OPTION

Annual report 2012

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2. CONSOLIDATED AND STATUTORY REPORT 2012 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 2012.

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

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):

o Full year revenues:	40 844
o Gross profit:	25 904
o Operating Expenses:	22 300
o EBIT:	3 604
o Result before taxes:	3 643
o Net result:	3 651

Revenues for 2012 decreased by 18.2 % to EUR 40 844 k, compared with EUR 49 915 k in 2011. Product revenues decreased from EUR 19 252 k in 2011 to EUR 13 140 k in 2012, whilst software and license revenues decreased from EUR 30 663 k in 2011to EUR 27 704 k in 2012. Those 2012 license revenues were mainly the result of a cooperation agreement between the Group and Huawei Technologies in October 2010 which stopped during Q4 2012. For the financial year 2012, the Group has recognized EUR 27 million as revenue (2011: EUR 28 million).

Gross margin for the full year 2012 was 63.4 % on total revenues, compared with gross margin of 61.6 % in 2011. Costs of products sold of EUR 14 940 k during 2012 resulted in a gross profit of EUR 25 904 k, a decrease of 15.7 % compared to EUR 30 733 k in 2011. The 2012 gross margin was also this year positively impacted by license revenues, delivering higher margins compared to revenues generated by products. During 2012 the company booked an inventory write off for an amount of EUR 4.3 million.

The operating expenses for the full year 2012, including depreciation and amortization charges were EUR 22 300 k compared to EUR 34 313 k for the previous year. This represents a decrease of 35 %. The reduced expenses are the result of the downsizing of the company, combined with lower sales related costs as well as effective cost control within the Group. The operating expenses were negatively impacted by impairment on the capitalized R&D for an amount of EUR 3.7 million and a positive impact by lowering the IPR accrual for an amount of EUR 7.4 million.

During 2012, EBIT was EUR 3.6 million (or 8.8 % on revenues), compared to EUR -3.6 million (or -7.2% on revenues) for 2011.

The Group obtained a positive financial result of EUR 39 k (2011: positive of EUR 676 k). The 2012 net exchange rate result amounted to EUR -36 k and was mainly related to the USD. The Group received EUR 126 k from risk free investments of the available cash (2011: EUR 435 k). The financial costs of EUR 170 k are mainly related to bank charges, penalty fees and payment differences (2011: EUR 122 k).

Net result, for the full year 2012, amounted to EUR 3 651 k or EUR 0.04 per basic and diluted share. This compares to a net result of EUR -2 862 k or EUR -0.04 per basic and diluted share during 2011.

At year-end 2012, total assets amounted to EUR 17 466 k compared to EUR 47 552 k at the end of the previous year.

The cash and cash equivalents amounted to EUR 3 147 k compared to EUR 25 216 k at the end of 2011.

Trade and other receivables decreased from EUR 3 924 k to EUR 3 167 k at the end of 2012. This decrease was attributable to the trade receivables which decreased due to lower revenues over the full year 2012.

Inventories decreased from EUR 6 792 k to EUR 4 036 k at the end of 2012. This lower inventory position is explained by decreased positions of the work in progress, finished goods and raw materials, combined with additional impairments on inventories. At the end of 2012, the company has assessed its inventory and has revalued some of its products leading to an extraordinary write off for an amount of EUR 4.3 million. The total provision related to the inventory amounted to EUR 5 534 k compared to EUR 3 238 k in 2011.

The net book value of intangible and tangible fixed assets was EUR 4 882 k at the end of 2012, compared with EUR 8 812 k as at 31 December 2011. Beside the depreciations, the existing capitalized R&D projects were reviewed which resulted in an impairment of EUR 3.7 million having its source in changing technologies and fast changing market conditions. The value was determined based on an estimate of the projected contributions from these development projects in the coming quarters.

During 2012, the total investments in tangible assets, mainly test equipment, amounted to EUR 1750 k (2011: EUR 188 k). In April 2012 Option Wireless Limited (Ireland –Cork), purchased and after sold the building for EUR 975 k reducing the annual building cost by EUR 400 k. The Group invested EUR 3 925 k (2011: EUR 6 209 k) in intangible assets of which EUR 3 925 (2011: EUR 5 744 k) for capitalized development projects and no investments (2011: EUR 465 k) related to licenses.

The deferred tax asset, mainly finding its source in the realized losses in Option NV, was reversed in full in 2010 following the IFRS guidance related to such deferred tax assets. The Group determined that it was prudent to reverse the deferred tax asset in full. In the financial year 2011 and 2012, no additional deferred tax assets were recorded.

Total current liabilities during the year were EUR 12 612 k compared to EUR 46 285 k in 2011. This decrease is mainly driven by:

- a decrease in trade payables (EUR 6 272 k); the company has assessed its outstanding payables regarding IPR obligations and taking into account fair market conditions and external advise, the board of Directors decided to decrease the outstanding payables with an amount of EUR 6.7 million.
- a decrease of the deferred revenues (EUR 27 008 k) recognized on the balance sheet as a result of software license deals;
- a decrease in provisions, (EUR 368 k) as a result of the use of the restructuring provision and the reversal of other provisions;

On a balance sheet total of EUR 17 466 k, the total shareholders' equity represented EUR 4 847 k .

