OPTION
WIRELESS TECHNOLOGY

annual **report 09**

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OPTION
WIRELESS TECHNOLOGY

about option

What we do

Wireless access to the Internet – anytime, anywhere

Option is an innovative company providing 3G solutions to mobile network operators, laptop & consumer electronics manufacturers and IT & Telco distributors around the world. All our 3G solutions, whether embedded in e-readers or Mobile Internet Devices or provided in products like USB-modems or 3G routers, provide consumers and business users with easy, anytime, anywhere access to the Internet, e-mail, office documents, personal files, social media websites, online music stores and much more.

Option does not compete in area of low-cost commoditized 3G products. The Company is a provider of total, integrated 3G solutions meaning that we aspire to integrate hardware, software and high value services into one wireless broadband offering.

Option is headquartered in Leuven, Belgium. Our company also has Engineering centres in Belgium (Leuven), Germany (Augsburg) and an ISO 9001 logistics facility in Ireland (Cork). Option maintains offices in Europe, US, Greater China, Japan and Australia. We also collaborate with outsourcing partners that run dedicated manufacturing or supply chain operations on our behalf.

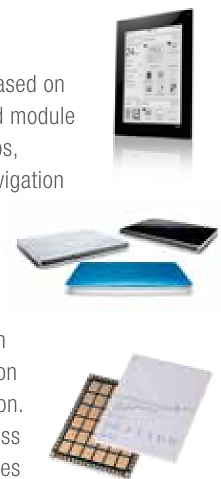
Mobile solution offerings

Attached mobility solutions

Our attached solutions are those solutions that are 'attached' to the computer like USB-modems, routers or data cards.

The solutions are achieved through providing the hardware, the software and services. The software is based on *u*CAN® Connect, our cutting-edge, configurable, highly customizable and easy to use connection manager software platform. The services can range from certifications on networks to providing a customized supply chain. A perfect example of one of our mobile solution offerings is the *i*CON XY which is a customizable USB modem enabling mobile network operators to target different market segments with different levels of customization including branding, look & feel, packaging and software with just one device while reducing the cost and complexity of their supply chains. Typical customers for this type of solutions are mobile network operators – e.g. AT&T, Vodafone Group, Orange Group, O2, T-Mobile, etc. – and IT & Telco distributors – e.g. Brightpoint, Hugh Symons, Mobile World Communications, Nova Media etc.

Embedded mobility solutions



The embedded mobility solutions are based on our state-of-the art GTM501 embedded module and fit in mobile devices such as laptops, netbooks, e-readers, game devices, navigation devices etc. Our GTM501, which was selected as the winner of the GSMA's Embedded Mobile Module competition in the 'Best Embedded Module in the High-Bandwidth Application' category in 2009, is still the smallest HPA module on the planet with superior heath dissipation. As such the GTM501 is the ideal wireless solution for fan less devices. Our services range from Module Design & Certification to Software Customization and Device Field Testing Services. Typical customers are the Original Equipment Manufacturers (OEM), Original Design Manufacturers (ODM) and manufacturers of laptop and consumer electronics – e.g. Sony, Nokia, Compal, IREX, Plastic Logic, Acer etc.

OPTION
WIRELESS TECHNOLOGY

Message to our Shareholders

Dear Option Shareholders,

2009 was an 'annus horribilis' for our Company. The two bright points in 2009 were the ongoing efforts to reposition our Company and our successful capital increase, thanks to you – our valued shareholder.

The 'annus horribilis' was mainly caused by Chinese competition in the European market battering prices and profit margins on USB devices, our Company's key revenue driver. The continued sluggish economic environment did not help either since it made our customers decide to adopt a strategy of 'volume selling with razor-edged priced products'.

The sharp decline of our revenues caused us to react quickly, decisively and more aggressively than the previous years on two fronts: our business strategy and our cost-base.

A renewed business strategy

Where we were pursuing a volume-model in the market of mobile broadband devices we repositioned the Company bringing wireless broadband solution offerings including hardware, software and high-value to our customers both the network operators and device manufactures (OEM/ODM). This means we have moved away from selling commoditized products and are moving in the direction of capturing profitable opportunities only. Over the past year we developed our differentiating and innovative solutions.

The first type of solutions are the 'attached mobility solutions'. Those are the solutions based on our USB devices, routers and data cards that are moulded into a full solution by adding the new uCAN Connect software platform and our services. At the Mobile World Congress 2010 for example we announced the iCON XY USB solution encompassing a new USB modem, the uCAN Connect connection management software and supply chain services enabling our customers – network operators, retail chains or distributors – to customize the USB modem to whatever customer, event or community they are targeting for.

The second type of solutions are the 'embedded mobility solutions'. Those solutions – mainly offered to our OEM and ODM partners – focus on our state-of-the art GTM501 embedded module. With its very small footprint and its superior heath dissipation it is the ideal 3G solution for embedding in thin, fan less mobile devices. In this are we also have our investment in M4S where we develop state-of-the-art 4G Radio-Frequency design for the next generation of mobile technology.

Alignment of cost base

Next to implementing our renewed business strategy we also drastically decreased the cost basis of the Company. Over two rounds of cost-reduction we took out some 40 million Euro in operating expenses and had to let go of 300 white and blue collar people – some of them long-time loyal Option people. Those were not easy decisions. I would like to thank each and everyone of them for the contributions they made to our Company in the past years. These measures were the visible ones. We also worked on shifting towards an outsourced customization and fulfilment model not only to offer more competitive priced solutions but also to cope better with the fluctuations in demand and reducing the inventory levels. Additionally we focussed our R&D efforts on core differentiating capabilities whereas the non-core engineering tasks are outsourced and the focus of the internal R&D efforts is on the high contribution activities.

Capital increase

To help us through these major changes we needed extra capital. Therefore the Board of Directors decided to increase the capital of the Company with an amount of up to EUR 20 million. This operation turned out to be a success. I would like to thank again the existing and new shareholders for their confidence. Furthermore I would like to thank ING, GIMV and LRM for their support of the transaction and ING and Dexia for their credit support. Also a special acknowledgment to the VFB who enabled us to tell our story to retail investors and for getting this organised in a very short period of time. The proceeds of the capital increase allow the Company to pursue the implementation of its new strategy.

Message to our Shareholders

A new Chairman of the Board

Early 2010 the Board of Directors asked me to focus all my attention to the CEO-role to steer our Company through this period of change and to continue to bring it back on the path of growth. I accepted this challenge and, as a consequence, I passed the Chairmanship of the Board of Directors to a new person. Olivier Lefebvre, an Option Board member since July 2008, was elected by the Board of Directors as the new Chairman.

A New Opportunity of Growth for our Company

As we enter a new decade, it is interesting to reflect upon how the past decade began. At that time, GSM was used almost exclusively for voice communication, however because the technology was digital, there was a consensus to use the technology also for data. This triggered the start of a series of network upgrade cycles from GSM (9.6 Kbps) to GPRS (64 Kbps) to 3G UMTS (384 Kbps) and then to 3.5G HSDPA (1.8 Mbps, 3.6 Mbps to 7.2 Mbps).

These industry cycles were characterized by market hype that caused highs and lows in the industry. In the rat race towards wireless broadband services, Option became the worldwide number one supplier of 3G modems with breakthrough products based on innovation, sustained R&D and speed-to-market, responding to the need of “access to information on the go”.

The decade ended with the global economy experiencing profound disruption and the market demand became abruptly unbalanced in favour of low cost Asian manufacturers. As a result, Option’s position in the commoditized 3G modem market was diminished.

It is important to understand the ways in which Option’s new strategy will transform it into a very different Company than it was just a few years ago. The ongoing repositioning to focus on growth niches such as mobile security solutions and the endorsement of a key asset – the M4S 4G Transceiver- for the 4G LTE upgrade cycle are of paramount importance to capture the new opportunities for growth.

The market for mobile broadband continues to grow. Market research indicates that we are still at the early stages of mobile broadband adoption as more and more consumers and professionals discover the benefits of mobile services that are introduced almost daily now. This business opportunity, our heritage in the wireless industry and the unique solutions we have developed, is why we believe in the future of our Company.

Let there be no doubt that we still face an uphill battle in 2010. In adversity however, we will not relent. In the entrepreneurial spirit of this Company, we will persevere.

Jan Callewaert
Chairman of the Board

15 april 2010

Board of Directors

The Option Board of Directors covers all crucial business competency areas. The well-balanced selection of its members combines a remarkable international background in the telecom sector, wireless communication technologies, law, and finance. And they bring academic as well as business experience to the table.

Olivier Lefebvre

Mr. Olivier Lefebvre is Chairman of the Option Board of Directors since February 2010. He was member of the Management Committee of NYSE Euronext, CEO of the Brussels Stock Exchange and Chief of Staff to the Belgian Minister of Finance. He also co-founded the Belgian Corporate Governance Committee. Mr. Lefebvre holds a Master's degree in Business Administration from Cornell University and a Ph.D in Economics from the Université Catholique de Louvain (UCL).

Jan Callewaert

Mr. Jan Callewaert is founder and CEO of Option and was Chairman of the Board until February 2010. Previously, he was Product Manager for the Dealer Channel with Bull and Product Marketing Manager for Office Automation Products with Ericsson. Mr. Callewaert is also a qualified Commercial and Managerial Engineer in Management Informatics. Mr. Jan Callewaert is through Pepper NV the most important shareholder of Option. He[1] was appointed CEO of the Company until 12 December 2007 (when he was replaced by his management company, Mondo NV).

Arnoud De Meyer

Mr. Arnoud De Meyer is Professor of Management Studies at Cambridge University (UK). He specializes in manufacturing and technology strategy, the implementation of new manufacturing technologies, and the management of R&D. Professor De Meyer has also acted as a consultant for a number of medium-sized and large companies throughout Europe and Asia.

Philip Vermeulen

Mr. Philip Vermeulen served in various positions with Chase Manhattan Bank S.A. (Belgium), Sidel Computers Centers NV, and IPPA Bank NV (Belgium). He was also Executive Senior Investment Manager for Venture Capital with GIMV. He is an advisory director of various companies active in the information technology business.

Lawrence Levy

Mr. Lawrence Levy is Senior Counsel at Brown Rudnick Berlack Israels LL P. He has been a partner at Brown Rudnick for 30 years, specialized in Corporate and Securities Law. He is also a Director of Hologic, Inc. and of Scivanta Medical Corporation. Mr. Levy received a Bachelor of Arts from Yale University and a Bachelor of Laws degree from Harvard Law School.

Jan Loeber[2]

Mr. Jan Loeber is the Chairman of the Stichting Organization of Interxion, BV in the Netherlands and Chairman of Newfound Comm. He was founder of GTS Carrier Services and Unitel, and held leadership positions at Nokia Americas, ITT Europe, and AT&T (Bell Laboratories). Mr. Loeber received his Bachelor of Science in Physics from Michigan Technological University and his Master's degree in Business Administration from George Washington University.

David Hytha

Mr. David Hytha has a wide experience in wireless communications. He held leadership positions in new ventures and leading companies such as T-Mobile, Silicon Wave (now RFMD), LGC Wireless, AT&T Network Systems (now Lucent), and Motorola. Mr. Hytha holds a Bachelor of Arts from the College of the Holy Cross and a Master's degree in Business Administration from Columbia University in New York.

Patrick De Smedt[2]

Mr. Patrick De Smedt has built vast experience in high-tech markets with Microsoft. He was Chairman of Microsoft EMEA and Vice President in various capacities including Sales, Marketing, Business Development, Services for Enterprise Customers, and the Relationships with Enterprise Partners. Mr. De Smedt holds a Master's degree in Commercial Engineering from the Katholieke Universiteit Leuven (KUL).

[1] Mondo NV, a company incorporated and organized under Belgian law, represented by Jan Callewaert.
[2] Resigned from the Board in March 2010.

Management Team

Jan Callewaert, Founder and CEO

Mr. Jan Callewaert is founder of Option and was Chairman until February 2010. Previously, he was Product Manager for the Dealer Channel with Bull and Product Marketing Manager for Office Automation Products with Ericsson. Mr. Callewaert is also a qualified Commercial and Managerial Engineer in Management Informatics.

JP Ziegler, Chief Financial Officer (CFO)

Mr. JP Ziegler is a seasoned international executive. He founded BGC Capital and was Managing Director of the ING Investment Banking Group for Telecom, Media, and Technology. Prior to that, he held senior positions in corporate development and international strategic planning with MFS Communications and MCI/World-Com International.

Bernard Schaballie, Vice President Engineering

Mr. Bernard Schaballie began his career as a research assistant in digital signal processing and silicon compilers at the Katholieke Universiteit Leuven (KUL). Before joining Option, he worked for Telindus as Development Engineer, R&D Director, and Business Developer. Mr. Schaballie holds a Master's Degree in Electronics from the KUL.

Patrick Hofkens, General Counsel and Vice President Strategic Alliances

Mr. Patrick Hofkens was Senior Legal Counsel for the Borealis Group and a lawyer with Loyens & Loeff. He returned to Option having previously served as General Counsel to the company between April 1998 and December 2002. Mr. Hofkens holds a Master's degree in Law from the Katholieke Universiteit Leuven (KUL) and a Master's Degree in Corporate Law from the Katholieke Universiteit Brussel and KUL.

Martin Croome, Vice President Global Marketing

Mr. Martin Croome has held a wide range of product, program, and channel marketing positions over the past 20 years. He has held, among other positions, Product Marketing Manager for Hewlett Packard's PDA division in Singapore. He also served as Vice President of Business Development for OEM sales at Socket Mobile. Mr. Croome holds a Bachelor of Science (with Honors) in Computer Science from Edinburgh University.

Chip Frederking, Vice President Global Sales

Mr. Chip Frederking has 25 years experience in the communication industry of which 20 years at Motorola. In Motorola Chip was responsible for sales, and took management positions in Regional Sales, Indirect Sales and Field Distribution. From 2005 to 2007 he was VP MSSI USA East Region Indirect for the Motorola Government and Commercial Markets. He joined Option as VP Sales Americas in 2007.

Our People

Keeping talent in difficult times
Option has been successful in building up a talented team during the past few years, which has unique R&D, sales, marketing and other competencies, enabling it to compete at a global level in the market of mobile data communication. The year 2009 was one of sweeping restructuring measures, which presented Option with the challenge of keeping its key staff members in the company. This has been largely successful; the various departments therefore have more than enough talent to be able to carry out their assignments.

International team
At the end of 2009, the staff of Option consisted of 410 full-time employees and 35 consultants. This represented a strong decline in comparison with 668 full-time employees and 66 consultants in 2008. And this decline has continued into the first half of the year 2010. However, Option remains globally active on four continents, and it therefore employs an international team that maintains a cross-border co-operation, which makes frequent consultations necessary.

Developing employees
Option continues to be a young company. The average age of the employees is 35 years and they have been employed for an average of 4 years. We stimulate our employees to perfect their professional skills. Evaluation interviews are held every six months or annually. During these, attention is also paid to the ambitions and expectations of the employees, including his/her educational and training requirements.

Although the training budgets were limited in 2009, a number of alternative training initiatives were taken, such as in-house training and personal coaching, including, wherever possible, the use of subsidised training.

Our people continue to be engaged
Also during the past year, we continue to inform people regularly about the state of affairs of our company. This occurs through various channels, including e-mail, intranet reports and presentations to the personnel.

Within the context of the restructuring measures, communication with staff was more intensive than ever before, including consultation sessions with the personnel in conformity with the local legislation and usage. For instance, a CLA was negotiated twice in Belgium, while a temporary personnel committee was established in Ireland, the procedure for the closure of our branch in Kamp-Lintfort Germany was observed and a procedure for downsizing was started up in Japan.

Both in Louvain and in Kamp-Lintfort, the involvement of staff was clearly shown during consultations about part-time working and measures for saving costs and jobs. In both cases, the greater part of the staff voted "for" these measures. Unfortunately, these measures had subsequently appeared to be insufficient and still further restructuring measures had to be taken.

Healthy and safe working conditions
Option makes a point of creating a proper and safe working environment for its employees. In Belgium, this is done through consultations with the Prevention and Protection at Work Committee (PBW). Our production site in Cork meets the strict Irish standards. At all our other locations too, Option respects local regulations.

Under applicable Belgian legislation, the employees for the first time received "eco-cheques", which can be used for the purchase of environmentally friendly products and services.

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.

ENVIRONEMENTAL 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: ISO 14001: 1996 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 it’s 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 9001:2000 has been delivered by the National Standards Authority of Ireland to Option Wireless Ltd on 3 March 2010.

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 24 April 2008.

financials

Consolidated and Statutory Report 2009 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 2009.

