OPTION

Annual report 2011

viu2

The Plug ‘n Play **3G CAMERA**

CloudKEY

Simplifying Strong Security

UCAN CONNECT

Be connected **YOUR WAY**

XYFI

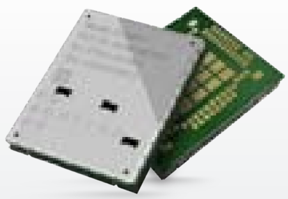
The world’s smallest
PERSONAL HOTSPOT

Globe Surfer3+

Your wireless high speed
GATEWAY

GTM

High speed multimode
MODULE SOLUTIONS



2011

OPTION

CONNECTIVITY • SECURITY • EXPERIENCE

viu2

The Plug ‘n Play **3G CAMERA**

Stream anywhere anytime to your **iOS** or device

- Easy to install and use mobile broadband video camera
- No need for an existing internet connection
- Be immediately alerted when motion or sound is detected
- Save clips of events in your personal space in our cloud service
- Invite your friends to access your camera and clips

CloudKEY

Simplifying Strong Security

- Less to loose
- Multiple Digipasses on 1 device including DP+
- Digipass embedded into communications hardware
- Communications integration strengthens security
- Patent pending SSL security enhancement using 3G network
- Customized Zero Footprint Images for secure portal access
- Can update automatically when required
- Allows easy management of user profile

UCAN CONNECT

Be connected **YOUR WAY**
with our flexible connection manager solution

- Exclusive and dynamic UI design
- Truly cross-platform
- Extensive hardware compatibility
- Automatic hotspot logon
- Contextual banners
- Installed base management

XYFI

The world's smallest **PERSONAL HOTSPOT** with integrated WiFi & 3G

- Easy & instant 72 Mbps internet access
- Connects to 3G/WiFi/Hotspots
- Powerful WiFi router (up to 8 connections)
- Easily powered by USB
- Smart interface (including mobile version)
- Supports all popular web browsers
- Ultra reliable and secure
- Share your media & files (microSD slot)

Globe Surfer 3+

Your wireless high speed **GATEWAY**

- Quad-band 3G (850/900/1900/2100 MHz)
- Full phone functionality
- Storage and printer sharing
- SMS remote control
- Fixed DSL backup
- External antenna connector
- Ethernet ports
- Desktop or wall mount

CONTENTS

1. MESSAGE TO SHAREHOLDERS

Dear Option Shareholders

2011 was a year of transformation for Option as we continued the development of new solutions in line with the strategic repositioning that was announced before. Indeed, to face the ever increasing price competition in the market of hardware connectivity devices, we have shifted our product development focus from pure hardware commodity products towards independent software products and end to end solutions and services for mobile operators and specific value added segments. Therefore Option rebuilt its business around three strategic pillars, with the aim to create innovative and compelling solutions that enable new connected and secure services:

- **Connectivity**: building further on our rich experience in the field of wireless data.
- **Security:** partnering with strong partners, bringing added value to their existing security solutions.
- **User experience**: further integrating our acquired knowledge into the existing and future products.

In line with this approach, we have, following important management changes, also modified the organization via the integration of the existing business units into a single sales team and marketing team with overall sales and marketing responsibilities and we have developed a new range of products and solutions:

- **XY*fi***, a new category defining product that combines WWAN (2G & 3G) with WLAN (WiFi) in a USB stick. The innovative strengths of this product are demonstrated by the fact that during the Mobile World Congress 2012 it was elected by Engadget as "Best Connectivity Device"
- **VIU²**, a very easy-to-use, but sophisticated 3G camera with motion and event detection supported by an iPhone and an Android app, with build in modularity allowing it to be easily adapted to various types of technologies (HSPA, EVDO, WiFi, etc...)
- **Cloudkey**, a mobile security solution that provides simple and secure access to cloud applications and data, combining VASCO's Digipass authentication capability with Option's 3G USB modem and connection management software.

An important step in acquiring resources needed for the new strategy was taken end of July 2011 when we acquired the user experience team of **Mobiwire** (former Sagem Wireless). This team is integrated in the product development cycle led and worked very hard on the review and repositioning of the products and solutions resulting for example in a VIU² with fantastic iPhone and Android apps. I am convinced that our improved focus on user experience will further result in the development of exciting new products combining reliable technology with outstanding user interface and user experience.

The Company also entered into a partnership with Autonet in order to address the increasing demand for integrated mobile technology systems for the automotive market. The co-operation between Option and Autonet will bring the first mobile IP-based Telematics Control unit (TCU) for cars to the market. Option's wireless modules combined with Autonet TCU and managed network, make this the first intelligent communication and control device designed to create a new and verticalized mobile automotive ecosystem.

This has been a year of transformation during which we have been able to implement a lot of changes. I want to thank the management team and the Option employees for their continuous efforts and creativity while rebuilding the Company. The industrial transformation, Option embarked on, is being completed now. We believe that we have developed the required ingredients and solutions that will allow us to recreate a new exciting story. The year 2012 will be the moment of truth for the success of our new strategy. I truly believe that we can succeed in this mission, as we managed to reinvent ourselves more than once in the past 25 years!

Olivier Lefebvre
Chairman of the Board
30 March 2012

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

Ladies and gentlemen,
Dear shareholders,

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

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

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

OVERVIEW OF RESULTS AND ALLOCATION OF RESULTS OF THE COMPANY

Consolidated results

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

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

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

Revenues for 2011 decreased by 13.5% to EUR 49 915 k, compared with EUR 57 731 k in 2010. Product revenues decreased from EUR 51 037 k in 2010 to EUR 19 252 k in 2011, whilst software and license revenues increased from EUR 6 694 k in 2010 to EUR 30 663 k in 2011. Those 2011 license revenues were mainly the result of a cooperation agreement between the Group and Huawei Technologies in October 2010, in which Huawei, amongst others, agreed to license Option's *u*CAN® Connection Manager software and for which an amount of EUR 27 million was paid, covering an initial period of 1 year (i.e. October 26, 2010 until October 25, 2011). The agreement included the potential for an extension of the license for an amount up to EUR 33 million. During 2011 this extension was executed in full and this will generate revenue over the period November 2011 till October 2012. The Group's accounting policy related to such license agreements foresees that license income is recognized as revenue over the period of the license. Therefore, for the financial year 2011, the Group has recognized EUR 28 million as revenue (2010: EUR 4.9 million).

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

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

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

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

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

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

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

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

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

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

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

The net book value of intangible and tangible fixed assets was EUR 10 415 k at the end of 2011, compared with EUR 13 106 k as at 31 December 2010. Beside the depreciations, the existing capitalized R&D projects were reviewed which resulted in an impairment of EUR 365 k having its source in changing technologies and fast changing market conditions. The value was determined based on an estimate of the projected contributions from these development projects in the coming quarters.