At 31 December 2012 there were 155 full time equivalents in the Group. This compares with 183 full time equivalents in the previous year.

Statutory results

Full year statutory operating income was EUR 36.1 million (based on EUR 28.4 million turnover, EUR 3.9 million capitalized development costs and EUR 3.6 million other operating intercompany income and recovery of expenses). This operating income decreased compared to 2011 revenues of EUR 39.9 million (based on mainly EUR 30.7 million turnover, EUR 5.7 million capitalized development costs and EUR 3.8 million other operating intercompany income). The 2012 turnover decreased by EUR 2.3 million, mainly caused by a reduction of the revenues related to the software and license agreement with Huawei.

The operating charges decreased from EUR 36.3 million to EUR 34.2 million resulting in a positive operational result or EBIT of EUR 1.8 million compared to an EBIT of 3.5 million in 2011 representing a decline of EUR 1.7 million. In 2012 the operating charges include a EUR 6.1 million write off on the complete receivable with Option Wireless Ltd (Cork, Ireland), consequence to no immediate repayment capacity.

The financial income decreased from EUR 2.2 million in 2011 to EUR 0.2 million in 2012. This is explained by the fact that in the financial year 2011, the Company received a dividend of EUR 1.5 million from its Hong Kong entity Option Wireless Hong Kong Ltd.
The financial costs decreased from EUR 0.23 million in 2011 to EUR 0.20 million in 2012.

During 2012, the Company reviewed the capitalized R&D projects, which resulted in an impairment and decrease of the intangible assets with EUR 3.6 million (2011: EUR 365 k) having its source in changing technologies, shorter lifetime and fast changing market conditions.
The Company also booked a write off for an amount of EUR 2.5 million to eliminate the participation in Option Wireless Ltd. (Cork, Ireland).
Both amounts were posted as an exceptional result in the Company's statutory results.

Due to the above, the net result changed from a net profit of EUR 5.1 million in 2011 to a net loss of EUR 4.3 million in 2012.

The intangible assets decreased from EUR 8.6 million to EUR 4.8 million, mainly explained by the impairment of EUR 3.6 million.

The tangible assets decreased from EUR 1.3 million to EUR 0.8 million due to general depreciations.

The financial fixed assets decreased from EUR 3.7 million in 2011 to EUR 1.4 million in 2012, explained by a EUR 2.5 million write off of the investment in Option Wireless Ltd (Cork, Ireland).

The inventory position increased from EUR 0.2 million to EUR 0.3 million, mainly due to increased finished products level to fulfill online sales through the Company's website.

The trade and other receivables decreased from EUR 14.2 million in 2011to EUR 2.7 million in 2012, mainly explained by the intercompany write off with Option Wireless Ltd., as described in the section of the operating charges.

Cash and cash equivalents decreased over the year from EUR 14.6 million in 2011 to EUR 1.5 million at the end of 2012.

The provisions decreased from EUR 0.2 million in 2011 to EUR 0.1 million in 2012.

The amounts payable within one year remained at the same level as in 2011, equal to EUR 6.7 million.

On a balance sheet total of EUR 11.4 million, the total equity as of 31 December 2012 amounted to EUR 4.5 million, or less than half of the issued capital. As a result, the mandatory procedure set forth in Article 633 of the Company Code needs to be complied with, and a General Shareholders meeting should be held at the latest two months after the losses have been noted by the Board of Directors dated 5 March 2013. In this respect, the Board of Directors has convened a special shareholders' meeting on 3 May 2013, and has prepared a special report in which they proposed to continue the activities of the Company and identify the measures that have already been taken in order to improve its financial situation.

Allocation of the statutory result

The statutory accounts of the Company (Belgian GAAP) reported a net loss for the year 2012 of EUR 4.3 million, compared with a net profit of EUR 5.1 million in 2011.

The Board of Directors proposes to add the non-consolidated net loss of EUR 4.3 million of 2012 to the loss carried forward from the previous years.

Abridged allocation account (According to Belgian Accounting Standards)		
December 31- in Thousands EUR	2012	2011
Profit/(loss) carried forward from previous year	(62 952)	(68 074)
Profit/(loss) for the period available for appropriation	(4 343)	5 122
Profit/(loss) to be appropriated	(67 295)	(62 952)

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

Market overview

The wave of smart phone sales continued in 2012 followed close behind by a faster growing but still smaller wave of tablet sales. IDC predicted sales of 717 million units for smart phones and 117 million units of tablets in 2012. This continues to drive data usage. Deloitte [1] expects data usage on smart phones to average 1 Gb per month in 2017 and this combined with market growth will lead to total data volumes 20 times those seen in 2011.

During 2012 there was much talk about the death of the PC and there is no doubt that the PC market is in a mature stage however its death seems unlikely. It is clear however that other screens: phones, tablets and perhaps TVs are encouraging new ways of communicating, working and playing. Each screen is taking a certain type of activity: smart phones concentrated on communication, entertainment and capture; tablets on entertainment and reference; TV on entertainment; and PCs on information processing and creation. In fact a recent report from Deloitte showed that amongst younger people the PC was seen by more to be the device they couldn't do without than older people. It is generally expected that the PC market will not disappear overnight and with sales of 355 million units estimated for 2012, the market continues to be a very important one. Furthermore, the installed based is clearly still very significant.

