b>Total assets .....</b>	<b>132 782</b>	<b>127 013</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Income tax payable .....	3 001	2 320
Trade and other payables .....	44 354	47 020
Current portion of long-term debt .....	155	286
	<b>47 510</b>	<b>49 626</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities .....	1 115	825
Non-current portion of long-term debt .....	222	222
	<b>1 337</b>	<b>1 047</b>
<b>Equity</b>		
Issued capital .....	6 116	6 116
Share premium .....	43 865	43 865
Reserves .....	357	357
Retained earnings .....	33 597	26 002
<b>Shareholders' equity .....</b>	<b>83 935</b>	<b>76 340</b>
<b>Total equity and liabilities .....</b>	<b>132 782</b>	<b>127 013</b>

**- OPTION N.V. -**  
**Unaudited consolidated cash flow statement prepared in accordance with International Financial Reporting Standards (IFRSs)**

Thousands EUR For the period ended	31 March 2006	31 March 2005
<b>OPERATING ACTIVITIES</b>		
Net profit (A) .....	7 596	3 719
Depreciation and amortization.....	2 503	1 547
Unrealized foreign exchange losses/(gains) .....	(44)	-
(Reversal of)/write-offs non current and current assets .....	145	40
Equity-settled share-based payment expense .....	-	49
Tax expense .....	974	1 187
<b>Total non cash adjustments (B) .....</b>	<b>3 578</b>	<b>2 823</b>
<b>Cash flow from operating activities before changes in working capital ...</b>	<b>11 174</b>	<b>6 542</b>
Decrease/(increase) in trade and other receivables .....	1 777	(1 126)
Decrease/(increase) in inventories.....	(3 381)	(3 970)
Increase/(decrease) in trade and other payables.....	(2 667)	3 781
<b>Total changes in working capital (C).....</b>	<b>(4 271)</b>	<b>(1 315)</b>
<b>Cash generated from operations .....</b>	<b>6 903</b>	<b>5 227</b>
Income tax (paid)/received (D) .....	14	13
<b>CASH FLOW FROM OPERATING ACTIVITIES.....</b>	<b>6 917</b>	<b>5 240</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment .....	(345)	(850)
Acquisition of intangible assets .....	(838)	(623)
Development expenditures.....	(2 839)	(247)
<b>CASH FLOW FROM INVESTING ACTIVITIES (E).....</b>	<b>(4 022)</b>	<b>(1 720)</b>
<b>FINANCING ACTIVITIES</b>		
Payment of finance lease liabilities .....	(131)	(231)
<b>CASH FLOW FROM FINANCING ACTIVITIES (F) .....</b>	<b>(131)</b>	<b>(231)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b> (A)+(B)+(C)+(D)+(E)+(F) .....	<b>2 764</b>	<b>3 289</b>
Cash and cash equivalents at beginning of period .....	49 288	31 612
Cash and cash equivalents at end of period .....	52 052	34 901
<b>Difference .....</b>	<b>2 764</b>	<b>3 289</b>



This press release contains forward-looking information that involves risks and uncertainties, including statements about the company's plans, objectives, expectations and intentions. Such statements include, without limitation, discussions concerning the company's strategic direction and new product introductions and developments. Readers are cautioned that such forward-looking statements involve known and unknown risks and uncertainties that may cause actual results to differ materially than those set forth in the forward looking statements. The risks and uncertainties include, without limitation, the early stage of the market for connectivity and integrated wireless products and solutions for portable and handheld computers and mobile telephones, the management of growth, the ability of the company to develop and successfully market new products, rapid technological change and competition. The forward-looking statements contained herein speak only as of the date of this press release. The company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any such statement to reflect any change in the company's expectations or any change in events, conditions or circumstance on which any such statement is based.

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**About Option ([www.option.com](http://www.option.com)) - EURONEXT Brussels OPTI; OPNVY**

Option is the wireless technology company and is a leading innovator in the design, development and manufacture of 3G UMTS-HSDPA, EDGE, GPRS, GSM and WLAN technology products for wireless connectivity solutions. Option has built up a solid reputation for creating exciting products that enhance the performance and functionality of wireless communications. Option's headquarters are in Leuven, Belgium. The company has Research & Development in Leuven, a Software and Applications development centre in Adelsried (Germany), a Wireless Router development centre in Stockholm and an ISO 9002 production engineering and logistics facility in Cork, Ireland.