The consolidated results include the financial statements of the parent company Option NV and all its subsidiaries made up to the end of the financial period. Intra-group trading has been eliminated upon consolidation: 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 Wireless Hong Kong Limited (Hong Kong, PR China), Option Wireless Hong Kong Ltd. Representation Office (Suzhou, PR China), Option Wireless Hong Kong Limited Taiwan Branch (Taipei, Taiwan) Multi Mode Multi Media Solutions NV, abbreviated “M4S” (Leuven, Belgium) and Multi Mode Multi Media Solutions Wireless Ltd, abbreviated “M4S Wireless” (Cork, Ireland) (jointly “Option” or the “Group”).

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: 147 119
- Gross profit: 27 188
- Operating Expenses: (81 530)
- EBIT: (54 342)
- The net result: (53 682)

Revenues for 2009 decreased by 45,1% to EUR 147 119k, compared with EUR 268 089k in 2008.

Gross margin for the full year 2009 was 18.5% on total revenues including restructuring charges (20.1% excluding restructuring charges), compared with gross margin of 27.8% in 2008. Costs of products sold of EUR 119 931k during 2009 resulted in a gross profit of EUR 27 188k, a decrease of 63.6% compared to EUR 74 630k in 2008.

The operating expenses for the full year 2009, including depreciation, amortization and restructuring charges were EUR 81 530k compared to EUR 103 929k for the previous year. This represents a decrease of 21.6%.

During 2009, EBIT decreased to EUR -54 342k (or -36.9% on revenues), compared to EUR -29 299k (or -10.9% on revenues) for 2008.

EBITDA amounted to EUR -31 630 (or -21.5% on revenues) for the full year 2009, compared to EUR -91k (or -0% on revenues) for 2008 representing a decrease of EUR 31 538k.

During 2009, Option obtained a negative financial result of EUR –6 673k (2008: EUR -540k). The net exchange rate result, amounted to EUR -5 534k and was mainly due to the continued effect of the weakness of the USD as well as the negative effect of the execution of USD hedging contracts. Option received EUR 80k from risk free investments of the available cash.

The Other financial costs of EUR -1 139k are mainly related to paid interests with respect to the current credit line facilities as well as bank charges, penalty fees and payment differences.

Net result, for the full year 2009, amounted to EUR –53 682k or EUR –1.27 per basic and diluted share. This compares to a net result of EUR -19 001k or EUR -0.46 per basic and diluted share during 2008. Net result decreased by EUR 34 681k compared to 2008.

At year-end 2009, total assets amounted to EUR 125 272k compared to EUR 171 094k at the end of the previous year. Cash and cash equivalents decreased over the year from EUR 33 328k to EUR 30 664k at the end of 2009, including EUR 8 347k which has been drawn from existing credit lines and EUR 20 212k resulting from the capital increase.

Trade and other receivables decreased from EUR 44 819k at the end of 2008 to EUR 16 254k at the end of 2009. This decrease was attributable to the trade receivables which decreased from EUR 42 857k to EUR 14 278k and other receivables mainly due to lower VAT receivables.

Inventories decreased from EUR 32 894k at the end of last year to EUR 17 336k at the end of 2009.

This lower inventory position is explained by decreased positions of the work in progress (EUR -8 433k), finished goods (EUR -4 486k) and the raw material position, (EUR -2 479k) compared to 2008.

The net book value of intangible and tangible fixed assets was EUR 30 542k at the end of 2009, compared with EUR 37 031k as at 31 December 2008. During 2009, the total investments in tangible assets, mainly test equipment, amounted to EUR 934k (2008: EUR 2 833k) and the Group invested EUR16 161k (2008: EUR 23 010k) in intangible assets of which EUR 15 929k (2008: EUR 21 943k) for capitalized development projects and investments of EUR 232k (2008: EUR 1 067k) mainly related to licenses.

Total current liabilities decreased during the year to EUR 59 040k in 2009, compared with EUR 69 983k in 2008. This decrease is mainly driven by a decrease in trade and other payables (EUR -24 758k), an increase in provisions (EUR 5 092k) and an increase in financial liabilities (EUR +8 559k) as a result of the use of the existing credit lines. The total other non-current liabilities decreased from EUR 16k in 2008 to EUR 0k in 2009, since this liability became current.

The Group generated a deferred tax liability mainly as a result of the capitalization of the commercial development projects under IFRS. In 2009, this deferred tax liability decreased by EUR 820k which was nearly fully related to development projects.

The deferred tax assets were EUR 30 050k at the end of 2009 or an increase of EUR 7 637k compared to year end 2008, mainly resulting from tax losses carried forward in the first two quarters of 2009. As of the third quarter in 2009, the Group stopped accounting for positive tax results on the losses made in Option NV, as the deferred tax asset on the balance sheet represented 22% of the total assets at that time. The Group has determined that it is prudent to cap the deferred tax assets at this level.

On a balance sheet total of EUR 125 272k, the total shareholders' equity represented EUR 64 339k. Therefore, at the end of 2009, the Group solvency ratio was 51.4%, compared to 57.9% in 2008.

On 31 December 2009 there were 445 full time equivalents in the Group. This compares with 746 full time equivalents in the previous year.

Statutory results

Full year statutory operating income was EUR 19.0 million (based on EUR 4.4 million turnover, EUR 9.5 million capitalized development costs and EUR 5.8 million other operating intercompany income and recovery of expenses), representing a year-on-year decrease of -61.2% compared with 2008 revenues of EUR 49.0 million (based on mainly EUR 11.9 million turnover, 15.4 million capitalized development costs and EUR 21.8 million other operating intercompany income).

The operating charges decreased from EUR 75.8 million to EUR 57.7 million resulting in an operational result or EBIT of EUR -38.7 million compared to an EBIT of EUR -26.8 million in 2008 representing a decrease of EUR 11.9 million. This

Consolidated and Statutory Report 2009 of the Board of Directors of Option nv

decrease is mainly explained by a substantial lower operating income combined with lower component purchases and lower operational costs compared to 2008. The operational costs include restructuring charges for an amount of EUR 3.1 million. The financial income increased from EUR 2.6 million in 2008 to EUR 30.3 million, as a result of a dividend the Company received of EUR 29 million from its Irish entity Option Wireless Ltd. The financial costs increased from EUR -2.7 million in 2008 to -7.3 million in 2009 mainly due to the continued effect of the weakness of the USD and the negative effect of the execution of USD hedging contracts.

During 2009, the Company reviewed the existing capitalized R&D projects, which resulted in an impairment of EUR –1.7 million (2008: EUR -12.2 million) having its source in changing technologies 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 increased from EUR -39.1 million to EUR -17.4, representing a increase of EUR 21.7 million.

The intangible assets decreased from EUR 12.7 million to EUR 11.5 million, mainly explained by a combination of capitalized development costs and posted depreciations and impairments.

The tangible assets decreased from EUR 12.4 million to EUR 8 million mainly due to posted depreciations.

The inventory position decreased from EUR 3.0 million to EUR 1.2 million, mainly due to a decrease on the inventory level of components.

The trade and other receivables decreased from EUR 40.7 million to EUR 13.7 million, mainly explained by a decrease in trade receivables with EUR 3.9 million and a decrease in intercompany receivables with Option Wireless Ltd. (Cork, Ireland) with EUR 18 million. Cash and cash equivalents increased over the year from EUR 5.4 million to EUR 21.4 million at the end of 2009, mainly as result of the cash received following the capital increase in December 2009. A provision of EUR 1.8 million was set up with respect to the announced restructuring.

The amounts payable within one year decreased from EUR 51.9 million to EUR 28.8 million mainly explained by a decrease of EUR 6.4 million in accounts payable and a decrease of EUR 24.4 million for debts related to intercompany transactions, mainly as a result of the dividend payment the Company received from its Irish subsidiary Option Wireless Ltd. At year the Company has taken up EUR 8.3 million from its existing credit facilities.

On a balance sheet total of EUR 59.1 million, the total equity amounted to EUR 27.7 million. At the end of 2009, therefore the Company's solvency ratio amounted to 46.9%. In 2009 the issued capital and share premiums increased with EUR 20.2 million as a result of the successful capital increase in December 2009.

On 31 December 2009 there were 189 full time equivalents in the Company. This compares with 241 full time equivalents in the previous year.

Allocation of the statutory result

The statutory accounts of the Company (Belgian GAAP) reported a net loss for the year 2009 of EUR -17.4 million, compared with a net loss of EUR – 39.1 million in 2008.

The Board of Directors proposes to add the non-consolidated net loss of EUR -17.4 million of 2009 to the loss carried forward from the previous years.

Abridged allocation account (According to Belgian Accounting Standards) December 31 - in Thousand EUR	2009	2008
Profit/(loss) carried forward from previous year	26 714	12 410
Profit/(loss) for the period available for appropriation	(17 418)	(39 124)
Profit/(loss) to be appropriated	(44 132)	(26 714)

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

Market overview
The wireless broadband access market has historically experienced very strong growth (CAGR of 29 per cent. between 2006 and 2007 and 45 per cent[1]. between 2007 and 2008), a trend which is expected to continue in coming years. According to ABI Research, wireless broadband access market volume is expected to grow from 46 million units in 2009 to 300 million units in 2014, representing a CAGR of 45 per cent. This indicates the strong growth expected from mobile computing devices (notebooks, net books, PDAs and other devices such as ebook readers and tablet PC) enabled with wireless broadband connectivity.

The most important growth drivers for this market are (a) the growing adoption of mobile data both in the enterprise and mainstream consumer market, (b) the continued deployment of mobile broadband networks and services by wireless operators around the world, (c) the introduction of new mobile computing devices (net books, ebooks, tablet PCs,…) and new services (cloud computing), (d) the creation of new markets (road charging) and (e) the decrease of both the service and hardware costs.

It is anticipated that the market of wireless modems will rapidly evolve from external (such as USB sticks) to embedded form factors (modules). ABI Research expects mobile computer OEMs (original equipment manufacturers) to start embedding cellular on a large scale, with embedded modules becoming the dominant wireless modem form factor, enabling over 75 per cent. of the laptops and notebooks shipped in 2014.

The M2M or Machine-To-Machine market is currently the subject of much attention. To date, typical M2M implementations were in the following fields: tele-metering (e.g. electricity meters), transport (e.g. truck board computers) and telematics (e.g. programmable road signs). As these services require low bandwidth, they have generally been implemented with low cost 2.5G modules. Going forward, the M2M market may further expand in new directions with new mobile devices requiring wireless broadband modules: personal navigation devices, personal media players, the connected car, health care and monitoring applications, security and surveillance applications. The implementation of new services with such new devices may further accelerate the transition to 3G/4G modems in the M2M market.

The importance of software continued to grow further in 2009. Social networking (FaceBook, MySpace, Hi5, Netlog, etc) location services (Google Maps, Google Latitude and many websites that have embedded Google Maps in them, like MapMyRun) and cloud computing (document management (eg. Google Docs), photo-albums (eg. Picasa, Flickr, …) represent some of the most successful services on the Internet today. Furthermore, the success of the software applications for use on smartphones is another example of the growing importance of software as a key differentiator in the wireless broadband market.

In 2009 the wireless broadband market witnessed a gradual shift in download speeds from 3.6 Mbps to 7.2 Mbps, speeds equivalent to those experienced on Fixed Line Internet. This means that a user of mobile data now can have a speed experience comparable to their home, or even office, Internet service.

The GSMA Organization indicates that 284 3G/WCDMA mobile networks have been commercially launched in 120 countries and 267 commercial HSPA networks have been launched in 114 countries. 306 operators have committed to HSPA in 126 countries, and at least 31 operators have committed to LTE. (Source: GSM/3G Network Update, June 2009).

Option's position

2009 was a very difficult year for the Company. Chinese competition from Huawei and ZTE continued to increase resulting in a further decline of selling prices and profit

[1] Source: ABIresearch, Cellular Modem Software and Services, The Mobile Computing Out-of-Box Experience, July 2009

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margins on USB devices. In addition, the difficult economic environment increased customers' focus on prices, favoring low end volume products. There are however regional differences.

As indicated last year, Option continued to invest and focus on its US presence. This has yielded positive returns in 2009 as the revenue from the US market increased to become a substantial part of Option's overall revenues (from 13% in 2008 to 17% in 2009). Furthermore, the price decline in the US market is lower than in Europe as the US mobile operators are more focused on quality and innovation and less on pure volume/low price. Going forward, the Company's intention is to continue to invest in its US presence and partnerships.

The situation in Europe is very different. Huawei and ZTE have over the course of 2009 continued to lead the price reductions of the USB and router products. As the European market continues to be the dominant market for the Option products (especially in terms of volumes), the overall average sales prices of Option's products continued to drop albeit to a lower extent (30.1% in 2009 compared to 39% in 2008). There are a number of elements that explain why Huawei and ZTE can offer products at significantly lower prices:

- Bundled offering, combining network infrastructure equipment and USB sticks;
- Cheaper sourcing of components for USB sticks but also for other devices (mobile phones) because of significantly higher volumes;
- Low cost manufacturing and R&D from China and/or other low cost locations; and Significantly lower IPR costs.

The impact on Option's position has been declining volumes and revenues in a market where volumes continued to grow. According to ABI Research, the wireless modem market (including USB devices, routers, embedded modules and data cards) has grown from 35,2 million units shipped in 2008 to 46,4 million units shipped in 2009. (Source: ABIresearch, Cellular Modem Software and Services, The Mobile Computing Out-of-Box Experience, July 2009).

In 2009, Option delivered 2.6 million devices, a 23.5% decrease versus 2008. Revenues for the year stood at EUR 147 million, a decline of 45.1% versus 2008.

During the year, USB devices remained the dominant form factor generating 56.5% of volumes and 63.5% of revenues. After the steep decline in 2008, the data cards market stabilized somewhat representing 5% of volumes and 7% of revenues. The embedded modules continued to grow representing around 17% of the volumes and 16% of the revenues. Finally, 2009 numbers also reflect the collaboration that Option successfully completed with Sharp for the development and manufacture of Sharp's latest "Sidekick" mobile phone sold via T-Mobile US. The revenue contribution of this agreement with Sharp was relatively modest, but the overall impact on the contribution margin was very positive.

A number of new products were launched in the course of 2009. In the USB market, Option launched different products addressing both the low cost entry level market, as well as the high end HSPA(+) market. The Company differentiated its product offering via the launch of two router products and a new connection manager with unique features, the *u*CAN Connect product line.

On the embedded side, Option introduced GTM501; the smallest and thinnest 3G HSPA module in the world (25mm x 30mm x 2.3mm). The manufacture of this module involves state-of-the-art moulding techniques making it one of the most solid and durable 3G modules on the market with excellent resistance to shock, vibration, extreme temperatures and humidity as well as superior heat dissipation characteristics. Thanks to these characteristics the module can be used in very thin CE devices (where there is no fan cooling possible) as well as for specific M2M applications where shock and humidity resistance are sometimes essential. Option is pioneering in these (new) markets with the GTM501. The module has a specific form factor allowing it to be soldered in the product rather than be attached via a connector. The GTM501 was selected as the winner of the GSMA's Embedded Mobile Module competition in the

'Best Embedded Module in the High-Bandwidth Application' category.

In 2008, Option decided to address the 3G connectivity market with a software solution (connection manager) as a standalone product category. In the course of 2009 the Company continued to support its investment in software development and in its dedicated software sales, marketing and engineering team. Thanks to these investments Option continued to innovate and announced the *u*CAN line of software products. The *u*CAN product family has evolved over the year and now offers different feature packs and customisation services enabling the Company not only to sell the software on a stand alone basis, but also to customise it very fast to the customers' demands.

Option's products continue to be sold via a global network of mobile telecom operators, IT distributors (primarily for the USB sticks, data cards, router products and software), laptop manufacturers, and consumer electronics manufacturers (primarily for the embedded modules, the software and services).

Reorientation of Strategy to Regain Profitability

With a view to regaining profitability in the short term, Option has in 2009 redirected its strategy along three key pillars which combine cost optimisation with a focus on key niche growth segments.

In general, the Company decided to shift away from a focus on volume growth to niche products and customer segments. In summary, the strategic focus is on profitable growth. The three key pillars of Option's reoriented strategy are as follows:

- **Alignment of Cost Base – organizational changes**
  Following the significant operating losses in 2008, Option initiated an initial cost-cutting exercise during first quarter of 2009 whereby it reduced payroll and non-payroll costs. As a result operating expenses (excluding IPR fees, restructuring costs and depreciations) were reduced by 20 percent in Q2 vs Q1 2009.

  In order to achieve a further reduction of the cost base, Option launched a second restructuring at the end of 2009. The implementation of this second restructuring started during the fourth quarter of 2009 and is expected to be completed in the first half of 2010.

  The second restructuring exercise is focused around (i) further headcount reductions throughout the Group, (ii) focus on core R&D competencies and capabilities, (iii) eliminate products with very low contribution, (iv) streamline operations by outsourcing non-core activities and reducing excess costs and (v) carry out other operational cost reductions.