2012 continued the difficulties faced by operators. Operator app stores have not been a success. Stores from Telefonica, Verizon and Vodafone closed as customers failed to see the reason to go to the operator for app purchases. While not participating in content revenue streams from apps operators are also faced with limited opportunity in mobile advertising and other services. At the same time data revenues have not grown as predicted due to intense price pressure and '(almost) all you can eat data plans'. All this in a market where they have to maintain call quality (a baseline for judging an operator) while coping with massive data traffic growth.

The response in most mature markets has been an acceleration of 4G (LTE) roll out plans so that data traffic can be offloaded onto these networks and a lot of pressure on regulators to free low frequency bands (which allow less dense cell sites and hence less equipment for the same amount of coverage) currently used by 2G for extension of 3G networks. Deloitte suggested that many customers would be willing to accept per app unlimited billing plans versus truly unlimited plans. This raises complex issues for operator networks and billing systems to properly identify these traffic streams, block others and correctly account for usage.

In 2012 the most popular smart phone OS was, without a doubt Android with Apple's IOS running an increasingly distant second. Android's share grew from 49% in 2011 to 68.3% in 2012 with IOS trailing at 18.8%, Blackberry at 4.75% and Windows Phone at 2.6%. From a manufacturer perspective the concentration in profits remained with Apple and Samsung grabbing 81% of profits from mobile phone sales. This has put enormous pressure on the smart phone chipset manufacturers with ST Ericsson announcing the end of their joint partnership at the moment that ST announced its ground breaking FD SOI 28nm chip process which has large potential in exactly these types of applications. Qualcomm continued as leader of the pack, managing to get design wins at Apple while Samsung is almost totally vertically integrated in its designs. With most of the smart phone chipset volume concentrated around 2 companies the scraps left do not pay for the huge investments necessary for chipset development and certification. Further casualties from this may be expected.

The concentration of chipset volumes around a reducing number of companies may also impact the system integrators, like Option, who develop products and services around or including these chipsets. Indeed the danger of such volume concentration may be that smaller system integrators will have less attractive chipset prices (as they only buy smaller volumes of these chipsets) and less technical support or access to strategic information required for roadmap determination.

[1] Deloitte TMT Predictions: http://www.deloitte.com/view/en_GX/global/industries/technology-media-telecommunications/tmt-predictions-2013/index.htm

On the security front the news of major break-ins and attacks continued unabated. However there was no real new type of attack just the same old problems either switched to new devices (smart phones) or used more massively (distributed denial of service) or more cleverly (phishing). The password remains a huge problem. In a study from Xato of actual user passwords there were only 10,000 different passwords on 98.1% of accounts. While most systems lock out multiple attempts with the wrong passwords high profile cases of password files with inappropriate mechanisms of encryption and this low number of different passwords has meant that passwords have remained a significant security hole. Alternatives do exist. Multi factor authentication (combining something known with something owned) is an old technology but is not well accepted by consumers in applications outside banking. Google has added two step authentication to Google accounts by using the customer's mobile phone as the second factor (via an SMS code sent to the phone). It is still not clear that consumers will accept this and of course mobile phones (particularly smart phones) are far from invulnerable. NFC is another big possibility for improved security via the mobile phone. NFC enables the phone to act as a smart contactless smart card however MNO's have been reticent to subsidized smart phones with this technology since, for the most part, they do not yet have ways to monetize its presence.

Users are more and more familiar and happy with public WiFi hotspots. The widespread of these hotspots have resulted in WiFi becoming a serious alternative for the broadband services and connectivity offered by the operators' WWAN (2G/3G/4G) networks. From the consumers' point of view these WiFi networks offer good value for money. Furthermore, the WiFi hotspots allow different WiFi enabled devices (not equipped with WWAN modems) to log onto the internet or other Cloud based services without the additional connection cost. Finally, the convergence between or further integration of WLAN (WiFi) network and WWAN (2G/3G/4G) networks can also be witnessed at the device side where 'traditional' 3G USB modems are being replaced by smartphones (via tethering functionality) or mobile router devices.

Unfortunately most WiFi hotspot users remain ignorant of the risks. A quick search on the internet will reveal ways of setting your own hotspot looking just like a legitimate one. At a minimum this allows a simple phishing attack to retrieve the unsuspecting user's hotspot credentials but an experienced hacker can easily go further. If a customer tends to type a normal http address for their bank which is then redirected to a secure https site then there are known ways of compromising this. Any unencrypted traffic is, of course, in plain view. And since the user has arrived at the hotspot page that the attacker controls any recent browser faults can be tried in an attempt to take control of the user's device. The move to technologies that could help has been slow and WiFi hotspot logon security has not improved for several years.

One of the interesting catch words of 2012 was "Big Data". This really refers to two trends. Firstly progress in machine learning algorithms that allow huge sets of data to be classified. Secondly the growing amount of huge data sets that need classification: web logs, high resolution images, etc. These sophisticated technologies are adding intelligence not just on big servers but also within and on the boarders of the network.