During 2011, the total investments in tangible assets, mainly test equipment, amounted to EUR 188 k (2010: EUR 64 k) and the Group invested EUR 6 209 k (2010: EUR 9 300 k) in intangible assets of which EUR 5 744 k (2010: EUR 8 726 k) for capitalized development projects and investments of EUR 465 k (2010: EUR 574 k) related to licenses.

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

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

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

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

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

Statutory results

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

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

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

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

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

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

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

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

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

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

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

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

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

On a balance sheet total of EUR 40.2 million, the total equity as of 31 December 2010 amounted to EUR 3.7 million, or less than half of the issued capital. As a result, the mandatory procedure set forth in Article 633 of the Company Code needed to be complied with, and a General Shareholders meeting was held at the latest two months after the losses had been determined by the Board of Directors dated 28 February 2011. In this respect, the Board of Directors convened a special shareholders' meeting on 26 April 2011 and on 16 May 2011, and prepared a special report in which they proposed to continue the activities of the Company and identified the measures that had already been taken and still needed to be taken in order to improve its financial situation. This General Shareholders meeting decided not to dissolve the Company. The total net equity as of December 2011 amounted to EUR 8.8 million on a balance sheet total of EUR 42.8 million, and more than half of the issued capital.

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

Allocation of the statutory result

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

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

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

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

Market Overview

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

The continuing increase in penetration of smartphones has been driven by massive interest in apps combined with improving mobile targeted content on the web. In 2011 Gartner estimates that there were 17.7 billion apps downloaded (117% growth versus 2010) and $15.1 billion in app store revenues.

Smartphones were dominated by one platform, Google's Android, 50% of smart phone sales with Apple's iOS second with 20%. With the commitment of Nokia to Windows Phone and expectation that with Microsoft they can drive down the cost of smartphones there was some expectation that Windows Phone will emerge as a third alternative.

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

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

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

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

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

2011 saw an increasing level of very public security breaches with Certificate Authorities, the backbone of the Public Key Infrastructure that secures connections to the internet, under intense attack. This resulted in one notable PKI CA going out of business in Europe and a US based One Time Password token vendor forced to recall millions of token devices. Even the largest brands and government sites had trouble keeping up with the hackers with several very public break-ins to internet based systems resulting in millions of stolen customer records and intellectual property. Both government sponsored and independent hackers appear to be involved. There is less public information available on what is happening to the millions of smaller internet sites but that is likely to be because they don't even have the systems in place to detect an intrusion or wish to cover it up. Some governments have responded with expanded regulations forcing companies to disclose break-ins and acquire appropriate technology to meet these requirements. Smart phones have also started to be targeted by hackers and this is starting to provide a major issue for corporate smart phone deployments. There was also a high profile and sophisticated attack on Iranian supervisory control and data acquisition (SCADA) related to their nuclear program. This highlighted the issue of the security of M2M systems and the frightening prospect of hackers breaking into critical service infrastructures.

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

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

Option's position

In 2011, Option delivered 0.4 million devices, a 55% decrease versus 2010. Revenues for the year stood at EUR 49.9 million, a decline of 14% versus 2010.

During the year, the revenues from products (USB devices and modules) declined and was generating 38.5% of revenues. The software and licenses revenues represented around 61.5% of the revenues. In 2010, the revenues from products represented 88.4% and the software and licenses were generating 11.6%.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

etc...). These solutions can support different use cases and also be commercialised via the security focused system integrator channel.

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

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

- **Connectivity:** building further on its rich experience in the field of wireless data;
- **Security:** working further with strong partners bringing added value to their existing security solutions;
- **User experience:** by further integrating the knowledge acquired from Mobiwire into the existing and future products.

Engineering

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

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

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

Organization

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

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

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

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

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

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

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

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

Operations

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

Financing

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

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

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

Financial notifications

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

Technological leadership

- 27 February 2012: Option introduces XY*fi*, the world's smallest 3G & WIFI personal hotspot
- 27 February 2012: Option enables mobile broadband with a purpose
- 27 February 2012: Option connects VIU² Plug & Play camera with ultra simple set-up and Smartphone apps.
- 28 February 2012: Option announces LGA module for 4G LTE.
- 7 March 2012: LetterSigner embedded in Option's Cloudkey.

VALUATION RULES

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

The Belgian Corporate Governance Code

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

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

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

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

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

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

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

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

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

Composition of the Board of Directors

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

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

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

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

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

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

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

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

No directors left the Board during 2011.

Functioning of Board of Directors

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

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

In the course of 2011 the non-executive directors met on a regular basis in order to discuss the relationship with the CEO and executive management of the Company. In accordance with Corporate Governance regulation, the Board organised an evaluation process led by the Chairman of the Board. The evaluation was done via a questionnaire that was sent to all directors by the Chairman of the Board. The results of the questionnaire were gathered via an external counsel to the Company on a no name basis.

The questionnaire focuses on different topics such as the operation of the Board and the committees, the contribution of each director, the interaction with the executive management and the Board's or committee's composition. The results were discussed by the Board in the first quarter of 2012 and action has been taken to improve the functioning, the interaction and reporting of the Board and the committees. Overall, the directors expressed their general satisfaction regarding the functioning of the Board and the evolution that the Company made during the last year. The Board further agreed on a number of improvement actions and discussed the implementation thereof with the executive director.

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

Related parties transactions – Conflict of interest procedure

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

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

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

Board of Directors of May 25, 2011

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

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

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

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

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

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

<u>Board of Directors August 3, 2011</u>

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

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

There are many important positive elements in the current proposal:

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

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

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

Therefore, after discussion, the Board RESOLVES

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

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

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

David Hytha rejoins the meeting."

Board of Directors January 25, 2012

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

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

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

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

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

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

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

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

After discussion the Board RESOLVES:

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

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

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

David Hytha rejoins the meeting.

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

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

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

Audit Committee

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

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

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

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

Remuneration and Nomination Committee

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

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

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

<u>Remuneration report</u>

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

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

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

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

Remuneration of the directors

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

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

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

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

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

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

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

At year end 2011the following warrants "V" were held by the members of the Board of Directors.

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

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

- o 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);
- o the exercise price of the above warrants amounts to EUR 2.84 per warrant for all the members of the Board of Directors;
- o the exercise must take place during exercise windows (i.e. May, September or December);
- o upon conversion of their warrants the warrant holders receive one ordinary share of the Company per warrant;
- o the plan provides for an accelerated vesting and exercise in the event of a change of control.