  In total, the completion of the second restructuring should reduce the Company's operational cost base by an additional EUR 17.2 million per annum (excluding IPR fees, restructuring costs, depreciations and capitalization of development projects) during 2010 as compared to Q2 2009. The result of the entire restructuring exercise should therefore reduce the operational cost base (excluding depreciation, IPR and capitalization of development projects) with approximately EUR 29 million per annum (Q1, 2009 compared to Q2, 2010).

- **Differentiating attached mobility solutions and re-focus sales channel**
  In the attached mobility solutions segment (USB sticks, routers, data cards) Option announced that it will shift its focus away from a pure volume-led strategy to a profitable growth strategy through providing solutions based on a growing portfolio of key product differentiators (developed both internally and through partnerships). These differentiators will allow Option to provide complete solutions to its operator customer base, allowing it to compete more effectively with its competitors.
  The Company also announced its intention to re-focus its sales channel to those operators who are focused on innovation and can benefit more from Option's software and services offerings. Furthermore, Option's expanding offering of key differentiators will enable it to open a new

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direct channel to address certain specific communities and market segments for which a value proposition can be created by adding connected wireless services to a hardware and software offering; with the XY USB stick, the Skinit partnership and *u*CAN Connect software Option can provide customization of a USB stick on an individual level, e.g. allowing enterprises to customize USB sticks for certain events (both hard- and software) or around certain software applications. The partnership with Kobil on the other hand, will allow the Company to offer a security solution build around a co-developed USB stick.

- **Focus on next generation embedded solutions**
  In the embedded solutions segment, Option is shifting its focus from delivering hardware for the laptops and netbooks to delivering both software and services as well as hardware products for mobile consumers/professional devices, e.g. consumer electronic devices such as e-books, gaming devices, navigation devices, etc. In addition to these newer markets, Option also intends to address the traditional M2M markets (telemetry, automotive, industrial applications) with its unique GTM501 module. Rather than trying to create this channel, Option will address this market through partners and value added re-sellers.

Engineering

In light of the restructuring exercise, Option decided to focus R&D efforts on its core differentiating capabilities. The Company therefore consolidated existing R&D capabilities and know-how acquired in its two R&D centres in Leuven and Kamp-Lintfort into one centre at Leuven, thereby significantly reducing the R&D costs. As a result the Kamp-Lintfort facility was closed in Q4, 2009.

It was further decided to outsource certain aspects of the product development to external partners and to focus the R&D efforts on the development of core platforms and key differentiators such as in-depth firmware knowledge, test and certification support and specific RF design capabilities.

By shifting its focus and redefining the balance between internal product development and an outsourcing model, the Company should be able to lower its product development costs.

In the course of 2009, Option continued to work with its wholly owned subsidiary M4S, a former spin off from IMEC, on the development of a reconfigurable transceiver, supporting different technologies (including
2G-3G and LTE) and with world class results in terms of power consumption and miniaturization. Despite the very difficult economical environment Option continues to look for a strong financial/industrial partner to provide the necessary funding for the further RF development by M4S.

Organization

The restructuring that the Company underwent in 2009 had a very important impact on the organization. All the sites of the Option group were affected by the cost reduction exercise. The Kamp-Lintfort site in Germany was closed in December 2009; in Cork (Ireland) the number of FTEs was reduced by further outsourcing the manufacture of the products to our manufacturing partner in China; in Belgium two collective dismissal procedures resulted in a headcount reduction; the size of the Japan office was reduced and moved to new offices. In line with the strategy of the Company the headcount of the US facilities, the Chinese facilities and the software development center in Augsburg (Germany) were less affected by the restructuring.

These organizational changes had also an important impact on the executive management of the Group; Martin Croome (VP Global Marketing) and Chip Frederking (VP Global Sales and Distribution) joined the executive management team of the Group. David Whelan (VP Global Operations) and Filip Buerms (VP Global Sales) left the Company in 2009. Early 2010 Philippe Rogge (former COO) also left the Company.

Operations

In line with the reorientation of the strategy the Group continued to outsource an increasing part of the total production and manufacturing to Asia in order to compete more effectively. The supply chain management and sourcing will continue to be run from Europe (Ireland and Belgium) as the major operations and customers of the Company are located there.

Financing

On 9 December 2009, the Board of Directors decided in the framework of the authorized capital to increase the capital of the Company with an amount of up to EUR 20,212,155.04 through the issuance of maximum 41,249,296 new shares in Option at a subscription price of EUR 0.49 per share (the Subscription Price). The board of directors has decided to grant a non-statutory preferential subscription right to existing shareholders (the Right) entitling them to subscribe to the new shares in a ratio of 1 new share for 1 Right held in their possession (the Ratio).

On 18 December 2009, the Company (Option NV) announced that, in connection with its 1 for 1 rights offering of 41,249,296 new shares at an offer price of EUR 0.49 per share, it has received subscriptions for 28,832,465 new shares through the exercise of non-statutory preferential rights.

This represented a take up of approximately 69.9% of the offering size of EUR 20,212,155. Jan Callewaert and Pepper NV exercised their rights in order to subscribe to new shares for an amount of EUR 3,505,706.

The subscription period for the non-statutory preferential rights ended on Thursday 17 December 2009. The 12,416,831 rights which were not exercised during the subscription period were sold as scrips in the context of a private placement reserved for institutional investors taking place on 18 December 2009.

Following the successful capital increase the Company raised EUR 20,212,155. This resulted in the issue of 41,249,296 new shares at EUR 0.49 per share, bringing the total number of outstanding shares to 82,498,592.

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 2010:

- **Customer announcements**
  - 4 February 2010: Option integrates 3G/EV-DO solution into IREX's new e-reader
  - 15 February 2010: Option announces *u*CAN Connect 3.0 and connection manager development with Telenor
  - 5 March 2010: www.option.com/en/newsroom/press-releases/news-detail/&d=657&ovp=124 Option to bring premier USB modem to AT&T
  - 24 March 2010: GetWireless Announces North American Distribution Agreement with Option
- **Financial communication**
  - 4 March 2010: Option announced that, for 2010, 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.
- **Technological leadership**
  - 18 January 2010: *u*CAN software shipping with new *i*CON 505M USB modem.
  - 15 February 2010: Option announces world's first ultra customizable USB modem solution: *i*CON XY
  - 16 February 2010: Option and Skinit partner to deliver on-demand personalization of mobile devices
  - 1 March 2010: Option and Kobil to develop revolutionary 3G solution for secured transactions
- **Board composition**
  - 22 February 2010: Another Look To Efficiency, represented by Olivier Lefebvre, was elected as new

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Chairman of the Board of Directors. Pirogue Consulting BVBA, represented by Philippe Rogge, stepped down as COO
- March 2010: Visinnova BVBA, appointed by decision of the extraordinary general meeting of shareholders held on 26 August 2008, resigned as member of the Board of Directors.

VALUATION RULES

The going concern valuation rules were used both for the annual accounts and the consolidated annual accounts of the Company. The Board of Directors is of the opinion that, notwithstanding the existence since the last three financial years of losses carried forward, the use of going concern valuation rules is justified taking into account the following.

- **Wireless Data:**
  The Company operates primarily in the wireless data segment. This segment continues to be one of the most important growth areas for the telecom sector. The growth potential of the sector is further evidenced by the development of new product categories (such as ebook readers and tablet PCs) by major IT companies and component suppliers (such as Intel and Qualcomm). Option has been active in this market segment for more than a decade and has build up valuable know how, partnerships and sales channels.

- **Organization:**
  In 2009 the Company has taken measures to lower its cost base dramatically and adapting the organization to its newly defined strategy. Notwithstanding the effect of these measures on the Group as a whole, Option has been able to continue its product development and innovation path resulting in the launch of new hardware (Premier USB stick for AT&T, XY and 505 USB sticks; GTM501 module) and software products (*u*CAN family). Furthermore, the Group has continued to enter into interesting partnerships for the implementation of its new strategy (Kobil, Skinit).

- **Cost Reduction Plans:**
  Option has taken all necessary steps to realign its cost basis in order to return to profitability. This cost reduction exercise has resulted in a very important reduction of the operational costs in 2009 (reduction by more than 30% over the year excluding restructuring and depreciation charges). Going forward this exercise will be further completed in the first half of 2010.

- **Key Developments:**
  In the framework of the capital increase that was successfully completed in 2009, Option expressed its revised strategy focused on (i) return to profitability via cost savings, and (ii) achieving profitable growth in key niche growth segments.

  Although the first half year of 2010 will be difficult, the Company has identified clear positive reactions in the markets to its new products and services. Furthermore, the Company has been capable to team up with some key partners in order to address these new growth segments.

- **Budget:**
  The Board has approved an updated budget built around the existing products, and the feedback received from the market on the current and future products. Because of the shift in focus the budget foresees in an increase in the gross margins, and a constant availability of the credit lines from ING and Dexia. As further described in the prospectus the Company issued in December 2009, the credit lines from ING and Dexia have a number of covenants; a leverage covenant, a solvency covenant and a net equity covenant. Following the successful capital increase ING and Dexia have waived the leverage covenant for the first three quarters of 2010. 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 covenant. The Company is discussing a possible temporary waiver for this covenant with ING and Dexia. Finally, the budget also foresees the external funding of M4S.

The Board is confident that the updated budget has been prepared in a realistic and conservative manner. Nevertheless, it is clear that a further downward evolution compared to this budget could lead to liquidity problems. Furthermore, demands for the provisioning of guarantees (such as letter of credit of bank deposits) can also have a negative impact on the cash flow planning represented in the budget and possibly lead to liquidity problems.

- **Strengthening the Balance Sheet:**
  The successful capital increase for an amount of EUR 20,212,155 helps securing the Group's future working capital needs. The Company will continue its efforts to secure additional liquidity in order to strengthen the Company's working capital position. In that respect the Company is in constant discussions with ING and Dexia as well as other institutions that could help with this exercise.

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 "invest" section), an updated Corporate Governance Charter, outlining its corporate governance structure and policies, in line with said 2009 Code.
  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.

  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.
- the composition of the Nomination – Remuneration Committee; the Committee is composed of three Board members: Arnoud De Meyer, Q-List bvba (represented by Philip Vermeulen) and Lawrence Levy, chairman of the Committee. Following a change in the definition of "independent directors" and the subsequent re-appointment of the directors, the Committee is no longer composed by a majority of independent directors. Only Q-List is independent director. All three members of the Committee are non-executive directors. The 2009 Code recommends in Annex D that the majority of the Committee members should be independent. In deciding upon the composition of the Committee the Board of Directors used the guideline 5.5 of the 2009 Code that stipulates: "In deciding on the specific composition of a committee, consideration should be given to the needs and qualifications required for the optimal functioning of that committee". Given the preparatory nature of the tasks of the Committee and the fact that all formal decisions are taken by the Board, the Board considers the knowhow of the committee members to be of paramount importance.
- 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. 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.

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- 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.

- **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.

It is currently composed of seven members, namely:

- An Other Look To Efficiency SPRL, represented by Mr. Olivier Lefebvre (permanent representative), independent director, chairman
- Mr. Jan Callewaert, executive director
- Mr. Arnoud De Meyer, non-executive director
- Mr. Lawrence Levy, independent director
- Mr. Jan Loeber, independent director
- Mr. David A. Hytha, non-executive 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 the Annual General Meeting, which will be asked to approve the annual accounts for the year ending in 2011.

The term of the office of Mr. Callewaert, De Meyer, Levy, Loeber 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.

Visinnova BVBA, appointed by decision of the extraordinary general meeting of shareholders held on 26 August 2008, left the Board of Directors in March 2010.

- **Functioning of Board of Directors**

In 2009, the Board of Directors met 25 times, 4 times in person and 21 times via conference call. The average attendance rate amounts to 93.50% (2008: 91.46%), with the following individual attendance rate figures:

Jan Callewaert	100.00%
Arnoud De Meyer	88.00%
Q-List BVBA	100.00%
Jan Loeber	88.00%
David Hytha	92.00%
Lawrence Levy	96.00%
An Other Look To Efficiency	96.00%
Visinnova BVBA	96.00%

- **Related parties transactions**

No transactions occurred in 2009 between the Company (including its related companies) and members of the Board of Directors that triggered the application of the conflict of interest procedure foreseen by the Belgian Code of Companies (Article 523 of the Belgian Code of Companies). 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 is one of the Senior Counsels of this law firm. As previously agreed Mr. Lawrence Levy does not directly work on Option

related matters in his capacity of Senior Counsel of Brown Rudnick LLP.

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 2009, the fees paid to Brown Rudnick LLP amounted to EUR 16k (2008: EUR 38k).

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 2009 the Audit Committee of the Company was composed of two independent directors: Q-List BVBA and An Other Look To Efficiency SPRL, and one non-executive director Mr. Arnoud De Meyer.

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 five times in 2009 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:

Arnoud De Meyer	100.00%
Q-List BVBA	100.00%
An Other Look To Efficiency SPRL	100.00%

- **Remuneration and Nomination Committee**

The Remuneration Committee is composed of one independent director, i.e. Q-List BVBA and two non-executive directors Mr. Arnoud De Meyer and Mr. Lawrence Levy who chairs the Committee. The Remuneration 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 and Officers, and the appointment of the latter. Given the size of the Group, the Remuneration Committee is therefore also combining the function of a nomination committee. The Remuneration Committee met 4 times in 2009 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:

Arnoud De Meyer	75.00%
Lawrence Levy	100.00%
Q-List BVBA	100.00%

- **Strategic Committee**

The Strategic Committee was composed of four directors: Mr. Jan Callewaert, Mr. David Hytha, Mr. Jan Loeber and Visinnova BVBA. The Committee's role is to reflect upon the mid and long term strategy of the Company taking into account the global market evolutions and developments in the telecom sector (and more in general the high tech industry). In addition, the Committee reviews and evaluates major strategic decisions and provides guidance to the Board of Directors. The Strategic Committee met 2 times in 2009 (i.e. two times in person) 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:

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Jan Callewaert	100.00%
Jan Loeber	50.00%
David Hytha	100.00%
Visinnova bvba	100.00%

At the Board meeting of 17 March 2010 it was decided to discontinue the Strategic Committee in order to allow the full Board to participate in the detailed discussions around important strategic decisions.

Remuneration report

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.

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 non-executive 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.

For 2009 the Board decided not to grant any variable compensation for executive managers in view of the difficult financial situation of the Company. For 2010 the variable compensation will be based on Company and individual performance targets. The term of evaluation is yearly at the exception of the VP Global Sales (quarterly).

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. 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.

  In 2009 the Board decided to reduce the amount of the retainer by 25%. This decision is a temporary measure for 2009 and was based on the overall economy and the financial condition of the Company. The remuneration of the Board members for 2009 was therefore as follows.

Name	Board meetings attended		Audit Committees attended	Remuneration Committees attended	Strategic Committees Attended	Total remuneration Thousands EUR
	Physical attendance	calls				
Jan Callewaert (1)	4/4	21/21	N.A	N.A	2/2	49.00 (2008: 48.50)
Arnoud De Meyer	4/4	18/21	8/8	3/4	N.A	49.00 (2008: 49.00)
Q-List BVBA	4/4	21/21	8/8	4/4	N.A	49.00 (2008: 47.00)
Lawrence Levy	4/4	20/21	N.A	4/4	N.A	49.00 (2008: 49.00)
Jan Loeber	4/4	18/21	N.A	N.A	1/2	44.25 (2008: 47.50)
David Hytha	4/4	19/21	N.A	N.A	2/2	48.75 (2008: 45.50)
An Other Look To Efficiency SPRL	4/4	19/21	8/8	N.A	N.A	49.00 (2008: 16.83)
Visinnova BVBA	4/4	19/21	N.A	N.A	2/2	48.75 (2008: 18.08)

(1) Excluding CEO remuneration to Mondo NV

	In EUR
Jan Callewaert	49,000
Arnoud De Meyer	49,000
Q-List	49,000
An Other Look To Efficiency	49,000
Lawrence Levy	49,000
Jan Loeber	44,250
David Hytha	48,750
Visinnova	48,750

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:

Jan Callewaert	50,000
Jan Loeber	50,000
Arnoud De Meyer	50,000
David Hytha	50,000
Lawrence Levy	50,000
Q-List BVBA	30,000
An Other Look To Efficiency SPRL	30,000
Visinnova	30,000(2)
Total	340,000(3)

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

- the warrants are subject to a vesting scheme (20% vested 6 months after the offer; 20% 1 year after the offer, 20% 2 years after the offer, 20% 3 years after the offer and 20% 4 years after the offer);
- the exercise price of the above warrants amounts to EUR 2.84 per warrant for all the members of the Board of Directors;

(2) Following the departure of Visinnova BVBA from the Board of Directors, 18,000 warrants have lapsed.
(3) Following the departure of Visinnova BVBA from the Board of Directors, the total number of warrants held by the Board members amounts to 310,000.