There continues to be a lot of interest and activity in machine to machine communication (M2M) also known as the Internet of Things. The 'Internet of Things' has become a household word in the telecom world. The 'things' mentioned are devices and machines, equipped with sensors, switches and communication capabilities that allow them to widely gather and spread information. Moreover, these objects in some cases automatically adapt and respond to changes in their environment. By using such objects in an existing business model a greater degree of efficiency can be achieved, and in fact, new business models will be created. Thanks to the machine-to-machine technology data are exchanged between machines without any human intervention via a telecommunications network.

The M2M market has been steadily growing for some time. As for the M2M market through mobile communications, the growth was achieved mainly in the 2G segment of the wireless data market. However, this changes in the U.S. following the announcement of the two major mobile telecom operators in the U.S. ceasing their 2G networks in the future will be close and continuing only 3G and 4G networks resulting into the necessary adaptation of many M2M solutions from 2G to 3G.

Customers are using M2M to streamline existing business processes but also to create new products and services. Some large segments have emerged. In telematics insurance companies are using wireless GPS loggers both to monitor conformance to policy conditions but even more

importantly to feed into their ratemaking systems allowing them to more accurately match a premium to a specific customer profile. Telematics is also increasingly a subject for car manufacturers both as a means to monitor the health of a car and propose preemptive services to the customer and to provide entertainment and information servers. Energy suppliers are also looking at ways to link energy production to energy use at customer premises known as the smart grid. While these large segments are interesting, it is clear that most M2M segments are small, their range diverse, the supplier base fragmented but there are a lot of segments.
While M2M applications continue to use 2G modules in some regions many have started the move to 3G in 2012. This is driven by concerns that operators will, at some point during long M2M application life cycles, switch off or reduce 2G coverage. As stated above operators have several incentives to do this: reductions in operating costs and re-farming valuable low frequency bands for 3G and 4G.

As we already saw in 2011, the diversity of the applications of M2M has meant that standards easing development and deployment are mostly focused on specific market segments (or so general that they do not resolve the specific issues that customers are grappling with). This has led to the rise of the Application Enablement Platform or AEP. Companies producing AEP software enable customers to quickly and simply link the specific assets that they want to manage via M2M gateways to back end ERP systems and databases. The protocols used within the AEP link are mostly proprietary with the focus on the linkages to assets (a baffling range of different connection types and protocols) and back end systems (slightly more standardized but still a challenge). ABI Research sees the market for AEPs growing to $1.72 billion from $169.9 million in 2011 with the number of M2M connections quadrupling to 453 million during the same period.

Option's position

The transformation on which Option embarked in 2011 was further continued in 2012. The solutions and products that were introduced on the market in 2012 evidence this transformation.

Revenues from the licensing of software products continued to be a very important driver in 2012 (from EUR 30.7 million in 2011 to EUR 27.7 million in 2012). The main driver for the software revenue is the cooperation agreement signed with Huawei in October 2010. The Company and Huawei Technologies entered into a cooperation agreement whereby, inter alia, the companies agreed to license Option's connection manager software. In the fourth quarter of 2012 the license with Huawei has come to an end.

Further licensing revenues for 2012 were received from the uCAN Connect 3.0 and the Telenor MK6 & MK7 connection manager. Although the uCAN Connect product has been recognized as a valuable software tool by mobile operators and larger enterprises, its success is not expected to further expand as the success of USB modems in general is being challenged by other solutions available in the market today as further highlighted below.

In 2012, Option delivered 0.3 million devices, a 36.5% decrease versus 2011. Revenues for the year stood at EUR 40.8 million, a decline of 18.2% versus 2011.

After the launch of Beemo, Option ceased in 2012 all development activity in the traditional segment of USB products, i.e. the WWAN modems in a USB formfactor.

The existing models and stocks of USB modems continued to be sold throughout the year. However, price competition and increasing popularity of alternative solutions (such as mobile hotspot devices and tethering via smartphone) has made this market unattractive. Going forward the Group will no longer invest in this market.

The decline in the traditional USB modem market is reflected in Option's product sales: the volumes of 3G USB modems continued to reduce (in 2012 3.7% of overall revenues and 26.9% of the volumes, versus 18.1% of revenues in 2011 and 50.2% of volumes).

The module sales in 2012 represented around 49.6% of the volumes and 15% of the revenues (compared to 37.9% of volumes in 2011 and 12.4% of revenues). In this embedded module space the Company targeted specific market segments with a portfolio of different modules designed with high quality standards. The modules have been tested and approved on different operator networks including AT&T, Verizon, and NTT DoCoMo. Despite the recognized quality of the Option modules the sales volumes did not grow as initially anticipated for a number of different reasons.

In the Consumer Electronics market all of the major players focused on the development of tablet computers. Option's unique LGA is very attractive for these type of devices. Whilst Option was able to have its technology designed-in by a number of important players, the sales volumes generated by these accounts have been disappointing as the attach rate of 3G technology for tablet computers has been much below expectation. On top of that, the market for tablet computers has been (and continues to be) dominated by two major players taking most of the market and leaving very little room for Option's module partners. Another market segment addressed with the 3G embedded modules are the specialised professional terminals. In this market Option has gone through very long development cycles for the products in which the modules were designed in. Although good progress was made in 2012, none of the customers was able to finalise the development within that year and module sales was therefore pushed out to 2013. Finally in the Automotive market segment, the Company has finalised in 2012 the integration of its module with the car infotainment platform of Autonet. The launch of the product by a major US car OEM has been rescheduled to 2013.