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

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

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

Name	*Board meetings attended*		*Audit Committees attended*	*Remuneration Committees attended*	*Strategic Committees Attended*	*Total remuneration Thousands EUR*
	Physical attendance	*calls*				
Jan Callewaert (1)	5/5	14/15	N.A	N.A	N.A	N.A (2010: N.A)
Q-List BVBA	5/5	15/15	4/4	6/6	N.A	49.00 (2010: 49.00)
Lawrence Levy	5/5	15/15	N.A	6/6	N.A	49.00 (2010: 49.00)
David Hytha	5/5	15/15	N.A	2/2 (3)	N.A	49.00 (2010: 45.75)
An Other Look To Efficiency SPRL	5/5	15/15	3/4	N.A	N.A	74.00 (2010: 67.75)
FVDH Beheer BVBA (2)	5/5	14/15	4/4	3/4 (4)	N.A	50.47 (2010: N.A)

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

Executive Management Team

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

Jan Callewaert[1], Founder and Chief Executive Officer (CEO)
Bart Goedseels[2], Chief Operating Officer (COO)
Patrick Hofkens, Chief Development Officer (CDO)
Jan Smits[3], Chief Financial Officer (CFO)
Jerome Nadel, Chief Experience Officer (CXO)
Frédéric Nys, Vice President Engineering and Technical

Executive officers compensation (Executive Management Team)

The management company of Mr Jan Callewaert (Mondo NV) is acting as CEO of the Group and performing management services for the Group. Following the recommendation of the Remuneration Committee, the Board of Directors decided on 26 May 2010 to modify the remuneration paid to the CEO of the Company (Mondo NV represented by Jan Callewaert) and decided to fix the base remuneration at EUR 430k per year and the variable remuneration to a maximum of EUR 190k per year. In addition, the Board of Directors suggested that the aforementioned remuneration, paid to the CEO, should also cover the compensations paid to Jan Callewaert in his capacity of member of the Board of Directors. Therefore, the remuneration for these management services in 2011 amounted to EUR 430k (2010: EUR 430k). For 2011, no variable compensation was paid out, as the set target (budgeted EBITDA) was not reached (2010: EUR 190k). The CEO received additional benefits for an amount of EUR 15k covering car, fuel and lump sum allowance costs (2010: EUR 16K). The CEO is not entitled to nor is he a beneficiary of any pension scheme which is paid for by the Company.

For the year 2011, an aggregate gross amount of EUR 1 228k (2010: EUR 1 440k) was attributed to the other five members of the Executive Management Team (2010: six members of the Executive Management Team). The 2011 gross amount includes redundancy fees of EUR 350k for one member of the Executive Team who left the company in the course of 2011. The redundancy fee was determined based on his contribution to strategic deals in 2010 and the contractual notice period.

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

For the members of the Executive Management Team, benefits include an extra-legal pension scheme, the cost of which amounted to EUR 32k (2010: EUR 46k). The members of the Executive Management Team received additional benefits for an amount of EUR 28K covering car, fuel, lump sum allowance and hospitalization insurance costs (2010: EUR 50K).

At year end 2011, 137 500 warrants “V” are held by the “current” members of the Executive Management Team (2010: 325 000 warrants “V”). In the course of 2011 some changes incurred in the members of the Executive Management Team. In the course of 2011, 20 000 of 50 000 warrants granted to Brayoe Consultants BVBA (JP Ziegler) have lapsed upon his departure from the Executive Management Team in 2011.

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

In the beginning of the financial year 2011, Chip Frederking, Bernard Schaballie and Martin Croome left the Executive Management Team and Frédéric Nys joined the Executive Management Team.

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

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

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

All the above warrants were timely accepted.

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

- the warrants are subject to a vesting scheme (20% vested 6 months after the offer; 20% 1 year after the offer, 20% 2 years after the offer, 20% 3 years after the offer and 20% 4 years after the offer);
- the exercise price of the above warrants amounts to EUR 2.84 per warrant for Mondo NV and Patrick Hofkens and EUR 1.86 per warrant for Frédéric Nys;
- the exercise must take place during exercise windows (i.e. May, September or December);
- upon conversion of their warrants the warrant holders receive one ordinary share of the Company per warrant;
- the plan provides for an accelerated vesting and exercise in the event of a change of control.

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

Capital structure – capital shares/securities – rights

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

Transfer restrictions imposed by the law or the bylaws

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

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

Holders with special rights

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

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

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

Restrictions on voting rights

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

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

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

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

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

Shareholders' agreements

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

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

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

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

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

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

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

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

Rules governing the amendments to the bylaws of the Company

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

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

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

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

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

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

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

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

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

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

<u>1. Supply agreements</u>

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

<u>2. License agreements:</u>

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

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

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

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

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

(1) Going concern. As indicated in this report, the Board of Directors is of the opinion that, notwithstanding the existence since the last four financial years of losses carried forward, the use of going concern valuation rules is justified. Nevertheless, the Company's recent operational losses and the current trading environment could materially adversely affect its business and financial position. These losses might cause the Company to have to implement further cost cutting and restructuring measures which require the Company to reprioritize the uses to which its capital is put to the potential detriment of its business needs, which, depending on the level of its borrowings, prevailing interest rates and exchange rate fluctuations, could result in reduced funds being available for the operation of the Company’s business, including marketing activities, capital expenditures, acquisitions, dividend payments or other general corporate purposes. As a consequence, the Company may suffer from a competitive disadvantage compared to its competitors who may have greater liquidity and capital. Furthermore, the Company may not be able to obtain the financing needed to fulfill its future capital and refinancing needs. There is no guarantee that the financing, if needed, will be available or will be available at attractive conditions. Furthermore each debt financing, if available, may contain covenants limiting the Company’s freedom to do business and/or the Company could become in breach under such covenants in which case the debt financing may be stopped and the liquidity of the Company in jeopardy.

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

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

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

(5) The Company operates in a highly dynamic and competitive industry, which features substantial pricing pressure. If the Company is unable to compete effectively with its existing or any new competitor, its business, results of operations of financial condition could be

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

(6) Option may have difficulty managing its strategic repositioning, which may damage its ability to retain key personnel and to compete effectively. On the other hand, the Company may not be able to maintain and expand its business if the Company is not able to hire, retain and manage additional qualified personnel.

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

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

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

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

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

(10) The Company may not be able to develop products that comply with applicable government regulations. The Company's products must comply with government regulations. For example, in many countries many aspects of communications devices are

regulated, including radiation of electromagnetic energy, biological safety and rules for devices to be connected to telephone networks. Additionally, the Company cannot anticipate the effect that changes in domestic or foreign government regulations may have on its ability to develop and sell products in the future. Failure to comply with existing or evolving government regulations or to obtain timely regulatory approvals or certificates for its products could materially adversely affect its business, financial condition and results of operations or cash flows.

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

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

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

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

FINANCIAL INSTRUMENTS AND RISKS

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

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

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

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

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

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

(7) The Group is subject to material currency risk, as the larger part of its purchase transactions are in US dollars. The Group aims to match foreign currency cash inflows with foreign cash outflows.