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

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

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

In 2009, the global compensation for the Board of Directors amounted to EUR 387k (2008: EUR 321k).

- **Executive Management Team**

As per 31 December 2009, the Executive Management Team was composed of the following members:

Jan Callewaert[4], Founder and Chief Executive Officer (CEO)
JP Ziegler[5], Chief Financial Officer (CFO)
Philippe Rogge[6], Chief Operating Officer (COO)
Patrick Hofkens, General Counsel & Vice President Strategic Alliances
Chip Frederking, Vice President Sales & Distribution
Bernard Schaballie, Vice President Engineering
Martin Croome, Vice President Marketing

- **Executive officers compensation (Executive Management Team)**

The CEO of the Group (its permanent representative, Mr. Jan Callewaert) controls a management company which performs management services for the Group. The remuneration for these management services in 2009 amounted to EUR 513k (2008: EUR 540k). A success fee of EUR 25k was accrued, related to the successful capital increase. As in 2008, the variable compensation related to 2009 was waived. The CEO received additional benefits for an amount of EUR 32K covering car, fuel and lump sum allowance costs (2008: EUR 34K).

Mr. Jan Callewaert holds directly and indirectly (through Pepper NV) 17.95% of the shares of the Company.

For the year 2009, an aggregate gross amount of EUR 1 829k (2008: EUR 1 404k) was attributed to the other eight members of the Executive Management Team (2008: five members of the Executive Management Team). In 2009 a success fee of EUR 79k was accrued in relation with the successful capital increase. In 2009, an amount of EUR 0k was accrued as variable pay relating to 2009 performance (2008: EUR 108k). For the eight members of the Executive

[4] Mondo NV, a company incorporated and organized under Belgian law, represented by Jan Callewaert.
[5] Brayoe Consultants BVBA, a company incorporated and organized under Belgian law, represented by JP Ziegler
[6] Pirogue Consulting BVBA, a company incorporated and organized under Belgian law, represented by Philippe Rogge.

Management Team, benefits include an extra-legal pension scheme, the cost of which amounted to EUR 76k (2008: EUR 68k). The members of the Executive Management Team received additional benefits for an amount of EUR 67K covering car, fuel, lump sum allowance and hospitalization insurance costs (2008: EUR 64K).

At year end 2009, 375,000 warrants "V" are held by the "current" members of the Executive Management Team (2008 : 325,000 warrants "V"). In the course of 2009 some changes incurred in the members of the Executive Management Team. 10,000 of 50,000 warrants granted to David Whelan in 2008 were vested when leaving the Executive Management Team in 2009. 20.000 of 50.000 warrants granted to Filip Buerms in 2008 were vested when leaving the Executive Management Team in 2009. 30.000 warrants "V" have been granted to Chip Frederking in 2009 on top of the 20.000 warrants which were granted and accepted in 2008. Chip Frederking joined the Executive Management Team in October 2009.

At year end 2009, the following warrants "V" were held by the then "current" members of the Executive Management Team[7]:

Mondo NV (Jan Callewaert)	75,000
Patrick Hofkens	50,000
Bernard Schaballie	50,000
Martin Croome	50,000
Brayoe Consultants BVBA (JP Ziegler)	50,000
Pirogue Consulting BVBA (Philippe Rogge)	50,000[8]
Chip Frederking	50,000
Total	375,000[9]

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 all the members of the Executive Management Team, except Martin Croome (EUR 1.41) and Chip Frederking (20.000 warrants at EUR 1.86 and 30.000 warrants at EUR 0.95);
- 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.
  In the framework of the rights issue of December 2009, Jan Callewaert and Pepper NV have agreed to a lock up during a period of 6 months from the 10th of December 2009.

- **Holders with special rights**
  Pursuant to Article 14 of the bylaws of the Company Mr. Jan Callewaert has a binding proposition right for

[7] In Q1, 2010 Pirogue Consulting (represented by Philippe Rogge) stepped down as COO of the Company.
[8] 20.000 of 50.000 warrants granted to Pirogue Consulting BVBA were vested when leaving the Executive Management Team.
[9] Following the departure of Pirogue Consulting, the number of warrants held by the management team amounts to 325.000 warrants

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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 previous authorization granted by the extraordinary general meeting of shareholders of the Company dated 19 April 2006 has been used in full by the Board of Directors and is therefore depleted. An extraordinary shareholders' meeting has been convened to grant a new authorization to the Board of Directors 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 shall furthermore expressly be 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, which was granted for a 3-year period from 9 September 2008 (date of the publication of the resolution of the extraordinary general meeting of shareholders held on 26 August 2008) shall furthermore be renewed by said extraordinary shareholders' meeting.

  Finally the Board of Directors shall be authorized, for a period of five (5) years as from the date of the publication of the 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.

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

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

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

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

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

In accordance with Article 96 of the Belgian Company Code, the annual report must describe the main risks and uncertainties that Option is confronted with in the market. Whilst most of such risks and uncertainties are related to the evolution of the market in which the Group is active as further outlined in the Review of Operations we would like to specifically mention the following risks and uncertainties (a full description of many of the risks outlined here can be found in our Prospectus dated December 2009, available on our website at www.option.com):

(1) Going concern. As indicated in this report, the Board of Directors is of the opinion that, notwithstanding the existence since the last three 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.

(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 2009 revenues are realized with two global groups of companies representing respectively 15% and 14%, while in 2008 two Groups of companies represented respectively 24% and 16%. The Group deals with the individual affiliated companies who 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.

(5) 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. Furthermore, growth outside Europe is becoming increasingly important and therefore Option becomes exposed to local market instability and impact of exchange difference.

(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

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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. 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.

(10) We may infringe on the intellectual property rights of others. The industry in which we operate 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. 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. In 2009, the Group entered into derivative financial instruments to manage its exposure on the US dollar cash flows. The effect of the foreign exchange contracts has been recognized as exchange rate gains/(losses) in the income statement.

(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 it's 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.

CONFLICTS OF INTERESTS

The conflict of interest procedure as set forth in Article 523 of the Belgian Code of Companies was not applied in 2009. For an overview of the transactions with affiliated parties, we refer to explanation provided above in the corporate governance statement of this annual report.

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 24, 2010
The Board of Directors

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.

On 9 December 2009, the Board of Directors decided in the framework of the authorized capital to increase the capital of the Company with an amount of up to EUR 20,212,155.04 through the issuance of maximum 41,249,296 new shares in Option at a subscription price of EUR 0.49 per share (the Subscription Price). The board of directors has decided to grant a non-statutory preferential subscription right to existing shareholders (the Right) entitling them to subscribe to the new shares in a ratio of 1 new share for 1 Right held in their possession (the Ratio).
On 18 December 2009, the Company (Option NV) announced that, in connection with its 1 for 1 rights offering of 41,249,296 new shares at an offer price of EUR 0.49 per share, it has received subscriptions for 28,832,465 new shares through the exercise of non-statutory preferential rights.

This represents a take up of approximately 69.9% of the offering size of EUR 20,212,155.
Jan Callewaert and Pepper NV have exercised their rights in order to subscribe to new shares for an amount of EUR 3,505,706.
The subscription period for the non-statutory preferential rights has ended on Thursday 17 December 2009. The 12,416,831 rights which have not been exercised during the subscription period have been offered for sale as scrips in the context of a private placement reserved for institutional investors taking place on 18 December 2009.
Investors purchasing scrips have irrevocably undertake to exercise the scrips and subscribe to one new share per scrip at the subscription price of EUR 0.49 per share.
The gross subscribed amount for the shares offered in this placement and during the preferential right subscription period amounted to EUR 20,212,155 (subscription to a total of 41,249,296 shares at EUR 0.49 per share).

The following table shows the shareholding before and after the afore mentioned capital increase:

	Shareholding before the capital increase		Shareholding after the capital increase	
	Shares	% based on total shares	Shares	% based on total shares
Jan Callewaert and Pepper NV	7,154,504	17.34%	14,809,008	17.95%
Free float	34,094,792	82.66%	67,689,584	82.05%
Total	41,249,296	100%	82,498,592	100%

At year-end 2009, all shares, save 1 (one) - which existed in registered form -, were dematerialized.

At year-end 2009, the Company had the following significant shareholders:

Identity of the person, entity or group of persons or entities (*)	Number of shares	Percentage of financial instruments held
Jan Callewaert and Pepper NV (100% owned by Jan Callewaert)	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 to withdraw and destroy the 2 200 000 naked warrants "U" in order to issue 2 500 000 naked warrants "V". The new plan "V" was approved, granting warrants to Directors, members of personnel and other persons designated by name (as listed in the warrant plan "V"). Per year-end 2008, 2 241 540 warrants "V" have been granted (665 000 on August 26, 2008 and 1 576 540 on December 23, 2008) of which 665 000 have been accepted by the Board of Directors and members of the Executive Management Team. After the 2008 balance sheet date 1 169 750 warrants "V" have been accepted by employees and other persons designated by name. In May 2009, 100 000 warrants "V" have been granted to members of the Executive Management Team and accepted.

In December 2009, 30 000 warrants "V" have been granted and accepted by a member of the Executive Management team. At year-end 2009, 2 371 540 warrants "V" have been granted, of which 1 982 450 warrants "V" have been accepted. 328 456 warrants "V" were forfeited during the year. We refer to Note 17 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 Hong Kong Ltd. (Suzhou) Representation Office (China)
- Option Wireless Hong Kong Limited Taiwan Branch (Taiwan).
- Option Wireless USA Inc. (United States of America)
- Multi Mode Multi Media Solutions NV (M4S) (Belgium)
- Multi Mode Multi Media Solutions Wireless Ltd. (M4S) (Ireland)

On the 25th of June 2008, the "Group" acquired Multi Mode Multi Media Solutions (abbreviated "M4s"), a spin off of IMEC and specialized in the 4G development of parts related to radio frequencies.

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) will be transferred to the Leuven (Belgium) R&D site and announced its intention to close the Kamp-Lintfort subsidiary. This liquidation process is ongoing.

REVENUES

Revenues for 2009 decreased by 45,1% to EUR 147 119k, compared with EUR 268 089k in 2008.

Financial Review

GEOGRAPHICAL SPREAD OF SALES

We refer to the note 3 Business segments and geographical spread of the financial statements in this annual report for additional information about the geographical spread of sales.

GROSS MARGIN

We refer to the note 3 Business segments and geographical spread of the financial statements in this annual report for additional information about the geographical spread of sales..

OPERATING EXPENSES

The operating expenses for the full year 2009, including depreciation, amortization and restructuring charges were EUR 81 530k compared to EUR 103 929k for the previous year. This represents a decrease of 21.6%.

PROFIT FROM OPERATIONS (EBIT)

During 2009, EBIT decreased to EUR -54 342k (or -36.9% on revenues), compared to EUR -29 299k (or -10.9% on revenues) for 2008.

EBITDA

EBITDA amounted to EUR -31 630 (or -21.5% on revenues) for the full year 2009, compared to EUR -91k (or -0% on revenues) for 2008 representing a decrease of EUR 31 538k.

FINANCE RESULT

During 2009, Option obtained a negative financial result of EUR –6 673k (2008: EUR -540k). The net exchange rate result, amounted to EUR -5 534k and were mainly due to the continued effect of the weakness of the USD as well as the negative effect of the execution of USD hedging contracts. Option received EUR 80k from risk free investments of the available cash. The Other financial costs of EUR -1 139k are mainly related to paid interests with respect to the current credit line facilities as well as bank charges, penalty fees and payment differences.

NET RESULT AND EARNINGS PER SHARE

The earnings per share were as follows in 2009:
Net result, for the full year 2009, amounted to EUR –53 682k or EUR –1.27 per basic and diluted share. This compares to a net result of EUR -19 001k or EUR -0.46 per basic and diluted share during 2008. Net result decreased by EUR 34 681k compared to 2008.

BALANCE SHEET

At year-end 2009, total assets amounted to EUR 125 272k compared to EUR 171 094k at the end of the previous year.

Cash and cash equivalents decreased over the year from EUR 33 328k to EUR 30 664k at the end of 2009, including EUR 8 347k which has been drawn from existing credit lines and EUR 20 212k resulting from the capital increase.

Trade and other receivables decreased from EUR 44 819k at the end of 2008 to EUR 16 254k at the end of 2009.

This decrease was attributable to the trade receivables which decreased from EUR 42 857k to EUR 14 278k and 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 decreased from EUR 32 894k at the end of last year to EUR 17 336k at the end of 2009.
This lower inventory position is explained by decreased positions of the work in progress (EUR -8 433k), finished goods (EUR -4 486k) and the raw material position, (EUR -2 479k) compared to 2008.

The net book value of intangible and tangible fixed assets was EUR 30 542k at the end of 2009, compared with EUR 37 031k as at 31 December 2008. During 2009, the total investments in tangible assets, mainly test equipment, amounted to EUR 934k (2008: EUR 2 833k) and the Group invested EUR 16 161k (2008: EUR 23 010k) in intangible assets of which EUR 15 929k (2008: EUR 21 943k) for capitalized development projects and investments of EUR 232k (2008: EUR 1 067k) mainly related to licenses

Total current liabilities decreased during the year to EUR 59 040k in 2009, compared with EUR 69 983k in 2008. This decrease is mainly driven by a decrease in trade and other payables (EUR -24 758k) and an increase in provisions, (EUR +5 092k) mainly as a result of the set up of a restructuring provision (representing EUR + 5 912k) and other financial liabilities (EUR +8 559k) as a result of the use of the existing credit lines.

The total other non-current liabilities decreased from EUR 16k in 2008 to EUR 0k in 2009, since this liability became current.

The Group generated a deferred tax liability mainly as a result of the capitalization of the commercial development projects under IFRS. In 2009, this deferred tax liability decreased by EUR 820k which was nearly fully related to development projects.

The deferred tax assets were EUR 30 050k at the end of 2009 or an increase of EUR 7 637k compared to year end 2008, mainly resulting from tax losses carried forward in the first two quarters of 2009. As of the third quarter in 2009, the Group stopped accounting for positive tax results on the losses made in Option NV, as the deferred tax asset on the balance sheet represented 22% of the total assets at that time. The Group has determined that it is prudent to cap the deferred tax assets at this level.

On a balance sheet total of EUR 125 272k, the total shareholders' equity represented EUR 64 339k. Therefore, at the end of 2009, the Group solvency ratio was 51.4%, compared to 57.9% in 2008.

The cash flow generated from operating activities during 2009 represented EUR -12 476 compared to EUR 22 578k in the previous year.

APPROPRIATION OF THE NON-CONSOLIDATED RESULT

The statutory accounts of Option NV (Belgian GAAP) reported a net loss for the year 2009 of EUR –17 418k, compared with a net loss of EUR -39 124k in 2008.

The Board of Directors proposes to carry forward the non-consolidated net loss of EUR -17 418k of 2009.