Since 2011 Option has shifted its focus to the development of hardware devices with more functionality as well as software platforms, features and solutions. Examples of such hardware devices are router and gateway products as well as Option's 3G Camera VIU. The result of this shifted focus and corresponding development effort, was demonstrated by the launch in 2012 of new products and the repositioning of some existing products. These included XYFI, VIU and CloudGate.

With XYFI the Company launched a new category defining product by combining WWAN (2G & 3G) with WLAN (WiFi) in a USB stick. The stick can be used as a mobile hotspot (e.g. connecting 3G with WiFi) but also as a WiFi extension hub (connecting WiFi with WiFi). XYFI is powered via USB connection, meaning users can take advantage of a wide variety of USB-enabled power sources. XYFI was first demonstrated during the Mobile World Congress early 2012 where it was elected by Engadget[1] as "Best Connectivity Device" of the Mobile World Congress 2012. In the course of the year additional hardware extensions for the product (such as a battery pack and a car adapter) were introduced as well as many software features including a media streaming functionality.

The different (hard- and software) features of XYFI allowed it to be customized for different markets and use cases. One of the use cases that the Company has focused on in 2012 is the in-car connectivity. For this market Option combined the XYFI personal hotspot with a tailor-made car adapter and a web-based connection portal making it possible to aggregate different types of content, ranging from infotainment to professional apps for operators, car manufacturers, rental agencies and even taxis. This combination of different features enables partners to provide a branded experience and to open new revenue streams including rental of the device and purchase of the service and digital content.

Later in 2012 a revised version of the VIU² camera was launched with dedicated Android and iOS smartphone apps. Furthermore the installation and set-up of the camera was further simplified via the use of a device-unique QR code and the overall performance of the product (especially server side) was improved. These improvements have made the VIU² camera one of the only 3G enabled camera's on the market with motion and event detection, supported by an iPhone and an Android app and allowing the user to access the camera in a very user-friendly manner. The video displayed on the smartphone is streamed from a server (i.e. the camera sends the video to a server and the server sends the video to the smartphone) and thus the video can be stored for a longer period of time in the Cloud. Because of these specific functionalities VIU² does not compete with WiFi solutions but is more purposed to serve specific needs such as easy and quick installation of surveillance or set up of surveillance in areas that are not covered by WiFi or where there is only very poor fixed network coverage.

The commercial uptake of these new products such as XYFI and VIU² has been slower and lower than originally anticipated. The same trend has been witnessed for the security product that the

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

Company had developed (i.e. the integration of Vasco's Digipass OTP technology onto a 3G USB modem). With regards to this last product category the Company decided to stop all activities early 2013.

There are different elements that have led to this slower and lower than anticipated uptake. First there is the fact that the products and services created by the Company are innovative and require more evangelising work in an early adopter community thereby impacting the sales cycle and sales volumes. Secondly the general economic climate in Europe makes the sales of such products more difficult. Finally, the products are not standard products and thus cannot easily be commercialised via the traditional operators' channels. Although the commercial success of these products has been below expectations, it is clear that the development of the products such as XYFI, CloudKey and VIU² have resulted in the buildup of some valuable new assets including a service management platform, a multi device user interface with streaming capabilities and routing software. These assets have allowed the Company to further improve the features of its existing products and will continue to do so for new product lines (e.g. CloudGate).

The most important new product-line that the Company launched in the second half of 2012 is CloudGate, a secure, reliable and affordable 3G M2M gateway. With this product the Company targets the growing market of products embodying the vision of the 'Internet of Things'. With CloudGate the Company focuses on more niche and specialised markets that are less volume driven and more focused on added value, local presence, services and product related features (both soft- and hardware) that allow it to be better adapted for the targeted segment or application.

CloudGate brings a new level of flexibility and ease of deployment for M2M solutions. The product differs from competing products by its very high degree of flexibility that allows the base product (limited functionality at low cost) to be transformed in a very simple way to a product with high functionality. In addition, Cloud Gate is also very easy to install into an existing or new M2M solution and is sold through various channels.

Soon after the launch of CloudGate in October 2012, the Company announced partnerships with distributors, leading US System Integrators and developers (such as ILS, GetWireless, ClearConnex, Exosite, and Hilton Development Group). The fact that these and other partners signed up so quickly demonstrates the demand for a configurable, reliable and affordable M2M gateway. The Company continues to work on further developing an ecosystem to secure a good market coverage and presence in the different M2M segments. The first CloudGate products were shipped in Q4, 2012 and have successfully been deployed in a number of field trials.

With Cloud Gate Option is competing for some of the existing and new projects in the U.S. M2M market. Because of the existing M2M market and distribution channels in the U.S. Option initially announced to sell Cloud Gate in the U.S. only. However, following demand of different European parties, a European sales approach is being put in place for a European CloudGate sales in 2013.

These developments demonstrate that the Group has shifted from commodity hardware devices for mobile operators, towards end-to-end solutions for both business and consumer markets. The product portfolio is focused on vertical markets such as automotive, financial services, security and surveillance.