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

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

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

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

CONFLICTS OF INTERESTS

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

REPORT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Option's Board of Directors is responsible for assessing risks inherent to the Group and the effectiveness of Internal controls. The Belgian Corporate Governance Code 2009 recommends highlighting risk factors and the measures the Board has taken to keep these risks at an acceptable level. The Group's internal control organization is based on the 5 pillars of the COSO[1] Framework:

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

Control environment

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

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

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

Risk analysis

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

The analysis indentified the following risk categories:

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

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

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

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

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

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

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

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

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

Control activities

The control activities include the measures taken by the Group to ensure that the most important risks, which were identified, are controlled or mitigated.

The Group manages its force majeure risks, being property and material damage, business interruption, cyber risk by entering into insurance contracts covering such risks.

Before commercializing its products, the Group performs the necessary tests to reach the level of technical acceptance. In order to try to assure the best possible quality standards during production, the Company has developed inhouse test and calibration systems. These systems are used in the production of most of the Company's products. The inhouse developed systems allow the Company to monitor the quality parameters used during production process that takes place in the factory of the Company's subcontractors. The test results are automatically uploaded in a database of the Company allowing it to check and verify the production history of those products. Furthermore, the Group has entered into a specific insurance contract to cover all external costs resulting from a potential recall risk.

The Group has changed its procurement process which is now processed by the third party manufacturer and supervised by the Group.

The Group has identified its strategic pillars. In order to cope with changing market conditions the Board and management have a number of strategic meetings in order to determine the further strategy of the Group. Product life cycles are monitored closely.

To guarantee the continuity of ERP system (SAP), back-ups are made on a daily basis and the maintenance is performed by an experienced third party. During 2009 and 2010 the current SAP security setup and access rights have been reviewed during an "SAP security project" under which new roles were developed. The driving factors of this project were based on control of integrity (segregation of duties) and completeness of figures / data.

An important element to control activities is the annual budget exercise in which strategy, risk, business plans and intended results are tested. The performance towards the targets is monitored monthly by the Finance team and discussed in management meetings.

Information and communication

In order to transmit reliable financial information a standardized information flow process has been defined, which is consistent for all entities belonging to the Group. This process flow includes the specific tasks to be completed by all entities for each monthly closing as well as specific deadlines. The Group has an accounting manual and works with a uniform reporting format, used by all its entities, to ensure the consistency of data as well as to detect potential anomalies.

The financial information is presented to the Audit Committee and to the Board of Directors on a quarterly basis. When approved, a financial press release or business update is sent in due time to the market. Following such release, the whole organization of the Group is informed. The information shared on a regular basis with the staff is not limited to a financial update, but includes as well business updates and in case this is required, strategically updates.

Supervision and monitoring

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

STATEMENT

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

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

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

Leuven, March 28th, 2012

The Board of Directors

3. FINANCIAL REVIEW

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

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

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

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

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

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

DISCUSSION OF THE CONSOLIDATED ANNUAL ACCOUNTS

The consolidated accounts include the following subsidiaries:

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

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

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

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

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

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

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

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

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

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

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

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

NET RESULT AND EARNINGS PER SHARE
The earnings per share were as follows in 2011:

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

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

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

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

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

Inventories further decreased from EUR 12 425k at the end of last year to EUR 6 792k at the end of 2011.

This lower inventory position is explained by decreased positions of the work in progress (EUR -1 439k), finished goods (EUR -3 926k) and the raw material position, (EUR -2 674k) compared to 2010, combined with a decrease in inventory provision of EUR 2 406k.

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

Total current liabilities decreased during the year to EUR 46 285k in 2011, compared with EUR 59 768k in 2010.

This decrease is mainly driven by a decrease in trade and other payables (EUR -12 011k), an increase in deferred revenues as a result of recent software license deals (EUR 4 458k), a decrease in provisions (EUR -1 149k) and a decrease in other financial liabilities (EUR -4 770k) as a result of the repayment of the existing credit lines.

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

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

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

APPROPRIATION OF THE NON-CONSOLIDATED RESULT

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

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

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

4. FINANCIAL REPORT - IFRS

4.1. Consolidated Financial Statements

4.1.1. Consolidated Income Statement

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

4.1.2. Consolidated statement of comprehensive income

Year ended 31 December	2011 €000	2010 €000

	Note		
Profit / (Loss) for the period		(2 862)	(61 038)
Other comprehensive income			
Exchange difference arising on translation on foreign operations		(8)	482
Other comprehensive income / (loss) for the period (net of tax)		(8)	482
Total comprehensive loss for the period attributable to the owners of the parent		**(2 870)**	**(60 556)**

4.1.3. Consolidated statement of financial position

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

4.1.4. Consolidated statement of cash flows

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

INVESTING ACTIVITIES			
Acquisition of intangible assets	8	(265)	(574)
Expenditures on product development, net of grants received	8	(5 744)	(8 726)
Investment in non-consolidated companies	11	(1 043)	
Acquisition of property, plant and equipment	9	(167)	(64)
Acquisition of a business, net of cash disposed of		(220)	-
Proceeds from sale of intangible assets	8	-	6
Proceeds from sale of property, plant and equipment	9	395	628
Cash inflow on disposal of subsidiary	25	-	7 145
CASH FLOW USED IN INVESTING ACTIVITIES (J)		**(7 044)**	**(1 585)**
FINANCING ACTIVITIES			
Proceeds / (Payments) from finance lease liability	14	-	(43)
Finance lease liabilities	15	35	-
Proceeds from borrowings	14	-	4 770
Repayment of borrowings	14	(4 770)	(8 355)
CASH FLOW PROVIDED BY / (USED IN) FINANCING ACTIVITIES (K)		**(4 735)**	**(3 628)**
Net increase/(decrease) in cash and cash equivalents = (I)+(J)+(K)		**(5 749)**	**307**
Cash and cash equivalents at beginning of year	13	30 930	30 664
Effect of foreign exchange difference		35	(41)
Cash and cash equivalents at end of year	13	25 216	30 930
Difference		**5 749**	**307**

4.1.5. Consolidated statement of changes in equity

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

4.2. Notes to the consolidated financial statements

NOTE 1: Corporate information

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

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

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

BASIS OF PREPARATION
The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value.
The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€000) except otherwise stated.

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

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

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

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

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

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

Standards and Interpretations effective in the current period
The accounting policies adopted are consistent with those of the previous financial year except as follows:
The IASB has issued the following new and amended IFRS and IFRIC interpretations:

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

The principal effects of these changes are as follows:

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

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

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

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

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

Amendment to IFRIC 14 / IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction - Prepayments of a Minimum Funding Requirement. These amendments have been issued in December 2009 and become effective for financial years beginning on or after 1 January 2011. IFRIC 14 – IAS 19 has been amended to remedy an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognize prepayments of minimum funding contributions, as an asset. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group

Early adoption of Standards and Interpretations

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

ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Operating Lease as Lessor

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

Going concern

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

Wireless Data – the market:

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

Budget – new products and markets:

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

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

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

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

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

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

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

Deferred Tax Assets
Deferred tax assets are recognised for all unused tax losses and other timing differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Following the IFRS guidance related to deferred tax assets, the Group determined that it was prudent to reverse the deferred tax asset in 2010 in full. Therefore, there is no remaining carrying value of recognised tax losses at 31 December 2010 and 2011. Although these tax losses are not recorded on the balance sheet, they do not expire nor may be used to offset taxable income elsewhere in the Group. Further details are contained in Note 7.