Abridged appropriation account (According to Belgian Accounting Standards)		
31 December - in thousands EUR	2009	2008
Profit/ (loss) carried forward from previous year	(26 714)	(12 410)
Profit/ (loss) for the period available for appropriation	(17 418)	(39 124)
Profit/ (loss) to be appropriated	(44 132)	(39 124)
Legal reserve	-	-

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

Year ended 31 December		2009	2008
	Note	€000	€000
Revenues	3	**147 119**	**268 089**
Cost of products sold[(1)]	4	(117 540)	(193 458)
Gross Margin excl. restructuring charges		**29 579**	**74 630**
Restructering charges		(2 391)	-
Gross Margin		**27 188**	**74 630**
Restructering charges		(6 923)	-
Research and Development expenses[(1)]	4-5	(31 808)	(42 749)
Sales, marketing and royalties expenses[(1)]	4-5	(26 896)	(41 375)
General and administrative expenses[(1)]	4-5	(15 903)	(19 806)
Total Operating expenses		**(81 530)**	**(103 929)**
Result from operations		**(54 342)**	**(29 299)**
Finance costs	6	(6 768)	(2 477)
Finance income	6	95	1 937
Finance result-net		**(6 673)**	**(540)**
Profit / (loss) before income taxes		**(61 015)**	**(29 839)**
Tax benefits (expenses)	7	7 333	10 838
Net Result		**(53 682)**	**(19 001)**
Earnings per share			
Basic weighted average number of ordinary shares		42 266 402	41 249 296
Diluted weighted average number of ordinary shares		42 266 402	41 249 296
Basic earnings / (loss) per share	18	(1.27)	(0.46)
Diluted earnings / (loss) per share	18	(1.27)	(0.46)

[(1)]These amounts are excluding restructuring charges

Consolidated statement of comprehensive income

Year ended 31 December	Note	2009	2008
		€000	€000
Profit / (Loss) for the period		**(53 682)**	**(19 001)**
Other comprehensive income			
Exchange difference arising on translation on foreign operations		(238)	(164)
Other comprehensive income for the period (net of tax)		(238)	(164)
Total comprehensive income for the period attributable to the owners of the parent		**(53 920)**	**(19 165)**

Consolidated statement of financial position

Year ended 31 December	Note	2009	2008
		€000	€000
ASSETS			
Intangible assets	8	21 385	20 740
Property, plant and equipment	9	9 157	16 291
Deferred tax assets	7	30 050	22 413
Other non current assets	10	328	383
Total non-current assets		**60 921**	**59 827**
Inventories	11	17 336	32 894
Trade and other receivables	10	16 254	44 819
Cash and cash equivalents	12	30 664	33 328
Other financial assets	13	0	0
Income tax receivable	7	97	227
Total non-current assets		**64 351**	**111 268**
Total assets		**125 272**	**171 094**

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Year ended 31 December	Note	2009	2008
		€000	€000
LIABILITIES AND SHAREHOLDERS' EQUITY			
Issued capital	17	12 232	6 116
Share premium	17	**57 961**	**43 865**
Reserves	17	(921)	352
Retained earnings / (losses)	17	**(4 933)**	**48 749**
Total shareholders' equity		64 339	99 082
Deferred tax liabilities	7	1 893	2 013
Other non current liabilities	13	-	16
Total non-current liabilities		**1 893**	**2 029**
Trade and other payables	14	42 595	67 353
Provisions	15	7 529	2 437
Other financial liabilities	13	8 648	89
Income tax payable		268	104
Total non-current liabilities		**59 040**	**69 983**
Total liabilities and shareholders' equity		**125 272**	**171 094**

Consolidated statement of cash flows

Year ended 31 December	Note	2009	2008
		€000	€000
OPERATING ACTIVITIES			
Net Result (A)		(53 682)	(19 001)
Amortization of intangible assets	8	13 459	15 001
Depreciation of property, plant and equipment	9	6 541	6 499
Loss/(gains) on sale of property, plant and equipment		**839**	**157**
Loss/(gains) on sale of intangible assets		22	-
(Reversal of) write-offs on current and non current assets		7 861	4 090

Year ended 31 December	Note	2009	2008
		€000	€000
Impairment losses on intangible assets	8	2 034	7 707
Impairment losses on tangible assets	9	678	-
Increase / (decrease) in provisions	15	5 434	(1 639)
Loss/(gain) on reevaluation of fair value through profit or loss financial assets		-	(473)
Unrealized foreign exchange losses/(gains)		506	(398)
Interest (income)	6	(80)	(813)
Interest expense	6	709	149
Equity settled share based payment expense	17	663	154
Tax benefit	7	(7 332)	(10 838)
Total (B)		**31 335**	**19 596**
Cash flow from operating activities before changes in working capital (C)=(A)+(B)		**(22 347)**	**595**
Decrease / (increase) in inventories		8 021	1 888
Decrease / (increase) in trade and other receivables		28 481	10 860
Increase / (decrease) in trade and other payables		(25 898)	7 206
Use of provisions		(342)	(1 900)
Total changes in working capital (D)		**10 262**	**18 054**
Cash generated from operations (E)=(C) + (D)		(12 085)	18 649
Interests (paid) (F)		(412)	(29)
Interests received (G)		79	1 217
Income tax (paid)/received (H)		(58)	2 741
CASH FLOW FROM OPERATING ACTIVITIES (I)=(E)+(F)+(G)+(H)		**(12 476)**	**22 578**
INVESTING ACTIVITIES			
Acquisition of intangible assets	8	(232)	(1 067)
Expenditures on product development	8	(15 929)	(21 943)
Acquisition of property, plant and equipment	9	(934)	(2 833)
Proceeds from sale of intangible assets	8	8	-
Proceeds from sale of property, plant and equipment	9	-	22
CASH FLOW USED IN INVESTING ACTIVITIES (J)		**(17 087)**	**(25 821)**

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Year ended 31 December	Note	2009	2008
		€000	€000
FINANCING ACTIVITIES			
Proceeds from issue of share capital	17	20 212	-
Payment for capital increase costs	13	(1 698)	-
Proceeds from finance lease liability	13	43	-
Proceeds from borrowings	13	8 574	29
Repayment of borrowings	13	(74)	(75)
CASH FLOW USED IN FINANCING ACTIVITIES (K)		**27 057**	**(46)**
Net increase/(decrease) in cash and cash equivalents = (I)+(J)+(K)		(2 506)	(3 288)
Cash and cash equivalents at beginning of year	12	33 328	36 299
Effect of foreign exchange difference		(158)	317
Cash and cash equivalents at end of year	12	30 664	33 328
Difference		**(2 506)**	**(3 288)**

Consolidated statement of shareholders' equity

Thousands EUR	Note	Issued capital	Share premium	Share-based payment reserve	Foreign currency translation reserves	Share issue costs	Retained earnings / (losses)	Total
At 1 January 2008		**6 116**	**43 865**	**360**	**3**	**-**	**67 750**	**118 094**
Net result		-	-	-	-		6 432	6 432
Share based payments	17	-	-	153	-	-	-	153
Translation adjustment	17	-	-	-	(164)	-	-	(164)
At 31 December 2008		**6 116**	**43 865**	**513**	**(161)**	-	**48 749**	**99 082**
Net result		-	-	-	-		(53 682)	(53 682)
Share based payments	17	-	-	663	-	-	-	663
Translation adjustment	17	-	-	-	(238)	-	-	(238)
Share issue costs	17					(1 698)		(1 698)
Issuance of new shares	17	**6 116**	**14 096**	**-**	**-**	-	**-**	**20 212**
At 31 December 2009		**12 232**	**57 961**	**1 176**	**(399)**	(1 698)	**(4 933)**	**64 339**

Consolidated Financial Statements

NOTE 1: CORPORATE INFORMATION

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

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

The consolidated financial statements of the Company for the year ended 31 December 2009 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 24, 2010 and signed on its behalf by Mr. Jan Callewaert.

BASIS OF PREPARATION

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

STATEMENT OF COMPLIANCE

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

BASIS OF CONSOLIDATION

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

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

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

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

- Income statement: restructuring charges, contributable to “cost of products sold” and “operating expenses” are presented on a separate line in the consolidated income statement, which will allow to compare aforementioned costs and expenses (excluding restructuring charges)

reported in the current period 2009 with those reported in prior reporting periods. In 2008 no restructuring charges occurred.
- Accounting policies : the Group has added and disclosed the accounting policy with respect to restructuring provisions. (see Note 2 – Significant Accounting Policies – (10) Provisions)

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:
- IAS 1 – Revised presentation of Financial Statements (issued in September 2007 and become effective for financials years beginning on or after 1 January 2009);
- Amendment to IAS 23 – Borrowing costs (issued in April 2007 and become effective for financial years beginning on or after 1 January 2009);
- Amendment to IAS 32 – Financial instruments: presentation and IAS 1 – Presentation of financial statements - Puttable financial instruments and Obligations arising on liquidation (issued in February 2008 and become effective for financial years beginning on or after 1 January 2009);
- Amendment to IFRIC 9 – Reassessment of Embedded derivatives and IAS 39 – Financial instruments: Recognition and Measurement (issued in March 2009 and become effective for annual periods ending on or after 30 June 2009);
- Amendment to IFRS 1 and IAS 27 – Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate (issued in May 2009 and become effective on or after 1 January 2009);
- IFRS 1 – Revisions to IFRS1 on first time adoption on IFRSs (issued in December 2008 and become effective on or after 1 January 2009);
- Amendment to IFRS 2 – Vesting Conditions and Cancellations (issued in January 2008 and become effective for financial years beginning on or after January 2009);
- Amendment to IFRS 7 – Financial instruments: Enhancing Disclosures about Fair Value and liquidity risk (issued in March 2009 and become effective for financials years beginning on or after January 2009);
- IFRS 8 – Operating segments (applicable for accounting years beginning on or after 1 January 2009);
- IFRIC 13 - Customer Loyalty Programs, new interpretations (issued in June 2007 and effective for financial years beginning on or after 1 July 2008);
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation, effective for financial years beginning on or after 1 October 2008;
- IFRIC 18 – Transfers of Assets from Customers (issued in February 2009 and effective for transfers received on or after 1 July 2009);
- Improvements to IFRS (2007-2008) – Various improvements issued in May 2008 which became effective in various periods, mainly on 1 January 2009);
- IFRS for SMEs – IFRS for Small and Medium-sized Entities (issued in July 2009 and effective in July 2009).

These standards and interpretations did not have any effect on the financial performance or position of the Group, except IAS1 and IFRS8. This gives rise to additional disclosures, including, in some cases, revisions to accounting policies.

The principal effects of these changes are as follows:

- IAS 1 Revised Presentation of Financial Statements. The revised Standards was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standards separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owners change in equity. The Group has decided to present a separate ‘income statement’ and a separate ‘statement of comprehensive income’.

- Amendment to IAS 23 Borrowing Costs. A revised IAS 23 Borrowing costs was issued in April 2007, and becomes effective for financial years beginning on or after

1 January 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. This revision has no impact on the financial statements of performance of the Group.

- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation. These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfill a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Group, as the Group has not issued such instruments.

- Amendment to IFRIC 9 – Reassessment of Embedded derivatives and IAS 39 – Financial instruments : Recognition and Measurement. Following the amendments to IAS 39 in October 2008, which permitted reclassification out of the FVTPL category for certain held-for-trading financial assets in limited circumstances IAS 39 was amended to make clear that an entity is required to assess whether an embedded derivative is closely related to the host contract at the date of reclassification. This amendment became effective on 30 June 2009 and has no impact on the financial position or performance of the Group, as the Group does not hold such assets.

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements. The amendments to IFRS 1 allow an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement of the separate financial statement. Both revisions will be effective for financial years beginning on or after 1 January 2009. The requirements do not have impact on the consolidated financial statements.

- IFRS 1 – Revisions of IFRS 1 on First-time Adoption of IFRSs. Those revisions are designed to make the Standard clearer and easier to follow by reorganizing and moving to appendices most of the Standard's numerous exceptions and exemptions. Those revisions became effective on 1 January 2009 and have no impact on the position or performance of the Group.

- Amendment to IFRS 2 Share-based Payment – Vesting conditions and cancellations. The IASB issued an amendment to IFRS 2 in January 2008 that clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. This interpretation becomes effective for financial years beginning on or after 1 January 2009. It did not have an impact on the financial position of performance of the Group as no events occurred that this interpretation relates to.

- Amendment to IFRS 7 – Financial instruments: Enhancing Disclosures about Fair Value and Liquidity risk. The amendments clarify the scope of items to be included in the maturity analysis required under IFRS 7 by changing the definition of liquidity risk to state that liquidity risk only includes financial liabilities that are settled by delivering cash or another financial asset. This results in the exclusion of financial liabilities that are settled by the entity delivering its own equity instruments or non-financial assets. Furthermore, the amendments specify different liquidity risk disclosure requirements for derivative and non-derivative financial liabilities. Those amendments came effective on 1 January 2009 and have no impact on the financial position or performance of the Group.

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- IFRS 8 – Operating segments. This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Group has adopted IFRS 8 with effect from 1 January 2009 (We refer to Note 3 – Business segments and geographical spread)

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

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

- IFRIC 18 – Transfers of Assets from Customers. This new interpretation was issued to address divergent practice in the accounting by recipients for transfers of property, plant and equipment from 'customers'. This interpretation become effective for transfers made on or after 1 July 2009 and has no impact on the financial statements of the Group since no such transfers of assets incurred in 2009.

- Improvements to IFRS (2007-2008). In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The Group has adopted those improvements were appropriate.

- IFRS for SME's – IFRS for Small- and Medium-sized Entities. The IFRS for SMEs provides an alternative framework that can be applied by eligible entities in place of the full set of IFRSs in issue; It is intended for use by entities that do not have public accountability. Since the Group, as a public entity, provides a full set of IFRSs, this new standard has no effect on the financial statements and 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.

Standards and Interpretations in issue not yet adopted

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

- 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.

- 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 of 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.

- Amendments to IAS 39 financial instruments: presentation – Eligible Hedged Items. These amendments to IAS 39 were issued in July 2008 and become applicable for annual periods beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of the financial instrument as hedged item. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group.

- Amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards - Additional Exemptions. These amendments were issued in August 2009 and become effective for annual periods beginning on or after 1 January 2010. The amendments to IFRS 1 provide additional exemptions for first-time adopters relating to oil and gas assets and arrangements containing leases. This amendment will have no impact on the financial position or performance of the Group.

- Amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards – IFRS 7 exemptions. These amendments become effective for annual periods beginning on or after 1 July 2010. The revisions are designed to make the Standard clearer and easier to follow by reorganizing and moving to appendices most of the Standard's numerous exceptions and exemptions. Those revisions will have no impact on the financial position or performance of the Group.

- Amendment to IFRS 2 Share-based Payments. These amendments were issued in June 2009 and become effective for financial year beginning on or after 1 January 2010. This amendment provides additional guidance on the accounting for share-based payment transactions among group entities. The Group is evaluating whether it will have impacts.

- IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial statements. The revised standards were issued in January 2008 and become effective to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after 1 July 2009. IFRS 3 introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognized. IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. The standards may be early applied. However, the Group does not intend to take advantage of this possibility.

- IFRS 9 Financial Instruments : Classification and Measurement. This new standard was issued in November 2009 and become effective for financial years beginning on or after 1 January 2013. This Standard introduces new requirements for the classification and measurement of financial assets. The Standard may be early applied. However, the Group does not intend to take advantage of this possibility.

- 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 'The limit on a Defined Benefit Assets, Minimum Funding requirements and their interaction' 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.

IFRIC 15 Agreement for the construction of real estate. IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2010. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. IFRIC 15 will not have an impact on the consolidated financial statement because the Group does not conduct such activity.

- IFRIC 17 Distributions of Non-cash Assets to Owners. The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. This interpretation become effective on 1 July 2009 and has no impact on the financial statements of the Group, since the Group did not distribute non-cash assets to owners.

- 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.

- Improvements to IFRS (2008-2009). Have been issued in April 2009 and most of them will be effective on or after 1 January 2010. This is the second omnibus Standard published under the IASB's annual improvement process which is intended to deal with minor amendments to Standards. The Group has adopted the improvement of IFRS 8 which required disclosure of total assets per segment, only when such amounts are regularly provided to the Chief Operating decision maker. Since the Group didn't provide amounts of total assets per segment the Group has adopted this improvement.

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

ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date.
The Group uses estimates in its normal course of business to evaluate the warranty, excess and obsolete inventory, the doubtful debtors, the useful life of R&D projects, the valuation of intellectual properties, the derivative financial instruments and other reserves. Actual results could differ from these estimates.

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

Operating Lease as Lessor

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

Going concern

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

- the successful capital increase for an amount of EUR 20,212,155 which will help to secure the Group's future working capital needs;

- the Groups ongoing efforts to secure additional liquidity in addition to the successful fundraising in December 2009 and continued efforts to strengthen the Groups working capital position. In that respect the Company is in constant discussions with ING and Dexia as well as other institutions that could help with this exercise. The credit lines from ING and Dexia have a number of covenants. However, because of the incurred losses the Groups net equity has fallen below the threshold and thus the Group is at present in breach of the equity covenant. The Company is discussing a possible temporary waiver for this covenant with ING and Dexia.
- the continued focus on cost reduction for which it is expected that overall expenses will be reduced compared to 2009;
- the further development of its strategy of integrating the devices, software and service activities into a single offering;
- The budget prepared by the management and approved by the Board of Directors has a realistic and conservative approach.

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 2009, the best estimate of the carrying amount of capitalized development costs was EUR 19 616k (2008: EUR 17 508k), 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 2009, the company has recognized impairment losses on the capitalized development projects for EUR 1 993k (2008: EUR 7 707k), Further details, including a sensitivity analysis of key assumptions, are given in Note 8.

Deferred Tax Assets

Deferred tax assets are recognized 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 utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognized tax losses at 31 December 2009 was EUR 72 530k (2008: EUR 47 870k). As of the third quarter 2009, the Group stopped accounting for deferred tax assets. The Group had determined that it is prudent to cap the deferred tax asset al this level since it is no longer probable that sufficient taxable profits will be available in the foreseeable future to allow the asset to be recovered. These losses do not expire and may not be used to offset taxable income elsewhere in the Group. Further details are contained in Note 7.

Warranty provision

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

At 31 December 2009, the estimated provision for warranty is EUR 510k (2008: EUR 847k). Further details are given in Note 15.

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 31 December 2009, the estimate of this restructuring provision including the direct expenditures is EUR 5 912k. Further details are given in Note 15.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES AND POLICIES WITH RESPECT TO GRANTS

(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, router, embedded wireless modules and software products. Customers of the Group are Value added Resellers, Original Equipment Manufacturers, wireless service providers, global operators and end-users.