Engineering

The transformation of the product portfolio and channel approach of the Company has also impacted the composition of the engineering team and its development efforts.

In 2012 the Company has continued to work on the development of a new chipset platform that can be used in products that will work with the new 4G LTE networks. This development work has resulted in the production of hardware samples of a new LTE LGA module as indicated above. However, given the important investments required for approval and testing, the Company has decided for the moment not to embark on a full approval and test cycle for this module but rather to evaluate the possibility to work with strategic partners on the selection and integration of LTE modems in its product portfolio.

As a result the focus of the engineering team in Option has shifted a little in the direction of hardware integration and testing whereby modules and hardware components are integrated into a working device the functionality of which is further enhanced via software and server solutions. With regards to the software work, the Company's focus has shifted towards middleware, server and user interface development. In line therewith, Option has continued to invest in the build out of different software competencies; content delivery platform (server), policy management, routing software and application development. This investment has resulted in the continuous growth of the relative importance of software development in the engineering department. However, given the expected evolution of the connection manager business and the requirement to further rationalize costs in the Company, it was decided to close the site in Augsburg and to transfer the remaining connection manager activity to the software team in Leuven. This transfer has taken place during the fourth quarter of 2012 and the first quarter of 2013.

With the launch of CloudGate and the development and integration possibilities offered by this product, expects to continue to work with a development model that consists of a combination of internal and outsourced product development or product development performed by CloudGate "partners". These combinations should allow the Company to further lower its product development costs whilst offering a diversified product (and solutions) portfolio.

Organization

The transformation of the Company included an increased focus on cost efficiency and cost reduction. This has had an impact on the development and product focus, on the staff and the different sites operated by the Group. In line therewith, as indicated above, the decision to close the site in Augsburg was taken in the second half of 2012. The activity of the site, essentially oriented towards the connectivity software business, has been transferred to the engineering team in Leuven.

Following the decision to increase the focus on the M2M market with CloudGate and to reduce the effort on more consumer oriented products, the Company announced in the first quarter of 2013 that a restructuring exercise was started in the sites in Paris (France) and in Cork (Ireland). These exercises have led to the closing of the French offices and an important staff reduction in the Cork site. The Cork site will continue to drive the supply chain and materials positioning for the products commercialized by the Company. The tasks of the French team, essentially oriented towards user experience and related to XYFI, VIU² and a number of software products and features, have either ceased or been taken over by the team in Leuven.

The composition of the executive management of the Group was also modified in the course of 2012 and in the first quarter of 2013. Jerome Nadel, Chief Experience Officer, left the Company in the second half of 2012. In the first half of 2013 Jan Smits, Chief Financial Officer of the Company, decided to leave the Company. Furthermore, Bart Goedseels, Chief Operating Officer of the Company and Frederic Nys, Executive Vice President Engineering & Technology left the Company and were replaced by Ben Cober, Director of Engineering, and Rudy Snoeks, Director of Operations.

The composition of the Board of Directors of the Company was impacted by the departure, in August 2012, of David Hytha.

The liquidation of Option Wireless Germany GmbH (Kamp-Lintfort) has come to an end in 2012.

Operations

For the manufacturing of its products the Company continues to work with specialized companies to whom the mounting of the components on the printed circuit boards is outsourced. For this process Option works with Jabil Circuit in their plant in Wuxi, China. For the manufacturing of the LGA-module, Option cooperates with Murata (Japan) and the manufacturing of the VIU² is outsourced to a Chinese partner. All those manufacturing companies provide services such as component purchase, production, testing, quality control, fulfillment and logistics.

For customizations or upon specific request of certain partners, the final phase of the manufacturing process can be executed at the Irish site of the Company (in Cork) or outsourced to other production partners.

Inside the Group, the Irish team in Cork continues to be the primary responsible for the management of the supply chain (i.e. matching sales prognoses and purchase orders with the production forecast) and management of the manufacturing partners. Besides that, the operational team focuses on quality, cost optimization, order management and introduction of new products.

Financing

In October 2012 and in January 2013, the Company announced that it was looking at raising the working capital of the Company via a private placement. At the end of the first quarter 2013, it was announced that Option secured EUR 9 million via the issue of a convertible bond. The funding is subscribed by 5 partners: the Flemish investment company PMV for EUR 2 million, Athos Investments for EUR 1 million, Life Science Research Partners for EUR 0,5 million, Mondo for EUR 0,5 million and Jan Callewaert for EUR 5 million.

The convertible bond has a term of 5 years and matures in March 2018. The bonds can be converted into 31,034,483 new shares of Option N.V. The convertible bond has an annual interest rate of 5% with an initial conversion price of EUR 0.285 which is the average share price during the 30 days prior to the issuing of the convertible bond.

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 2013:

Financial notifications

- 24 January 2013: Financial notification
- 7 March 2013: Option reports second half year and full year 2012 results
- 29 March 2013: Option secures EUR 9 million in funding

VALUATION RULES

Going concern
The going concern valuation rules were used both for the standalone annual accounts and the consolidated annual accounts of the Company. The Board of Directors is of the opinion that, notwithstanding the existence of substantial losses carried forward the use of going concern valuation rules is justified taking into account the below circumstances. In addition, reference is made to the Report of the Board of Directors, drafted in accordance with section 633 of the Code of Companies, which is available on the website of the Company.