Warranty provision
The Group estimates the cost for the warranty coverage by applying statistical techniques on the sales recorded.
The warranty period is between 12 and 24 months, determined by the location of the customer.
At 31 December 2011, the estimated provision for warranty is EUR 83k (2010: EUR 201k). Further details are given in Note 16.

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

NOTE 2: Significant accounting policies

1. FOREIGN CURRENCY TRANSLATION

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

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

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

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

2. REVENUE RECOGNITION

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

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

Revenue from products is recognized by the Group when

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

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

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

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

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

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

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

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

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

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

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

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

Any cash discount is netted against revenue.

3. ROYALTIES BASED ON THE SALE OF PRODUCTS

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

4. TAXES

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

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

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

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

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

5. INVENTORIES

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

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

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

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

6. PROPERTY PLANT AND EQUIPMENT

The Group's property, plant and equipment, including dedicated production equipment, is recorded at historical cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are charged to the income statement as incurred.
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

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

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

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

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

7. LEASES

Lease operations can be divided into two types of lease:

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

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

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

8. INTANGIBLE ASSETS

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

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

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

(A) Research and Development costs and related government development funding

Research expenditure is recognized as an expense as incurred.

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

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

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

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

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

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

(B) Other intangible assets

The Group's other intangible assets include

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

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

9. IMPAIRMENT OF ASSETS

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

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

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

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

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

10. PROVISIONS

A provision is recognized when:

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

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

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

Warranty provision

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

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

Restructuring provision

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

11. EMPLOYEE BENEFIT PLANS

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

12. SHARE-BASED PAYMENT TRANSACTIONS

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

The total amount to be expensed over the vesting period is determined by reference to the fair value of the warrants granted, measured using the Black & Scholes model, taking into account the terms and conditions at which the warrants were granted. At each balance sheet date, the entity revises its estimates of the number of warrants that are expected to become exercisable except where forfeiture is only due to shares not achieving the threshold for vesting. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the warrants are exercised.
Further details are given in Note 18.

13. FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

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

14. BORROWING COSTS

Borrowing costs are recognised as an expense when incurred.

15. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

16. EARNINGS PER SHARE

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

17. SEGMENT REPORTING

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

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

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

NOTE 3: Operating segments and entity-wide disclosures

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

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

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

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

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

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

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

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

Most of the equipment sales occur under global or international mobile brands and are invoiced to their local, national and partnership network operators or established outsourced equipment manufacturers, resulting in a spread risk of a solid portfolio of sound and different accounts receivable. In 2011, only one customer (groups) represented more than 10% of the total revenues realized in 2011, being 56.2%. The remaining customers of the top 10 represented combined 23.7% of total revenues in 2011.

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

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

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

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

NOTE 4: additional information on operating expenses by nature

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

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

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

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

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

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

Cost of products sold

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

NOTE 5: Payroll and related benefits

Thousands EUR	2011	2010
Wages and salaries	8 207	7 010
Social security contributions	2 712	3 036
Other personnel expenses	542	1 432
Contributions to pension plan	388	423
Payroll related restructuring charges	74	-
	11 923	**11 901**

	2011	2010
a) Total number of people registered at year-end	183	206
b) Average number of people registered in full time equivalent	191	231
Direct and indirect labor	1	12
Employees	183	215
Management	7	4

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

NOTE 6: Finance result-net

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

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

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

NOTE 7: Income tax

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

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

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

NOTE 8: Intangible assets

Thousands EUR	Capitalized develop-ment	Concessions, patents, licenses	Software	Total 2011
Acquisition cost				
Balance at 1 January 2011	**84 512**	**6 398**	**2 874**	**93 783**
Effect of movements in foreign exchange	-	-	-	-
Additions	-	455	10	465
Expenditures on product development, net of grants received	5 744			5 744
Transfer to other asset categories	-	-	-	-
Disposals	-	-	(58)	(58)
Other movements	-	-	-	-
Balance at 31 December 2011	**90 256**	**6 853**	**2 826**	**99 934**
Amortization and impairment loss				
Balance at 1 January 2011	**(76 398)**	**(6 277)**	**(2 512)**	**(85 187)**
Effect of movements in foreign exchange	-	-	-	-
Amortization	-	(169)	(160)	(329)
Amortization for expenditures on product development	(5 299)	-	-	(5 299)
Impairment loss	(365)	-	-	(365)
Disposals	-	-	58	58
Transfer to other asset categories	-	-	-	-
Balance 31 December 2011	**(82 062)**	**(6 446)**	**(2 614)**	**(91 122)**
Carrying amount				
at 1 January 2011	**8 114**	**121**	**362**	**8 596**
at 31 December 2011	**8 194**	**407**	**212**	**8 812**

Acquisition cost				
Balance at 1 January 2010	**81 994**	**8 925**	**2 879**	**93 798**
Effect of movements in foreign exchange	-	-	-	-
Additions	-	547	27	574
Expenditures on product development, net of grants received	8 726	-	-	8 726
Transfer to other asset categories	-	-	-	-
Disposals	(6 208)	(3 074)	(33)	(9 315)
Other movements	-	-	-	-
Balance at 31 December 2010	**84 512**	**6 398**	**2 874**	**93 783**
Amortization and impairment loss				
Balance at 1 January 2010	**(62 378)**	**(7 773)**	**(2 262)**	**(72 413)**
Effect of movements in foreign exchange	-	-	-	-
Amortization	-	(1 578)	(262)	(1 840)
Amortization for expenditures on product development	(7 885)	-	-	(7 885)
Impairment loss	(6 135)	-	-	(6 135)
Disposals	-	3 074	12	3 087
Transfer to other asset categories	-	-	-	-
Balance 31 December 2010	**(76 398)**	**(6 277)**	**(2 512)**	**(85 187)**
Carrying amount				
at 1 January 2010	**19 616**	**1 152**	**617**	**21 385**
at 31 December 2010	**8 114**	**121**	**362**	**8 596**