Revenue from products is recognized by the Group when

- persuasive evidence of an arrangement exists,

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

If any of these criteria are not met, recognition of revenues is deferred until such time as all of the criteria are met.
Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty.
The Company's product sales are generally not sold with a right of return unless the product is defective and covered by the warranty clause (See also Note 15).
The Company's sales typically include multiple product and/or service elements such as technical support for its products. In that case the total revenue is allocated to the fair value of the individual elements, each of which are then recognized in accordance with the accounting principle applicable to that element. Where the fair value of one or more of the elements cannot be determined, the revenue is spread over the expected remaining contractual lifetime.
Although the products sold have embedded software, the Group believes that software is incidental to the products they provide.

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

A part of the company's revenues have been derived from collaboration agreements. Pursuant to such collaborations, the group agrees to conduct research and test projects, as defined in the contract.
Most of these agreements provide for upfront fees for technology access, license fees and significant milestone fees.
Upfront non-refundable fees are only recognized as revenue at fair value when products are delivered and/or services are rendered in a separate transaction and the Group has fulfilled all conditions and obligations under the related agreement. In case of continuing involvement of the Group, the upfront fee would not be regarded as a separate transaction and the upfront non refundable fees will be deferred at fair value over the period of the collaboration.
Research milestone earnings are recognized as revenues when irrevocably earned, unless the Group has continuing involvement in the program. In such case the milestone revenue is only recognized in full to the extent cost has been incurred in light of the overall estimated project revenues and expenses.

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

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

Any cash discount is netted against revenue.

(3) ROYALTIES BASED ON THE SALE OF PRODUCTS

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

(4) TAXES

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

Current income tax

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

Deferred income tax

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

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

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

(5) INVENTORIES

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

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

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

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

(6) PROPERTY PLANT AND EQUIPMENT

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

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

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

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

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

(7) LEASES

Lease operations can be divided into two types of lease:

Finance lease

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

Operating lease

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

(8) INTANGIBLE ASSETS

Intangible assets acquired separately are measured upon initial recognition at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.
Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end.
Gains or losses arising from derecognizing of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

(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 17.

(13) FINANCIAL ASSETS AND LIABILITITES

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

Trade and other receivables

Trade debtors and other amounts receivable are shown on the balance sheet at nominal value (in general, the original amount invoiced) less an allowance for doubtful debts.
Such an allowance is recorded in the income statement when it is probable that the Group will not be able to collect all amounts due.
Customers for which overdue amounts rise from commercial discussions, are provided against revenue. In those cases, where the credit risk arise from the possibility that customers may not be able to settle their obligations as agreed, are provided against an allowance for doubtful debtors. Even if one particular brand or a global mobile operator would represent a substantial percentage of the Group's trade receivables, the Group is dealing with the individual affiliated operator who is free to negotiate and manage its own contracts and placement of purchase orders. All these affiliated operators have different credit risk profiles and benefit from different terms and conditions.
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 recognized 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 is computed based on the weighted average number of ordinary shares outstanding during the period.
Diluted net earnings per share is computed based on the weighted average number of ordinary shares outstanding including the dilutive effect of warrants.

(17) SEGMENT REPORTING

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

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

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 asses their performance.

NOTE 3: BUSINESS SEGMENTS AND GEOGRAPHICAL SPREAD

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

Although Option has an extended product range, the Group believes that, as the products have similar economic characteristics, they are similar in each of the following categories:

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

The Group has adopted IFRS 8 "Operating Segments" with effect from 1 January 2009. 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.

- 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 "External devices" business segment produces data cards, USB devices, routers and software products;
- The "Module" business segment is principally the production of embedded devices or modules;
- The "Other" business segment is mainly related to sales of components, accessories and non recurring engineering fees.

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

	Revenues from external customers		Segment result	
	2009	2008	2009	2008
External devices	113 914	233 794	(46 151)	(27 050)
Modules	29 755	27 920	(6 531)	(4 500)
Other	**3 450**	**6 374**	**(1 661)**	**2 251**
Totals	**147 119**	**268 089**	**(54 343)**	**(29 299)**
Finance (costs) / income			**(6 673)**	**(540)**
Income taxes / (expenses)			**7 333**	**10 838**
Net result			**(53 682)**	**(19 001)**

The segment result represents the result for each segment including the operating expenses. Part of those operating expenses, being depreciations, amortizations, impairments and royalty expenses are directly allocated to the segment. The remaining operating expenses have been allocated to the segments based on an allocation key, being the percentage of revenue generated by this segment.

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.

60% of the Group's revenues in 2009 are obtained within Europe compared with 72% in 2008. 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	2009	2008
Europe	60%	72%
Americas	17%	13%
Asia-Pacific	17%	10%
Other	6%	5%

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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		Impairment on property, plant and equipment		Amortization on intangible assets		Impairment loss on intangible assets		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Cost of products sold	454	386	-	-	7	-	-	-	461	386
Operating Expenses including:										
- Research and development expenses	5 290	5 200	678	-	13 210	14 749	2 034	7 707	21 212	27 656
- Sales, marketing and royalties expenses	73	96	-	-	57	95	-	-	130	191
- General and administrative expenses	724	818	-	-	185	158	-	-	909	976
Total	**6 541**	**6 500**	**678**	**-**	**13 459**	**15 002**	**2 034**	**7 707**	**22 712**	**29 209**

In 2009, the Group reviewed the existing capitalized R&D projects which resulted in an impairment of EUR 1 993k (2008: EUR 7 707k) mainly having its source in changing technologies and fast changing market conditions. The announced close down of the Kamp-Lintfort R&D facility resulted in an impairment of EUR 41k on intangible assets (mainly software) and an impairment of EUR 678k on property, plant and equipment.
The research and development expenses that were expensed as incurred amounted to EUR 12 044k (2008: EUR 12 885k).

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

Thousands EUR	2009	2008
Cost of products sold	4 098	5 135
Research and development expenses	5 604	4 411
Sales, marketing and royalties expenses	7 320	7 226
General and administrative expenses	6 297	7 193
Total excluding restructuring	**23 319**	**23 965**
Restructuring charges	**6 320**	**-**
Total including restructuring	**29 639**	**23 965**

In 2009 an amount of EUR 6 320k (2008: EUR 0k) relates to payroll related restructuring charges. We refer to note 5: Payroll and related benefits of the financial statements in this annual report for further information.

OPTION WIRELESS TECHNOLOGY

Cost of products sold

At year-end 92.9%, or EUR 111 399k of the cost of product sold relates to materials (2008: 94.5% or EUR 182 755k)

NOTE 5: PAYROLL AND RELATED BENEFITS

Thousands EUR	2009	2008
Wages and salaries	16 012	16 473
Social security contributions	4 870	5 480
Other personnel expenses	1 775	1 213
Contributions to pension plan	662	798
Payroll related restructuring charges	6 320	-
	29 639	23 965
a) Total number of people registered at year-end	411	679
b) Average number of people registered in full time equivalent	537	656
Direct and indirect labor	160	226
Employees	372	425
Management	5	5

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 662k (2008: EUR 798k).

NOTE 6: FINANCE RESULT-NET

Thousands EUR	2009	2008
Interest income	80	813
Net foreign exchange gains	-	-
Change in fair value of the existing derivative financial instruments	-	1 054
Other	16	70
Finance income	95	1 937
Interest expense	(709)	(149)
Change in fair value of the existing derivative financial instruments		(481)
Net foreign exchange losses	(5 535)	(1 697)
Other, mainly bank charges and payment differences	(523)	(150)
Finance costs	(6 768)	(2 477)
Finance net result	**(6 673)**	**(540)**

The net foreign exchange result amounted to EUR -5 535k or -3.7% of total revenues of 2009 (2008: EUR -1 697k or -0.06% of total revenues of 2008) mainly due to realized losses on USD hedging contracts (see also the accounting policy 1 in note 2).

In 2008 and 2009, the Group entered into derivative financial instruments to manage its exposure on the US dollar cash flows. All derivatives are recorded at fair value and classified as trading, which means that all volatility through changes in the fair value is recorded through the income statement as a financial result. All contracts related to those financial instruments expired before year-end 2009. The net foreign exchange loss resulting from those derivative financial instruments amounted to EUR 3 051k (2008: gain of EUR 573k) and is recognized in the income statement as a financial loss.

NOTE 7: INCOME TAX

Thousands EUR	2009	2008
Tax benefit/(expense) comprises:		
Current tax benefit/(expense)	(329)	111
Deferred tax benefit/(expense)	7 662	10 727
Total tax income/(expense)	**7 333**	**10 838**
Result before tax	(61 015)	(29 839)
Tax benefit / (expense) calculated at 33.99%	20 739	10 142
Effect of non-taxable income	(219)	(173)
Effect of expenses that are not deductible in determining taxable profit	(768)	(1 607)
Effect of deferred tax benefit not taken in the second half of the year	(8 246)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(4 172)	2 476
Tax income/(expense) recognized in the income statement	**7 333**	**10 838**

The tax rate used for the 2009 and 2008 reconciliations above is the corporate tax of 33.99% payable by companies in Belgium under Belgian tax law.

The loss recorded in 2009 gave rise to a significant tax loss in the Company (Option NV) and has lead to a deferred tax benefit for the group in 2009. However as from the third quarter 2009, the Group didn't account for tax benefits resulting from the losses arised in the Company (Option NV). The Group has determined that it is prudent to cap the deferred tax assets at this level.

DEFERRED INCOME TAX

	Consolidated Balance Sheet			
	Assets		Liabilities	
Thousands EUR	2009	2008	2009	2008
Property, plant and equipment	272	179		-
Intangible assets	3 535	4 588	(1 874)	(1 963)
Inventories		-	(19)	(50)
Other items	1 261	1 131		-
Tax value of loss carry forwards	24 982	16 515		-
Gross tax assets/(liabilities)	**30 050**	**22 413**	**(1 893)**	**(2 013)**
Netting by taxable entity	-	-	-	-
Deferred tax assets/(liabilities)	**30 050**	**22 413**	**(1 893)**	**(2 013)**

The deferred tax asset following losses carried forward resulted from the 2007, 2008 and partly the 2009 negative result.

The losses carried forward in 2009 of EUR 48 745k resulted in an additional deferred tax asset of EUR 8 467k at year end 2009. As from the third quarter 2009, the Group didn't account for the deferred tax asset resulting from the tax losses realized in the Company (Option NV).
The timing difference in net book value of intangible assets between taxable basis and IFRS basis resulted in a deferred tax asset of EUR 3 535k. The other deferred tax assets in 2009 resulted mainly from temporary tax differences with respect to accrued royalty charges.

The Group is of the opinion that those deferred tax assets can be recognized due to the fact that:
- The main part of the tax asset is related primarily to the same taxation authority;
- The use of the tax losses carried forward is unlimited in time, except for the notional interest deduction which is limited to a 7 year period. An amount of EUR 2.8 million expires in 2014, an amount of EUR 2.6 million expires in 2015 and an amount of EUR 974k expires in 2016;
- The Group has a track record in utilizing tax losses carried forward in the past and;
- Moreover, it is more likely than not that sufficient future profits are foreseen to recover those tax losses carried forward.

The capitalization of development expenses under IFRS in one entity of the Group resulted in a deferred tax liability of EUR 1 874k.

NOTE 8: INTANGIBLE ASSETS

Thousands EUR	Capitalized development	Concessions, patents, licenses	Software	Total 2009
Acquisition cost				
Balance at 1 January 2009	**66 065**	**8 910**	**2 692**	**77 667**
Effect of movements in foreign exchange	-	-	-	-
Additions	-	15	217	232
Expenditures on product development, net of grants received	15 929	-	-	15 929
Transfer to other asset categories	-	-	-	-
Disposals	-	-	(30)	(30)
Other movements	-	-	-	-
Balance at 31 December 2009	**81 994**	**8 925**	**2 879**	**93 798**
Amortization and impairment loss				
Balance at 1 January 2009	**(48 557)**	**(6 452)**	**(1 918)**	**(56 927)**
Effect of movements in foreign exchange	-	-	-	-
Amortization		(1 321)	(310)	(1 631)
Amortization for expenditures on product development	(11 828)	-	-	(11 828)
Impairment loss	(1 993)	-	(41)	(2 034))
Disposals	-	-	7	7
Transfer to other asset categories	-	-	-	-
Balance 31 December 2009	**(62 378)**	**(7 773)**	**(2 262)**	**(72 413)**
Carrying amount				
at 1 January 2009	**17 508**	**2 458**	**773**	**20 740**
at 31 December 2009	**19 616**	**1 152**	**617**	**21 385**

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

In 2009, the Group obtained from the Flemish Innovation Institute (IWT or "Instituut voor de aanmoediging van Innovatie door Wetenschap en Technologie in Vlaanderen") a grant of EUR 607k to support the Groups innovation efforts on product development. The main part of this grant (EUR 486k) has been received in the course of 2009. The remaining part will be received during the first half of 2010.

IMPAIRMENT OF INTANGIBLE ASSETS WITH DEFINITE USEFUL LIFE

In 2009, the Group reviewed the existing capitalized R&D projects which resulted in an impairment of EUR 1 993k (2008: EUR 7 707k) 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 2010. The value was determined based on an estimate of the projected contributions from these development projects in the coming quarters.

Of this impairment in 2009, EUR 1 993k (2008: EUR 5 011k) related to the early termination of development projects and EUR 0k (2008: EUR 2 696k) resulted from the difference between the carrying amount and the value for specific development projects.

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

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

Thousands EUR	Machinery and computer equipment	Furniture and Vehicles	Leasehold improve-ments	Under construction	Total 2009
Acquisition cost					
Balance at 1 January 2009	**35 177**	**2 171**	**1 771**	**-**	**39 119**
Effect of movements in foreign exchange	(1)	-	-	-	(1)
Additions	817	30	87	-	934
Disposals	(2 547)	(89)	(17)	-	(2 653)
Transfer to other asset categories	-	-	-	-	-
Balance at 31 December 2009	**33 446**	**2 112**	**1 841**	**-**	**37 399**
Depreciation					
Balance at1 January 2009	**(20 730)**	**(1 168)**	**(930)**	**-**	**(22 828)**
Effect of movements in foreign exchange	-	-	-	-	-
Depreciation	(5 937)	(323)	(281)	-	(6 541)
Impairment loss	(648)	(30)	-	-	(678)
Disposals and cancellation	1 716	72	17	-	1 805
Transfer to other asset categories	-	-	-	-	-
Balance at 31 December 2009	**(25 599)**	**(1 449)**	**(1 194)**	**-**	**(28 242)**
Carrying amount					
at 1 January 2009	14 447	1 003	841	-	16 291
at 31 December 2009	7 847	663	647	-	9 157
Acquisition cost					
Balance at 1 January 2008	**32 997**	**1 830**	**1 646**	**246**	**36 719**
Effect of movements in foreign exchange	5	46	1	-	52
Additions	2 325	413	94	-	2 832
Disposals	(352)	(132)	-	-	(484)
Transfer to other asset categories	202	14	30	(246)	-
Balance at 31 December 2008	**35 177**	**2 171**	**1 771**	**-**	**39 119**
Depreciation					
Balance at 1 January 2008	**(15 097)**	**(877)**	**(606)**	**-**	**(16 580)**
Effect of movements in foreign exchange	(2)	(12)	(1)	-	(15)
Depreciation	(5 823)	(353)	(323)	-	(6 499)
Disposals	192	74	-	-	266
Transfer to other asset categories	-	-	-	-	-
Balance 31 December 2008	**(20 730)**	**(1 168)**	**(930)**	**-**	**(22 828)**
Carrying amount					
at 1 January 2008	**17 900**	**953**	**1 040**	**246**	**20 139**
at 31 December 2008	**14 447**	**1 003**	**841**	**-**	**16 291**

The main part of the disposed property, plant and equipment, for an amount of EUR 2 653k, and the impairment loss of EUR 678k is related to equipment which was located in the Kamp-Lintfort site (Option Wireless Germany GmbH).

NOTE 10: TRADE AND OTHER RECEIVABLES

CURRENT TRADE AND OTHER RECEIVABLES

Thousands EUR	2009	2008
Trade receivables	14 559	43 469
Allowance for doubtful accounts	(281)	(612)
Subtotal	14 278	42 857
Recoverable VAT	1 056	1 458
Other receivables	920	504
Subtotal	1 976	1 962
	16 254	**44 819**

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

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

Aging of trade receivables:

Thousands EUR	Gross Amounts		Allowance for doubtful accounts	
	2009	2008	2009	2008
< 60 days (neither past due no impairment)	14 457	41 654		-
60 - 90 days	53	1 044	(2)	-
90 - 120 days		-		-
> 120 days	49	771	(279)	(612)
	14 559	**43 469**	**(281)**	**(612)**

See also Note 20 for further information about credit risk.