Wireless Data – the market:
The Company operates primarily in the wireless data market with an increased focus on the M2M segment. This segment is expected to be one of the important growth markets in the wireless space, with more devices being connected to different technologies (the 'Internet of Things'). The Company is approaching this market with a very price competitive gateway product, CloudGate that can be easily adapted to the specific environment (soft- and hardware) in which it will be deployed. In order to address the different channels in this market, the Company is setting up various partnerships across the value chain. One of the partners on which the Company is focusing are the AEPs (application enablement platform providers such as ILS, Axeda, Sensinode, etc...). ABI Research sees the market for AEPs growing to $1.72 billion from $169.9 million in 2011 with the number of M2M connections quadrupling to 453 million during the same period.

Budget – new products and markets:
In the third and fourth quarter of 2012 the Company announced the launch of a new product "CloudGate" thereby marking an important transition for the Company; no longer focused on consumer products but rather on products used in professional and industrial environments, no longer focused on the modem but rather on the (M2M) solution. The experience that Option has acquired in the wireless data market and the reputation it has earned, has enabled the Company to already create a number of important partnerships and channels (or ecosystem) for its CloudGate offering. The successful launch of the new CloudGate product in the US is a clear evidence of this.

The budget for 2013 is predominantly built around the aforementioned product and the further sale of some of the existing product portfolio. The projections made in the budget are based on the initial feedback received from the channel partners in the US (where the product is being tested and designed in in a number of M2M projects) and from initial discussions around the commercialization of CloudGate in the EMEA region. The Board has used its best efforts to try to prepare a realistic budget taking into account for example, the fact that the development of a channel in Europe will take time. However, in the current economic climate any budget exercise remains very difficult. The company's financial position and liquidity may be negatively impacted in case the business plan is only partially realized, or not timely realized. During the following months, the company will be able to assess the extent to which the initial market interest materializes according to this budget.

Cost Reduction Plans:
In 2012 the Company has taken different measures to stop activities that were not profitable enough in an effort to further lower its cost base. In line therewith the Company has decided to close the sites in Augsburg (Germany) and in Paris (France), and, in the first quarter of 2013, the Company decided further to substantially reduce the staff in Cork (Ireland) and Leuven (Belgium). These initiatives are starting to have effect with the cash opex for the Company being

reduced to less than EUR 17 million on an annual basis, and further reduction to be expected once the restructuring exercises will have been implemented. Furthermore, in line with the above, the Company has decided to concentrate its development efforts on the support of different applications via very flexible soft- and hardware solutions, and less on the pure modem development and certification. The result of this is that the R&D effort requires less investment and can support more specific higher end niches. The Company will continue its cost optimization exercise throughout the year.

Financing:
In March 2013, the Company secured EUR 9 million via the issue of a convertible bond. The convertible bond has a term of 5 years and matures in March 2018. The bonds can be converted into 31,034,483 new shares of Option N.V. The convertible bond has an annual interest rate of 5% payable once every year. The conversion price of the bonds is fixed at EUR 0.285 which was the average share price during the 30 days prior to the issuing of the convertible bond.

With the convertible bond secured, the Company will start discussions around the set up of new credit lines to support the ramp up of production for its new CloudGate product.

CORPORATE GOVERNANCE STATEMENT

The Belgian Corporate Governance Code

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

http://www.corporategovernancecommittee.be/library/documents/final%20code/CorporateGovUKCode2009.pdf

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

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

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

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

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

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

- *Composition of the Board of Directors*: In accordance with article 2.3. of the 2009 Code at least one half of the Board of Directors should comprise non-executive directors and at least three of them should be independent according to the criteria set out in Appendix A of the 2009 Code.

  Following the resignation of Mr David Hytha on 20 July 2012 the Company no longer complied with this article. It is in no way the intention of the Company to uphold this situation, as the Company has since then been active in finding a new independent director.

- *Executive Director/CEO as chairman of the Board of Directors:* As An Other Look To Efficiency SPRL resigned as chairman of the Board of Directors, a new chairman had to be appointed. After discussion the Board of Directors resolved to appoint Mr. Jan Callewaert as chairman, who is also CEO through Mondo NV, which is contrary to the corporate governance recommendations. The Board of Directors recognized the impact of this decision against the 2009 Code, but argued that, given the challenges the Company is facing, it is crucial to have a close link between the Board of Directors and the executive management. Furthermore, the Board of Directors mandated FDVH Beheer BVBA with the tasks of working with the individual members of the management team in case of issues in which the CEO/ chairman would be conflicted.

- *Composition of Nomination and Remuneration Committee:* As per the reappointment of Q-List BVBA as director of the Company per 30 April 2012, Q-List BVBA no longer is an independent director resulting in the fact that the Nomination and Remuneration Committee no longer is comprised of a majority of independent directors. However, the Committee has, in 2012, not met since the aforementioned reappointment.