Impairment of intangible assets with definite useful life

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

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

NOTE 9: Property, plant and equipment

Thousands EUR	Machinery and computer equipment	Furniture and Vehicles	Leasehold improvements	Total 2011
Acquisition cost				
Balance at 1 January 2011	**31 002**	**1 902**	**1 855**	**34 759**
Effect of movements in foreign exchange	2	1	-	3
Additions	176	10	2	188
Disposals	(3 599)	(251)	(212)	(4 062)
Other movements	(3 298)	-	-	(3 298)
Balance at 31 December 2011	**24 283**	**1 662**	**1 645**	**27 590**
Depreciation				
Balance at 1 January 2011	**(27 240)**	**(1 524)**	**(1 485)**	**(30 249)**
Effect of movements in foreign exchange	(4)	(2)	-	(6)
Depreciation	(2 402)	(141)	(233)	(2 776)
Impairment loss	-	-	-	-
Disposals and cancellation	3 293	243	210	3 746
Other movements	3 298	-	-	3 298
Balance at 31 December 2011	**(23 055)**	**(1 424)**	**(1 508)**	**(25 987)**
Carrying amount				
at 1 January 2011	**3 762**	**378**	**370**	**4 510**
at 31 December 2011	**1 228**	**238**	**137**	**1 603**

Acquisition cost				
Balance at 1 January 2010	**33 446**	**2 112**	**1 841**	**37 399**
Effect of movements in foreign exchange	8	28	2	38
Additions	50	8	6	64
Disposals	(2 368)	(238)	-	(2 606)
Transfer to other asset categories	(134)	(8)	6	(136)
Balance at 31 December 2010	**31 002**	**1 902**	**1 855**	**34 759**
Depreciation				
Balance at 1 January 2010	**(25 599)**	**(1 449)**	**(1 194)**	**(28 242)**
Effect of movements in foreign exchange	1	(15)	(1)	(15)
Depreciation	(3 890)	(208)	(269)	(4 367)
Impairment loss	-	-	-	-
Disposals and cancellation	2 140	86	15	2 241
Transfer to other asset categories	108	62	(36)	134
Balance at 31 December 2010	**(27 240)**	**(1 524)**	**(1 485)**	**(30 249)**
Carrying amount				
at 1 January 2010	**7 847**	**663**	**647**	**9 157**
at 31 December 2010	**3 762**	**378**	**370**	**4 510**

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

NOTE 10: Trade and other receivables

CURRENT TRADE AND RECEIVABLES

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

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

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

<u>Aging of trade receivables:</u>

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

See also Note 21 for further information about credit risk.

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

OTHER NON-CURRRRENT ASSETS

Thousands EUR	2011	2010
Cash guarantees	130	48
	130	**48**

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

NOTE 11: Other financial assets

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

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

NOTE 12: Inventories

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

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

Inventories decreased from EUR 12 425k to EUR 6 792k at the end of 2011. This decrease is mainly explained by decreased inventory position in raw materials, work in progress and finished goods. At the end of 2011, the total provision for inventories amounted to EUR 3 238k (2010: EUR 5 644k). The decrease in provision for inventories of EUR 2 406k is recognised in the cost of product sold. This provision is set-up mainly to cover excess positions and to lower the stock value to net realisable value for certain products. In addition an amount of EUR 2 million has been expensed as a result of inventory write offs during 2011 (2010: EUR 3.6 million).

There are no inventories pledged for security.

NOTE 13: Cash and cash equivalents

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

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

NOTE 14: Financial assets and Liabilities

OTHER FINANCIAL LIABILITIES

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

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

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

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

In accordance with the ABB principle (the "Asset Borrowing Base") set forth in the agreement, the total aggregate amount of all utilisations made available under the ING facility, increased with all utilisations made available under the Belfius facility (see below) cannot exceed 60% of the aggregate amount of the Company's (consolidated) trade receivables (excluding receivables that are due and payable, intercompany receivables and receivables due after 60 days) outstanding in a certain month. To enable ING to verify the rate of outstanding trade receivables, Option has to provide ING with an overview of its (non payable) trade receivables on a bi-monthly basis. Furthermore, from the aggregate amount drawn under both facilities, 60% should be drawn from the ING facility and 40% from the Belfius facility.
The interest rate applicable to the ING facilities is EURIBOR +3 per cent.

Credit facility with Belfius
On 18 June 2009, the Company entered into a credit facility with Belfius Bank België NV for an amount of EUR 5 million. During the financial year 2010 the maximum amount to be drawn in cash advances or loans has been lowered to EUR 3.3 million. As indicated above, the ABB principle is applicable to all amounts made available under this facility (including the principle of the 60/40 ratio). As at 31 December 2011, no amounts were drawn under this facility (2010: EUR 1.4 million).
The interest rate applicable to cash advances equals the sum of the base rate (8.50 per cent. per annum as amended from time to time) and the mandatory costs (calculated in accordance with a schedule attached to the facility agreement). The interest rate applicable to loans equals the sum of the margin (300 per cent. per annum), EURIBOR and mandatory costs (calculated in accordance with a schedule attached to the facility agreement). .

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

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

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

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

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

NOTE 15: Trade and other payables – deferred revenues

TRADE AND OTHER PAYABLES

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

Terms and conditions of the above financial liabilities:

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

DEFERRED REVENUES

Thousands EUR	2011	2010
Deferred revenues	27 128	22 670
	27 128	**22 670**

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

NOTE 16: Provisions

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

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

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

NOTE 17: Operating and finance leases

OPERATING LEASES

Leases as lessee
Non-cancelable operating lease rentals are payable as follows:

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

The Group leases a number of office locations, car rentals and office equipment under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are increased annually to reflect indexations. None of the leases include contingent rentals.
In 2011, EUR 1 569k was recognized as an expense in the income statement in respect of operating leases (2010: EUR 2 210k).

Leases as lessor

Non-cancelable operating sublease rentals are receivable as follows:

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

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

NOTE 18: Shareholders' equity

CAPITAL STRUCTURE – ISSUED CAPITAL

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

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

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

SHARE PREMIUM

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

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

SHARE BASED PAYMENT RESERVE

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

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

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

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

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

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

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

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

The warrants were priced using the Black & Scholes model. Where relevant, the expected life used in the model has been adjusted on management's best estimate. Expected volatility is based on the historical share price volatility over the past 4 years. The risk free interest rate is based on the OLO Bonds as valued by the National Bank of Belgium.
The following inputs into the model were performed for the accepted warrants "V" in the course of 2008, 2009, 2010 and 2011 including the average weighted fair value of the warrants "V"

Inputs into the model	Warrants granted to and accepted by Directors and EMT members in 2008	Warrants granted in 2008 and accepted by employees during 2009	Warrants granted in 2008 and accepted by self employed advisors in 2009	Warrants granted and accepted by EMT members in 2009	Warrants granted and accepted by EMT members in 2009	Warrants granted and accepted by EMT members in 2009
Grant date	26 August 2008	23 December 2008	23 December 2008	8 May 2009	8 May 2009	3 December 2009
Grant date share price	2.09	1.58	0.85	1.93	1.29	0.61
Exercise price	2.84	1.86	2.84	1.41	2.84	0.95
Expected volatility................	60.94%	72.05%	89.12%	95.11%	95.11%	96.60%
Expected lifetime of the warrant "V"	4 years	3 years	4 years	4 years	4 years	4 years
Risk-free interest rate............	3.59%	2.88%	3.03%	2.35%	2,35%	2.18%
Number of warrants "V" accepted	665 000	1 141 950	45 500	50 000	50 000	30 000
Number of shares outstanding	41 249 296	41 249 296	41 249 296	41 249 296	41 249 296	41 249 296
Average weighted fair value per warrant	0.86	0.70	0.35	1.40	0.69	0.37

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

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

The expense of the granted warrants "V" for the financial year 2011 was calculated at EUR 69k (2010: 200k €).