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

OTHER NON-CURRENT ASSETS

Thousands EUR	2009	2008
Cash guarantees	328	383
	328	**383**

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

NOTE 11: INVENTORIES

Thousands EUR	2009	%	2008	%
Raw materials	4 860	28.0%	7 417	22.5%
Work in progress	15 896	91.7%	24 330	74.0%
Finished goods	6 726	38.8%	11 212	34.1%
Provision for inventories	(10 146)	-58.5%	(10 065)	-30.6%
	17 336		**32 894**	

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 32 894k to EUR 17 336k at the end of 2009. This decrease is mainly explained by decreased inventory position in raw materials, work in progress and finished goods. At the end of 2009, the total provision for inventories amounted to EUR 10 146k (2008: EUR 10 065k).

The increase in provision for inventories of EUR 81k is recognized in the cost of product sold. This provision is set-up mainly to cover excess positions and to lower the stock value to net realizable value for certain products. In addition an amount of EUR 5.8 million has been expensed as a result of inventory write offs during 2009 (2008: EUR 2.4 million).

There are no inventories pledged for security.

NOTE 12: CASH AND CASH EQUIVALENTS

Thousands EUR	2009	2008
Bank accounts	30 646	33 311
Cash	18	17
	30 664	**33 328**

Bank accounts do not include short term deposit (between one day and 3 months) in 2009 (2008: EUR 0k).
The 2009 cash and cash equivalents includes EUR 8.3 million which has been drawn from existing credit lines and EUR 20.2 million received as a result of the successful capital increase. We refer to NOTE 13 in which those existing credit lines are further explained.

NOTE 13: FINANCIAL ASSETS AND LIABILITIES

OTHER FINANCIAL LIABILITIES

Non current

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

Thousands EUR	2009	2008
Credit agreement	-	16
Other non current liabilities	-	16

During 2008, a subsidiary entered into a credit agreement of EUR 25k to support a hardware investment. This credit agreement is reimbursable in 24 monthly installments of EUR 1.1k. The interest rate is 6.53%. The 2008 non-current portion became current in 2009.

Current

Current financial liabilities are composed as follows:

Thousands EUR	2009	2008
Current portion of IWT loan	-	75
Current portion of interest free loan		14
Current portion of rent-to-buy agreement	43	
Current portion of credit agreement	8	
IMEC loan	250	-
Credit facility ING	5 000	-
Credit facility Dexia	3 347	-
Other financial liabilities	8 648	89

Any remaining debts under finance lease arrangements have been settled prior to 31 December 2006.

During 2008, the Company entered into an interest free loan with a hard- and software provider, which expired in 2009.

In May 2009 a subsidiary entered into a short term loan agreement with IMEC (Interuniversitair Micro-Electronica Centrum vzw) for an amount of EUR 250k. The interest rate is 7% per year.

During 2008, the same subsidiary entered into a rent-to-buy agreement for an amount of EUR 93k with an equipment provider to support an investment in test equipment. This agreement is reimbursable in 24 monthly interest-free installments of EUR 3.9k.

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

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 7,500,000 (to be drawn in cash advances or loans). At the end of December 2009, Option has drawn an amount of EUR 5 million under this facility.
In accordance with the ABB principle (the "Asset Borrowing Base") set forth in the agreement, the total aggregate amount of all utilizations made available under the ING facility, increased with all utilizations made available under the Dexia 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 monthly basis. Furthermore, from the aggregate amount drawn under both facilities, 60% should be drawn from the ING facility and 40% from the Dexia facility.
Pursuant to the same credit agreement of 15 May 2009, the Company can enter into contracts related to USD derivative financial instruments with ING with a maximum negative fair value amount limited to EUR 7,500,000 to manage its underlying exposure. These amounts allow Option to enter into such hedging contracts, but do not represent the availability of cash to the Company.
The interest rate applicable to the ING facilities is EURIBOR +3 per cent.

Credit facility with Dexia
On 18 June 2009, the Company entered into a credit facility with Dexia Bank België NV for an amount of EUR 5,000,000. 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 2009, the Company has drawn an amount of EUR 3.3 million under this facility.
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 Dexia have a number of covenants; a leverage covenant, a solvency covenant and a net equity covenant. Following the successful capital increase ING and Dexia have waived the leverage covenant for the first three quarters of 2010. 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 covenant. The Company is discussing a possible temporary waiver for this covenant with ING and Dexia.

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

Thousands EUR	2009	2008
Pledge on the company's business (prior to 2008)	-	1 977
Pledge on the company's business (ING)	15 000	
Pledge on the company's business (Dexia)	5 000	

OPTION WIRELESS TECHNOLOGY

In the course of 2009, the Company has terminated the pledge on the Company's business prior to 2008.

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 15,000,000 and a floating charge of book debts and specified account to be granted by Option Wireless Ltd.

Under the Dexia credit facility, Dexia 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 5,000,000 (which ranks pari passu with the pledge granted to ING).

NOTE 14: TRADE AND OTHER PAYABLES

Thousands EUR	2009	2008
Trade payables	34 746	55 720
Salaries, tax and payroll related liabilities	3 598	3 993
Other payables, accrued expenses and deferred income	**4 251**	**7 640**
	42 595	**67 353**

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

NOTE 15: PROVISIONS

Thousands EUR	2008	Additions	(Use)	(Reversal)	2009
Warranty provision	847	-	-	(337)	510
Loss on supply agreements	242	920	-	(555)	607
Legal and other claims	1 348	106	(342)	(612)	500
Restructuring provisions	**-**	**5 912**	**-**	**-**	**5 912**
	2 437	**6 938**	**(342)**	**(1 504)**	**7 529**

A large part of the provisions, set up in 2008, 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 2009. The warranty provision has been reversed with an amount of EUR 337k, mainly due to a decrease of the expected units which will be returned under warranty. During 2009, the Group announced and implemented the plan related to it's restructuring which resulted in a provision of EUR 5 912k remaining on the balance sheet at the end of the financial year 2009.

NOTE 16: OPERATING AND FINANCE LEASES

OPERATING LEASES

LEASES AS LESSEE

Non-cancelable operating lease rentals are payable as follows:

Thousands EUR	2009	2008
Less than one year	1 538	2 096
Between one and five years	3 847	4 847
More than five years		
	5 385	**6 943**

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. With respect to the restructuring of the Group some rental agreements have been terminated.

In 2009, EUR 2 752k was recognized as an expense in the income statement in respect of operating leases (2008: EUR 2 761k).

LEASES AS LESSOR

Non-cancelable operating sublease rentals are receivable as follows:

Thousands EUR	2009	2008
Less than one year	6	6
Between one and five years		
More than five years		
	6	**6**

The Group's Irish entity is subleasing premises to a third party. None of the leases include contingent rentals. In 2009, EUR 6k (2008: EUR 6k) was recognized as rental income in the income statement.

NOTE 17: SHAREHOLDERS' EQUITY

CAPITAL STRUCTURE – ISSUED CAPITAL

At year-end 2009, the Company announced the following significant shareholders:

Identity of the person, entity or group of persons or entities (*)	Number of shares	Percentage of financial instruments held
Pepper NV (100% Jan Callewaert)	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%**

	Shares
31 December 2009 – weighted average shares outstanding	42 266 402
31 December 2008 – weighted average shares outstanding	41 249 296

The authorized share capital, at the end of 2008 comprises 41 249 296 ordinary shares, for an amount of EUR 6 116k. The shares have no par value and have been issued and fully paid. All shares held in the Company carry the same rights.
On 9 December 2009, the Board of Directors decided in the framework of the authorized capital to increase the capital of the Company with an amount of up to EUR 20,212,155.04 through the issuance of maximum 41,249,296 new shares in Option at a subscription price of EUR 0.49 per share (the Subscription Price). The gross subscribed amount for the shares offered in this placement and during the preferential right subscription period amounted on the 23th of December to EUR 20,212,155 or a total of 41,249,296 shares.
As a result hereof, the weighted average shares outstanding at 31st of December 2009 were 42 266 402 shares

SHARE PREMIUM

Thousands EUR	2009	2008
At 31 December 2009 and 2008	57 961	43 865

SHARE BASED PAYMENT RESERVE

Thousands EUR	2009	2008
At 31 December 2009 and 2008	1 176	513

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

Warrants “V”

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

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

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

- 340,000 warrants were granted to the directors (100% accepted in 2008);
- 325,000 warrants were granted to the members of the Executive Management Team[1] (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).

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 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);
- the exercise price of the above warrants amounts to EUR 1.86 for employees;
- the exercise must take place during exercise windows (i.e. May, September or December);
- upon conversion of their warrants the warrant holders receive one ordinary share of the Company per warrant;
- the plan provides for an accelerated vesting and exercise in the event of a change of control.
- the lifetime of the warrant is 5 years.

The 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 and 2009, including the average weighted fair value of the warrants “V”.

[1] Except Philippe Rogge (Pirogue Consulting BVBA), who only became a member of the Executive Management Team in 2009.

Inputs into the model	Warrants granted to and accepted to 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**

The fair value of the granted warrants “V” for the financial year 2009 were calculated at EUR 816k (2008: 153k €). The weighted average remaining contractual life of warrants “V” outstanding at the end of the period is 37 months.

The following reconciles the number of warrants “V” vested during 2009, according to their respective vesting schedule:

Number of warrants “V” vested during 2009		
Grant date of the warrants “V”	**Expiry date**	**Number**
26 August 2008 (Directors and EMT members)	26/02/2009	133 000
	26/08/2009	123 000
23 December 2008 (Employees)	23/06/2009	214 602
	23/12/2009	163 223
23 December 2008 (Self employed advisors)	23/06/2009	9 100
	23/12/2009	8 100
23 December 2008 (EMT members)	23/06/2009	4 000
	23/12/2009	4 000
8 May 2009 (EMT members)	08/11/2009	20 000
Total		**679 025**

None of the warrants “V” were exercised during the financial year 2009.

FOREIGN CURRENCY TRANSLATION RESERVES

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

NOTE 18: EARNINGS PER SHARE

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

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

Earnings per common share	2009	2008
Net result (in Thousands EUR)	(53 682)	(19 001)
Weighted average shares of common stock outstanding:		
Basic	42 266 402	41 249 296
Diluted	42 266 402	41 249 296
Per Share (in EUR)		
Basic earnings per share	-1.27	-0.46
Diluted earnings per share	-1.27	-0.46

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

NOTE 19: CAPITAL MANAGEMENT

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the funding requirements.
The Group's objectives when managing capital are:
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other shareholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group's overall strategy and objectives remain unchanged during the years ended 31 December 2009 and 31 December 2008.

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

The Group had no material debt in 2008. In 2009 the debt, which is defined as long- and short-term borrowings (excluding derivatives) increase with EUR 8 573k, mainly as a result of the use of the existing credit facilities. The gearing ratio at year-end was as follows:

Thousands EUR	2009	2008
Current portion of financial liabilities	(8 648)	(75)
Cash and cash equivalents	30 664	33 328
Net	22 016	33 253
Equity	64 339	99 082
Gearing ratio	**34.2%**	**33.6%**

NOTE 20: FINANCIAL RISK MANAGEMENT

The Group Corporate Treasury function monitors and manages the financial risks relating to the operations of the Group, which include credit risk, liquidity risk and market risk on an ongoing basis.
Derivative financial instruments are used to reduce the exposure to fluctuations in foreign exchange rates . These instruments are subject to the risk of market rates changing subsequent to acquisition. These changes are generally offset by opposite effects on the item being hedged.

Categories of significant financial instruments:

Thousands EUR	Notes	2009	2008
Financial assets measured at cost or amortised cost			
Cash and cash equivalents	12	30 664	33 328
Trade receivables	10	14 278	42 857
Recoverable VAT	10	1 056	1 458
Income tax receivable	7	97	227
Derivative financial instruments	**13**	-	-
Financial liabilities measured at cost or amortised cost			
Trade payables	14	34 746	55 720
Salaries, tax and payroll related liabilities	14	3 598	3 933
IWT loan and interest free loan	13	8 648	89
Income tax payable	7	268	104
Derivative financial instruments	**13**	-	-

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 21.6% of the total trade receivables of the Group for the year ended 31 December 2009 and for which the amount is not due at year end. In 2008, one customer represented 11.6 % 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 2009.

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 50k (2008: EUR 1 204k) 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.

Aging of past due, but not impaired:

Thousands EUR	2009	2008
60 - 90 days	50	1 044
90 - 120 days	-	-
> 120 days	-	160
	50	**1 204**

Movement in the allowance for doubtful debts:

Thousands EUR	2009	2008
Balance at the beginning of the year	612	4 935
New reserves	463	208
(Write-offs)	(794)	(3 485)
(releases)	-	(1 046)
	281	**612**

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

Aging of impaired trade receivables:

Thousands EUR Gross Amounts	2009	2008
60 - 90 days	-	-
90 - 120 days	2	-
> 120 days	279	612
	281	**612**

LIQUIDITY RISK

The Group manages liquidity risk by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.
In 2003, the Company obtained from the Flemish Innovation Institute I.W.T. a subordinated loan of EUR 222k as mentioned in note 13 Leases and has been settled during the financial year 2009 according the repayment schedule.
On 15 May 2009, the Company entered into a credit agreement with ING, pursuant to which the Company was granted a facility of EUR 7,500,000 (to be drawn in cash advances or loans).and on 18 June 2009,entered into a credit facility with Dexia Bank België NV for an amount of EUR 5,000,000. For further information we refer to note 13 section current financial liabilities.

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

Thousands EUR	2009	2010	2011	2012
2009				
Trade payables		34 746	-	-
Salaries, tax and payroll related liabilities		3 598	-	-
Income tax payable		268	-	-
Credit facilities and other loans		8 648	-	-
		47 260	**-**	**-**
2008				
Trade payables	55 720	-	-	-
Salaries, tax and payroll related liabilities	3 933		-	-
Income tax payable	104	-	-	-
IWT loan	111	3	-	-
	59 868	**3**	**-**	**-**

MARKET RISK: INTEREST RATE RISK

The Group is exposed to interest rate risk because the Group borrow funds at a floating interest rate. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding (EUR 8.3 million) was outstanding for the whole year.
A 50 basis point increase or decrease is used to determine the interest rate risk and represents management's assessment on the reasonably possible change in interest rates.
If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Groups result for the year ending 31 December 2009 would have increased/decreased by EUR 42k.

MARKET RISK: FOREIGN CURRENCY RISK

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

2009 EUR/USD	Closing rate, December 31,2009 1.4406	Possible volatility in % 13.50%	Possible closing rate, December 31,2009 1.2461 – 1.6351
2008 EUR/USD	Closing rate, December 31,2008 1.3917	Possible volatility in % 11.60%	Possible closing rate, December 31, 2008 1.2303 – 1.5531

The Group's exposure in USD as of 31 December 2009 and 2008 is as follows:

Carrying amounts - Thousands USD	31 December 2009	31 December 2008
Trade payables	(11 913)	(47 929)
Trade receivables	3 392	24 143
Cash and cash equivalents	4 106	18 055
	4 415	**(5 731)**

If the USD had weakened/strengthened during 2009 by the above estimated possible changes against the euro, the 2009 net result would have been EUR 414k higher/lower.
If the USD had weakened/strengthened during 2008 by the above estimated possible changes against the euro, the 2008 net result would have been EUR 478k higher/lower.

2009 EUR/USD	Closing rate, December 31,2009 0.8994	Possible volatility in % 12.30%	Possible closing rate, December 31,2009 0.7888 – 1.0100
2008 EUR/USD	Closing rate, December 31,2008 0.9525	Possible volatility in % 10.87%	Possible closing rate, December 31, 2008 0.849 – 1.056

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

Carrying amounts - Thousands GBP	31 December 2009	31 December 2008
Trade payables	(67)	(26)
Trade receivables	22	2 458
Cash and cash equivalents	111	4 671
	66	**7 103**

If the GBP had weakened/strengthened during 2009 by the above estimated possible changes against the euro, the 2009 net result would have been EUR 8k higher/lower.
If the GBP had weakened/strengthened during 2008 by the above estimated possible changes against the euro, the 2008 net result would have been EUR 811k higher/lower.

In 2008 and 2009, the Group entered into derivative financial instruments to manage its exposure on the US dollar cash flows. All contracts related to those financial instruments expired before year-end 2009.

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

NOTE 21: CONTINGENT LIABILITITES

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, 2009. In the opinion of management, the amount of any ultimate liability with respect to these actions will not materially affect the Group's consolidated financial position.