The weighted average remaining contractual life of warrants "V" outstanding at the end of the period is 11 months (2010: 23 months).

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

Number of warrants "V" vested during 2009, 2010 and 2011

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

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

Foreign currency translation reserves

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

NOTE 19: Earnings per share

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

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

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

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

NOTE 20: Capital management

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

The Group's objectives when managing capital are:

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

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

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

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

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

Note 21: Financial risk management

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

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

Categories of significant financial instruments:

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

CREDIT RISK

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

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

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

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

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

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

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

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

<u>Aging of past due, but not impaired:</u>

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

<u>Movement in the allowance for doubtful debts:</u>

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

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

<u>Aging of impaired trade receivables:</u>

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

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

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

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

Thousands EUR	2011	2012	2013	2014
2011				
Trade payables	-	15 202	-	-
Salaries, tax and payroll related liabilities	-	1 888	-	-
Income tax payable	-	69	-	-
Credit facilities and other loans	-	-	-	-
	-	**17 159**	**-**	**-**
2010				
Trade payables	26 118	-	-	-
Salaries, tax and payroll related liabilities	1 370		-	-
Income tax payable	95	-	-	-
Credit facilities and other loans	4 770	-	-	-
	32 353	**-**	**-**	**-**

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

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

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

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

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

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

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

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

NOTE 22: Contingent liabilities

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

NOTE 23: Related parties transactions

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

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

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

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

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

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

Board of directors compensation

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

Name	Board meetings attended		Audit Committees attended	Remuneration Committees attended	Strategic Committees Attended	Total remuneration Thousands EUR
	Physical attendance	*calls*				
Jan Callewaert [(1)]	5/5	14/15	N.A	N.A	N.A	N.A (2010: N.A)
Q-List BVBA	5/5	15/15	4/4	6/6	N.A	49.00 (2010: 49.00)
Lawrence Levy	5/5	15/15	N.A	6/6	N.A	49.00 (2010: 49.00)
David Hytha	5/5	15/15	N.A	2/2	N.A	49.00 (2010: 45.75)
An Other Look To Efficiency SPRL	5/5	15/15	3/4	N.A	N.A	74.00 (2010: 67.75)
FVDH Beheer BVBA [(2)]	5/5	14/15	4/4	3/4	N.A	50.47 (2010: N.A)

(1) *Excluding CEO remuneration to Mondo NV – As of 2010 the Board of Directors Compensation is included in the fixed remuneration of the CEO.*

(2) *As of 1st of January 2011*

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

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

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

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

Executive management compensation

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

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

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

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

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

NOTE 24: EVENTS AFTER BALANCE SHEET DATE

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

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

NOTE 25: Option companies and business combination

List of companies, integrally consolidated in the financial statements

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

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

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

Gain on disposal of subsidiaries

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

NOTE 26: Information on the auditor's assignments and related fees

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

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

5. AUDITOR'S REPORT

Deloitte.

Deloitte Bedrijfsrevisoren /
Reviseurs d'Entreprises
Berkenlaan 8b
1831 Diegem
Belgium
Tel. + 32 2 800 20 00
Fax + 32 2 800 20 01
www.deloitte.be

Option NV

Statutory auditor's report
on the consolidated financial statements
for the year ended 31 December 2011

The original text of this report is in Dutch

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /
Société civile sous forme d'une société coopérative à responsabilité limitée
Registered Office: Berkenlaan 8b, B-1831 Diegem
VAT BE 0429.053.863 - RPR Brussel/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GEBABEBB

Member of Deloitte Touche Tohmatsu Limited

Deloitte.

Deloitte Bedrijfsrevisoren /
Reviseurs d'Entreprises
Berkenlaan 8B
1831 Diegem
Belgium
Tel. + 32 2 800 20 00
Fax + 32 2 800 20 01
www.deloitte.be

Option NV

Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2011 to the shareholders' meeting

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements, with an explanatory paragraph

We have audited the accompanying consolidated financial statements of Option NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 47.552 (000) EUR and the consolidated income statement shows a consolidated loss for the year then ended of 2.862 (000) EUR.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained, provides a reasonable basis for our opinion.

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /
Société civile sous forme d'une société coopérative à responsabilité limitée
Registered Office: Berkenlaan 8b, B-1831 Diegem
VAT BE 0429.053.863 - RPR Brussel/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GEBABEBB

Member of Deloitte Touche Tohmatsu Limited

Deloitte.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2011, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

Despite the fact that the group has continued to incur significant losses that further weakened its financial position and its ability to continue as a going concern, the consolidated financial statements have been drafted using the going concern assumption. This assumption is only justified to the extent that the group realises:

- The successful commercial introduction in the coming months of the recently developed products in existing, but to a large part also in new market segments, and, following this successful commercial development, gains access to financing means to secure sufficient liquidity; and
- The further and timely rationalisation of the group's organisational structure and related cost reductions.

No adjustments have been made with respect to the valuation or the classification of certain balance sheet items, which would be required should the group not be able to continue its operations. More specifically, the group's balance sheet includes capitalized development expenses amounting to 8.194 (000) EUR and inventory amounting to 6.792 (000) EUR, which could be subject to impairments in case the group would not be able to continue as a going concern.

Additional comment

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Diegem, 30 March 2012

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Geert Verstraeten

6. ABBREVIATED STATUTORY ACCOUNTS OF OPTION NV AND EXPLANATORY NOTES

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

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

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

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

ASSETS

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

LIABILITIES

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

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

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

ABBREVIATED PROFIT AND LOSS ACCOUNT

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

ABBREVIATED APPROPRIATION ACCOUNT (ACCORDING TO BELGIAN ACCOUNTING STANDARDS)

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

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

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

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

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

Research and development
As from January 1st 2005:
Research expenditure is recognized as an expense as incurred.
Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets only if all of the following conditions are met:

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

Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have a finite useful life that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding three years.

Vehicles
Vehicles are linearly depreciated at rate of 20%.

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

Financial assets
During the financial period investments are not revalued.