NOTE 22: RELATED PARTIES TRANSACTIONS

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

	2009	2008
- Option Wireless Ltd, Cork (Ireland)	100%	100%
- Option Germany GmbH, Augsburg (Germany)	100%	100%
- Option Wireless Germany GmbH, Kamp-Lintfort (Germany)	100%	100%
- Option Japan KK (Japan)	100%	100%
- Option Wireless Hong Kong Limited (China)	100%	100%
- Option Wireless Hong Kong Ltd. (Suzhou) Representation Office (China)	100%	100%
- Option Wireless Hong Kong Limited Taiwan Branch (Taiwan).	100%	100%
- Option Wireless USA Inc. (United States of America)	100%	100%
- Multi Mode Multi Media Solutions NV (M4S) (Belgium)	100%	100%
- Multi Mode Multi Media Solutions Wireless Ltd. (M4S) (Ireland)	100%	100%

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

In 2009, the fees paid to Brown Rudnick LLP amounted to EUR 16k (2008: EUR 38k).

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

Financial Report - IFRs

BOARD OF DIRECTORS COMPENSATION

In 2009, the compensation for the Board of Directors amounted to EUR 387k (2008: EUR 321k).

Name	Board meetings attended		Audit Committees attended	Remuneration Committees attended	Strategic Committees attended	Total remuneration Thousands EUR
	Physical attendance	calls				
Jan Callewaert[(1)]	4/4	21/21	N.A	N.A	2/2	49.00 (2008: 48.50)
Arnoud De Meyer	4/4	18/21	8/8	3/4	N.A	49.00 (2008: 49.00)
Q-List BVBA	4/4	21/21	8/8	4/4	N.A	49.00 (2008: 47.00)
Lawrence Levy	4/4	20/21	N.A	4/4	N.A	49.00 (2008: 49.00)
Jan Loeber	4/4	18/21	N.A	N.A	1/2	44.25 (2008: 47.50)
David Hytha	4/4	19/21	N.A	N.A	2/2	48.75 (2008: 45.50)
An Other Look To Efficiency SPRL	4/4	19/21	8/8	N.A	N.A	49.00 (2008: 16.83)
Visinnova BVBA	4/4	19/21	N.A	N.A	2/2	48.75 (2008: 18.08)

(1) Excluding CEO remuneration to Mondo NV

In addition, one non-executive Board member received an amount of EUR 4k 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.

Jan Callewaert	50,000
Jan Loeber	50,000
Arnoud De Meyer	50,000
David Hytha	50,000
Lawrence Levy	50,000
Q-List BVBA	30,000
An Other Look To Efficiency SPRL	30,000
Visinnova BVBA	30,000
Total	**340,000**

EXECUTIVE MANAGEMENT COMPENSATION

The CEO of the Group is the owner of a management company that is performing management services for the Group. The remuneration for these management services in 2009 amounted to EUR 513k (2008: EUR 540k). A success fee of EUR 25k was accrued, related to the successful capital increase. As in 2008, the variable compensation related to 2009 was waived. The CEO received additional benefits for an amount of EUR 32K covering car, fuel and lump sum allowance costs (2008: EUR 34K).

The outstanding receivable towards Pepper NV (100% Jan Callewaert) has been settled in 2009 (2008: EUR 51k). Mr. Jan Callewaert holds directly and indirectly (through Pepper NV) 17.95% of the shares of the Company.

For the year 2009, an aggregate gross amount of EUR 1 829k (2008: EUR 1 404k) was attributed to the other eight members of the Executive Management Team (2008: five members of the Executive Management Team). The 2009 gross amount includes redundancy fees for two members of the Executive Management Team who left the Company in the course of 2009. In 2009 a success fee of EUR 79k was accrued in relation with the successful capital increase. In 2009, an amount of EUR 0k was accrued as variable pay relating to 2009 performance (2008: EUR 108k). For the eight members of the Executive Management Team, benefits include an extra-legal pension scheme, the cost of which amounted to EUR 76k (2008: EUR 68k). The members of the Executive Management Team received additional benefits for an amount of EUR 67K covering car, fuel, lump sum allowance and hospitalization insurance costs (2008: EUR 64K).

At year end 2009, 375,000 warrants “V” are held by the “current” members of the Executive Management Team (2008: 325,000 warrants “V”). In the course of 2009 some changes incurred in the members of the Executive Management Team. 40,000 of 50,000 warrants granted to David Whelan in 2008 have lapsed as he resigned from the Executive Management Team in 2009. 30.000 of 50.000 warrants granted to Filip Buerms in 2008 have lapsed as he resigned from the Executive Management Team in 2009. 30.000 warrants “V” have been granted to Chip Frederking in 2009 on top of the 20.000 warrants which were granted and accepted in 2008. Chip Frederking joined the Executive Management Team in October 2009.

At year en 2009, 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
Bernard Schaballie	50,000
Martin Croome	50,000
Brayoe Consultants BVBA (JP Ziegler)	50,000
Piroque Consulting BVBA (Philippe Rogge)	50,000
Chip Frederking	50,000
Total	**375,000**

NOTE 23: EVENTS AFTER BALANCE SHEET DATE

Subsequent to December 31, 2009, the following events or transactions occur which required disclosure:

- On February 22, 2010 the Group announced that it elects Mr. Olivier Lefebvre as new Chairman of the Board of Directors. Mr. Jan Callewaert will focus full time on his responsibilities as CEO while continuing to serve as a member of the Board of Directors. Furthermore, to avoid duplication of roles and to make decision making more transparent, it was decided that the function of COO was no longer needed; As a direct consequence and by mutual agreement, Mr. Philippe Rogge has left the Company.

- For 2010, 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.

- During March 2010, Visinnova BVBA, appointed by decision of the extraordinary General Meeting of Shareholders held on the 26th of August 2008, resigned as member of the Board of Directors.

NOTE 24: 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 Multi Mode Multi Media Solutions (M4S)	Gaston Geenslaan 14 3001 Leuven, Belgium Gaston Geenslaan, 14 3001 Leuven, Belgium	Consolidating company 100%
IRELAND		
OPTION WIRELESS Ltd, Cork	Kilbarry Industrial Park, Dublin Hill, Cork	100%
MULTI MODE MULTI MEDIA SOLUTIONS WIRELESS Ltd. (M4S)	South Mall 12, 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%

NAME OF THE SUBSIDIARY	REGISTERED OFFICE	% OF SHAREHOLDING
JAPAN		
OPTION WIRELESS JAPAN KK	5-1, Shinbashi 5-chome Minato-ku Tokyo 105-0004, Japan	100%
CHINA		
OPTION WIRELESS HONG KONG LIMITED	35/F Central Plaza 18 Harbour Road Wanchai Hong Kong, China	100%
CHINA		
OPTION WIRELESS HONG KONG LIMITED REPRESENTATION OFFICE	909-1 Genway Building 188 Wangdun Road Suzhou Industrial Park (SIP) Suzhou 215123, Jiangsu Province, China	100%
TAIWAN		
OPTION WIRELESS HONG KONG LIMITED, TAIWAN BRANCH	4F Theta Building 10, Lane 360, Ne-Hu Road, Sec 1, Taipei City, Taiwan	100%

NOTE 25: INFORMATION ON THE AUDITOR'S ASSIGNMENTS AND RELATED FEES

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

Thousands EUR	2009	2008	2007
Worldwide audit services for the annual financial statements	356	474	400
Worldwide tax and legal services	171	139	244
Other worldwide services	126	156	86
	653	**769**	**730**

Auditor's Report

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.

Disclaimer of opinion on the consolidated financial statements

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 2009, 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 balance sheet shows total assets of 125.272 (000) EUR and the consolidated income statement shows a consolidated loss (group share) for the year then ended of 53.682 (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.

During the financial year, the group has incurred significant losses which weakened its financial position and its short term ability to continue as a going concern. We draw your attention to the section 'Valuation rules' of the report of the board of directors, in which the directors describe the main assumptions with respect to the going concern of the group. The extent to which the budgeted revenues under the revised strategy will be realized, the continuing availability of the group's credit lines despite the current breach of one of the covenants and a potential increased need for working capital or requests for guarantees may all severely impact the group's liquidity situation and the group's ability to continue as a going concern. The accumulation of conditions that need to be fulfilled in order for the group to be able to continue as a

going concern, present a fundamental uncertainty about the going concern of the group and as a consequence about the relevance of these consolidated financial statements, since no adjustments have been recorded herein with respect to the valuation or the classification of certain balance sheet items, which would be required, should the group no longer be able to continue its operations.

In particular, the group's balance sheet includes capitalized development expenses amounting to 19.616 (000) EUR, which could be subject to significant impairments in case the group would not be able to continue as a going concern. Also, the group's balance sheet includes deferred tax assets arising from tax losses carried forward for 24.982 (000) EUR, which could be subject to significant impairments in case the group would not be able to continue as a going concern or in case the group's legal entities would not be generating sufficient taxable profit.

Taking into account the considerable uncertainties with respect to the group's going concern described above, we are unable to express an opinion on whether the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2009, and of its results and its cash flow statement 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.

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.

Kortrijk, 14 April 2010
The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Leo Van Steenberge

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 a "disclaimer of opinion" on the non consolidated financial statements of Option NV for the year ended 31 December 2009.

Abbreviated statutory balance sheet (according to Belgian Accounting Standards)

ASSETS Thousands EUR	2009	2008	2007
Fixed assets	**22 709**	**28 233**	**37 214**
Intangible assets	11 542	12 675	18 763
Tangible assets	8 033	12 376	15 821
Financial assets	3 134	3 182	2 630
Current Assets	**36 384**	**49 489**	**38 381**
Stocks and contracts in progress	1 170	3 037	2 669
Accounts receivable within one year	13 658	40 749	19 750
Cash & cash investments	21 408	5 428	15 593
Deferred charges and accrued income	148	275	369
Total Assets	**59 093**	**77 722**	**75 595**

LIABILITIES Thousands EUR	2009	2008	2007
Capital and reserves	**27 656**	**24 861**	**63 986**
Capital	12 232	6 116	6 116
Share premium	58 944	44 848	44 848
Legal reserve	612	612	612
Profit/(loss) carried forward	(44 132)	(26 714)	12 410
Provisions	**1 826**	**-**	**-**
Creditors	**29 611**	**52 861**	**11 609**
Subordinated loan	-	-	74
Amounts payable after more than one year	-	-	-
Amounts payable after more within one year	28 731	51 879	10 721
Accrued charges and deferred income	860	982	814
Total liabilities	**59 093**	**77 722**	**75 595**

OPTION WIRELESS TECHNOLOGY

Abbreviated statutory income statement (according to Belgian Accounting Standards)

ABBREVIATED PROFIT AND LOSS ACCOUNT Thousands EUR	2009	2008	2007
I. Revenues	**19 004**	**49 039**	**56 265**
Turnover	4 396	11 905	18 009
Increase (decrease) in stocks in finished goods, work and contracts in progress	(772)	(151)	-
Capitalized development costs	9 531	15 440	15 007
Other operating income (mainly intercompany transactions)	5 839	21 845	23 249
II. Operating charges	**(57 738)**	**(75 827)**	**(69 275)**
Raw materials, consumables and goods for resale	3 898	10 028	14 562
Services and other goods	21 843	32 744	28 832
Remuneration, social security costs and pensions	15 736	17 309	14 816
Depreciation of and other amounts written off formation			
expenses, intangible and tangible fixed assets	14 021	15 357	11 014
Increase, decrease in amounts written off stocks, contracts	387	173	-
Contracts in progress and trade debtors			
Provision for contingencies	1 826	-	-
Other operating charges	28	215	51
III. Operating profit/(loss)	**(38 734)**	**(26 788)**	**(13 010)**
IV. Financial income	**30 315**	**2 616**	**1 779**
V. Financial charges	**(7 267)**	**(2 700)**	**(1 538)**
VI. Profit/(loss) on ordinary activities before taxes	**(15 686)**	**(26 872)**	**(12 767)**
VII. Exceptional charges	**(1 732)**	**(12 241)**	
IX. Profit/(loss) for the period before taxes	**(17 418)**	**(39 113)**	**(12 767)**
X. Income tax expense	**-**	**(11)**	**-**
XIII. Profit/(loss) for the period available for appropriation	**(17 418)**	**(39 124)**	**(12 767)**

ABBREVIATED APPROPRIATION ACCOUNT (ACCORDING TO BELGIAN ACCOUNTING STANDARDS)	2009	2008	2007
Profit/(loss) to be appropriated	(26 714)	12 410	25 177
Profit/(loss) for the period available for appropriation	(17 418)	(39 124)	(12 767)
Profit/(loss) carried forward from previous year	(44 132)	(26 714)	12 410
Legal reserve		-	-

Abbreviated Statutory Accounts of Option nv and Explanatory Notes

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 2009. 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.

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 2009	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%
Multi Mode Multi Media Solutions (M4S)	1 450 000	100%	0%

Statement of Capital

Issued capital 31 December 2009	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 31 December 2009	
Different categories of shares	
Registered shares and bearer shares	82 498 592
Registered	-
Bearer	82 498 592

Authorized capital
On 31 December 2009 the authorized (but non-issued) capital amounted to EUR 12 232k

Investor Relations and Financial Calender

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.

Share history in 2007-2009 on Euronext

	2009	2008	2007
Number of shares outstanding	82 498 592	41 249 296	41 249 296
Year-end share price	0.78	1.90	5.61
Market capitalization (million)	64	78	231
Share price High	1.52 (September 4, 2009)	7.92 (January 3, 2008)	15.13 (February 15, 2007)
Share price Low	0.57 (March 17, 2009)	1.62 (December 9, 2008)	5.21 (October 25, 2007)
Free float	82.05%	82.66%	82.90%

During 2009, a total of 113 011 562 shares were traded on Euronext on 255 trading days, meaning an average for the year of nearly 443 182 shares per day.

Financial calendar

For 2010, 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 are being 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, during 1H2010, is shifting 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 competitive positioning which we expect will sell more volume and be more profitable for the company.

Bi-Annual reporting will allow the team at Option to focus on the critical business of managing the transitions described above by taking a meaningful longer term view. Continued Quarterly reporting, especially at this critical period of change, runs the risk of engaging the team in protracted explanations of transitional data which would not be helpful either to the staff or to the Market.

Option intends to release its biannual financial information and business updates in 2010 on the following dates – before market hours:

1Q Business update > Thursday 29 April, 2010
2Q Results and “Interim Financial Report” > Tuesday 31 August, 2010
3Q Business update > Thursday 28 October, 2010

General Meeting of Shareholders 2010 > Friday 30 April, 2010 at 10 AM in Leuven
General Meeting of Shareholders 2011 > Friday 29 April, 2011 at 10 AM in Leuven

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

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Gaston Geenslaan 14
B-3001 Leuven, Belgium
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Fax: +32 (0)16 31 74 90

E-mail: investor@option.com

Information Sheet by End 2009

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. Leo Van Steenberge
FINANCIAL YEAR CLOSING	31 December
CAPITAL	12 232 134,42 EUR
NUMBER OF SHARES	82 498 592
ANNUAL MEETING	Last business day of April
LISTING	Euronext - continumarkt Stock - Ordinary Stock - Continuous - compartment B - ticker OPTI
DEPOSIT BANK	FORTIS
MEMBER OF INDEX	Next Economy Next 150 Bel SmallMid VLAM 21
OTHER LABELS	Ethibel Pioneer Europe 500 SRI Kempen

LANGUAGE OF THIS ANNUAL REPORT

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

AVAILABILITY OF THE ANNUAL REPORT

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

Option NV
Attention Investor Relations
Gaston Geenslaan 14
3001 Leuven, Belgium
Phone: +32(0)16 317 411
Fax: +32(0)16 317 490

E-mail: investor@option.com

An electronic version of the Annual Report is also available, for information purposes only, via the internet on the website of Option (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.

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.

Press Releases

Chronological Overview of Press Releases

- Option's new entry-level USB modem selected by O2
- Option shipping stylish new wireless router: the GlobeSurfer III
- Option appoints Brightpoint to expand distribution of wireless broadband devices
- Option demonstrates HSPA+
- GlobeSurfer X•1 connects family or small business in instant 3G and WiFi network
- O2 offers new Option ExpressCard with retractable antenna
- Option's *u*CAN transforms USB modem into a virtual pc
- Gemalto deploys innovative solution for the management of 3G/HSPA connected devices
- Option and Sharp build the new 3G Sidekick LX for T-Mobile USA
- Option launches new *i*CON 505 HSPA USB modem with TeliaSonera in Sweden
- Option launches new *i*CON USB modem series into U.S. with Cincinnati Bell as first customer
- Option embeds world's smallest 3G module into Plastic Logic's large screen, lightweight eReader
- GTM501 HSPA wireless module winner at GSMA's Embedded Mobile Module competition
- Option 3G solution in Google Android 2.0 development platform for pocket, handheld and tablet devices from MOTO Development Group
- Option announces rights issue
- Option announces commitment of Gimv to its rights issue
- Option is offering 41,249,296 new shares at a subscription price of EUR 0.49 per new share

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