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

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

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

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

Foreign currencies
Debts, liabilities and commitments denominated in foreign currencies are translated using the exchange rate of 31 December 2010. Transactions are converted at the daily exchange rate.
Exchange differences have been disclosed in the annual accounts as follows:

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

6.4. Explanatory notes - Abbreviated statutory accounts - Belgian GAAP

PARTICIPATING INTERESTS

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

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

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

STATEMENT OF CAPITAL

Issued capital 31 December, 2011	Amounts (in EUR)	Number of shares
At the end of the preceding period	12 232 134	82 498 592
At the end of the period	12 232 134	82 498 592

Structure of the capital December 31 2011		
Different categories of shares		
Registered shares and bearer shares		82 498 592
Registered		-
Bearer		82 498 592

Authorized capital

On 31 December 2011 the authorized (but non-issued) capital amounted to EUR 12 232k

7. INVESTOR RELATIONS AND FINANCIAL CALENDAR

7.1. 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.

7.2. Share history in 2009-2011 on Euronext

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

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

7.3. Financial calendar

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

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

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

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

1Q Business update	Thursday 26 April, 2012
2Q Results and "Interim Financial Report"	Friday 31 August, 2012
3Q Business update	Thursday 25 October, 2012
General Meeting of Shareholders 2012	Monday 30 April, 2012 at 10 AM in Leuven
General Meeting of Shareholders 2013	Tuesday 30 April, 2013 at 10 AM in Leuven

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

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

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

8. CERTIFICATION OF RESPONSIBLE PERSONS

The undersigned, Jan Callewaert, CEO of Option NV, and Jan Smits, CFO of Option NV, confirm that to the best of their knowledge:

a) the consolidated financial statements for the year ending December 31, 2011 have been prepared in accordance with IFRS (International Financial Reporting Standards) and give, in all material respects, a true and fair view of the consolidated financial position and results of Option NV and of its subsidiaries included in the consolidation;
b) the management report for the year ending December 31, 2011 gives, in all material respects, a true and fair view of the evolution of the business, the results and the situation of Option NV and of its subsidiaries included in the consolidation, as well as an overview of the most significant risks and uncertainties with which Option is confronted.

Leuven, March 30, 2012

Jan Callewaert	Jan Smits
CEO	CFO
Option NV	Option NV

9. INFORMATION SHEET BY END 2011

NAME	OPTION NV
FORM	Limited Company as per Belgian Law
ADDRESS	Gaston Geenslaan 14, B-3001 LEUVEN
PHONE	+32(0)16 31 74 11
FAX	+32(0)16 31 74 90
E-Mail	investor@option.com
WEBSITE	www.option.com
ENTERPRISE No.	0 429 375 448
VAT	BE 429 375 448
ESTABLISHMENT DATE	July 3rd, 1986
DURATION	Indefinite duration
AUDITOR	Deloitte-Auditors represented by Mr. Geert Verstraeten.
FINANCIAL YEAR CLOSING	31 December
CAPITAL	12 232 134,42 EUR
NUMBER OF SHARES	82 498 592
ANNUAL MEETING	Last business day of April[1]
LISTING	Euronext -– continumarktStock – Ordinary Stock – Continuous – compartment B – ticker OPTI
DEPOSIT BANK	BNP PARIBAS FORTIS
MEMBER OF INDEX	Bel Small
OTHER LABELS	Ethibel Pioneer SRI Kempen

[11] *If accepted during the Extraordinary General Meeting of Shareholders, the General Meetings will take place on the last business day of May from 2013 onwards.*

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.

11. CORPORATE SOCIAL RESPONSIBILITY

STATEMENT OF BUSINESS ETHICS

Option is mindful of its responsibilities to behave in an ethical manner in the course of pursuing its business goals and therefore makes the following ethical statement. Option NV, including all its subsidiaries, affiliates and/or consolidated holdings adopts the following practices:

Investment
We will not invest in any of the following areas:

- marketing, development or production of nuclear, chemical or biological weapons
- marketing, development or production of weapons of war or other armaments
- marketing, development or production of products involving animal fur or animal testing
- production of strategic parts of weapon systems of any kind.
- marketing, development or production of pornography, the sex industry, hard drugs or tobacco

Employment
We will not engage in any of the following activities:

- use of children under the legal age for employment
- use of forced, bonded or compulsory labour

Discrimination
We will not discriminate against our employees in any of the following areas:

- on the grounds of race, color, sex, sexual orientation, religion, political opinion, age or nationality
- on the grounds of pregnancy or maternity leave

Purchasing
We will put into place checks, controls and procedures to ensure all our suppliers and sub-contractors:

- have ethical standards that do not compromise any of the above
- have checks, controls and procedures that ensure their suppliers or sub-contractors do not compromise any of the above

Prevention of Corruption
We will include in our distribution and supply agreements antibribery standard clauses. Our employment policies outline measures that can and will be taken in order to prevent corruption. Option, as a public company, respects the Corporate Governance rules, as it is member of the ETHIBEL Sustainability index.

ENVIRONMENTAL POLICY OF THE PRODUCTION AND LOGISTICAL UNIT

The scope of operations of Option Wireless Ltd includes: "Source, manufacture and supply of wireless communication products and solutions". The organization recognizes its environmental responsibilities to its staff, shareholders, customers and the general public and is committed to the continual improvement of the operating environment of its facilities. To this end it will maintain and document an Environmental Management System which conforms to: ISO14001: 2004 and will take into account all regulatory and legislative requirements pertinent to its sector, local operating environment and customer requirements.

The organization's objectives include the following:

- communicating its policies both internally and externally
- commitment to continual improvement in environmental performance
- using the input of staff, customers, shareholders, government, local authorities, interested third parties and the general public
- awareness and training on environmental issues
- creating a better environment for all, through the reduction, recycling and reuse of waste, the optimum usage of resources and the elimination of polluting releases of the environment
- compliance with all pertinent applicable regulations and legislation
- prevention of pollution
- manufacture and supply of product in a safe environment to customer specifications and requirements

The above policy is supported by the management of Option Wireless Ltd who shall commit the necessary resources in ensuring that the objectives and targets can be achieved. Appropriate programs are set up to achieve our objectives and will be reviewed at the Annual Management Review and Quarterly Objective Review Meetings.

QUALITY CERTIFICATION

The Certificate of Registration of Quality System to I.S. EN ISO 9001:2008 has been delivered by the National Standards Authority of Ireland to Option Wireless Ltd on June 17th 2010 (valid until March 3rd 2013).

The Certificate of Registration of Environmental System to I.S. EN ISO 14001:2004 has been delivered by the National Standards Authority of Ireland to Option Wireless Ltd on December 9th 2011 (valid until April 8th 2014).

LANGUAGE OF THIS ANNUAL REPORT

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

AVAILABILITY OF THE ANNUAL REPORT

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

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

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

FORWARD-LOOKING STATEMENTS

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

OPTION

CONNECTIVITY • SECURITY • EXPERIENCE