Composition of the Board of Directors

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

As of 31 December 2012, the Board was composed of five members, namely:

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

Mr David A. Hytha resigned as an independent director of the Company as from 20 July 2012. This resignation was published in the Annexes of the Belgian State Gazette of 19 February 2013.

The term of the office of Jan Callewaert and Lawrence Levy, appointed by decision of the extraordinary general meeting of shareholders held on 30 April 2009, will expire immediately after this year's Annual General Meeting, which will be asked to approve the annual accounts for the year ending in 2012. Furthermore, the term of office of Q-List BVBA and An Other Look To Efficiency SPRL, reappointed by decision of the annual general meeting of shareholders held on 30 April 2012, will also expire immediately after this year's Annual General Meeting.

FVDH Beheer BVBA represented by Mr Francis Vanderhoydonck (permanent representative) was appointed as new independent director effective as of 1 January 2011. The term of office of FVDH Beheer BVBA represented by Mr Francis Vanderhoydonck (permanent representative) will expire immediately after the Annual General Meeting, which will be asked to approve the annual accounts for the year ending in 2014.

As per Board Meeting of 25 May 2012 Mr Jan Callewaert was appointed as Chairman of the Board after resignation of Another Look To Efficiency SPRL as Chairman.

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

Furthermore, the Board of Directors is aware of the Belgian Act of 28 July 2011, prescribing that any listed company needs to take appropriate measures in order to assure that within the legal timeframe, the Board of Directors has to be composed for at least one third of female directors. The Remuneration and Nomination Committee will draft guidelines to comply with said requirement.

Functioning of Board of Directors

In 2012, the Board of Directors met 26 times, 5 times in person and 21 times via conference call. The average attendance rate amounts to 95.04% (2011: 98.33%), with the following individual attendance rate figures:

Name	Board meetings attended		
	Physical attendance	*calls*	*%*
Jan Callewaert	5/5	20/21	96.15%
Q-List BVBA	5/5	21/21	100%
Lawrence Levy	5/5	21/21	100%
David Hytha	3/3	11/12	93,33%
An Other Look To Efficiency SPRL	5/5	18/21	88,46%
FVDH Beheer BVBA	5/5	19/21	92,31%

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

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

In 2013 the Board of Directors proposes to the Annual General Meeting of Shareholders to reduce the size of the Board of Directors with one member in order to save on expenditures, which means that the Board of Directors would consist of five members.

The Board of Directors further proposes to the Annual General Meeting of Shareholders to reappoint Jan Callewaert, An Other Look To Efficiency as respectively executive Director and independent Director of the Company, and Lawrence Levy and Q-List BVBA as non-executive Directors of the Company.

Related parties transactions – Conflict of interest procedure

In 2012 the Board of Directors applied on 25 January 2012 the procedure foreseen in Article 523 of the Belgian Code of Companies. It was stated as follows:

"Autonet Investment

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

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

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

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

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

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

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

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

After discussion the Board RESOLVES

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

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

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

David Hytha rejoins the meeting."

In the first quarter of 2013 the Board of Directors applied the procedure foreseen in Article 523 of the Belgian Code of Companies on two occasions.

At the meeting of the Board of Directors held on 23 January 2013 the procedure was applied and it was stated as follows.

Before the discussion of this item, Jan Callewaert informs the Board in accordance with the provisions of Article 523 of the Code of Companies that he may have a conflicting interest of a monetary nature with the Company in respect of the decisions that the Board may take in relation hereto. Jan Callewaert further explains that he is the owner of the majority of the shares of Mondo NV and that the potential conclusion of a loan agreement between Mondo NV and the Company is the topic that will be discussed by the Board. Therefore, in accordance with the provisions of the aforementioned Article 523 of the Code of Companies, Jan Callewaert leaves the meeting and does not take part in the further discussion, deliberation and voting.

The Board discusses the terms and conditions of the draft loan agreement. The agreement foresees in a very flexible procedure for the Company to draw moneys up to an amount of maximum 5 million EUR and this in tranches of 1 million EUR.

Furthermore the interests applicable to the loan agreement are in line with those established in the documents for the convertible loan, i.e. 5% per year. The interests need to be paid every six months.

The Board considers these conditions to be very beneficial for the Company. Furthermore, as the Company is confronted with a delay in the emission of the convertible bond, the Board is of the opinion that entering into the loan agreement will provide the Company with a buffer that could be necessary in case of further delay of the convertible bond emission.

Taking into account the above, the Board is of the opinion that entering into the loan agreement is to the benefit of the Company. The Board further emphasizes that the main purpose of this agreement is to bridge the time required to successfully close the current financing round.

Therefore, after discussion, the Board RESOLVES

To approve the loan agreement under the commercial conditions as described above
To mandate management to do what is necessary or useful for the execution and implementation of the above mentioned loan agreement provided however that management can only draw the first million EUR on the credit line. Further moneys can only be drawn upon approval of the Board."

In addition the Board of Directors applied on 28 March 2013 the procedure foreseen in Article 523 of the Belgian Code of Companies. It was stated as follows:

Mr. Jan Callewaert, aforementioned, in his capacity of director and chairman of the board of directors, informs the board of directors, prior to the start of the deliberation, that, in relation to the issue of the convertible bonds described in the agenda, he has an interest of a monetary nature that is conflicting with the interests of the Company.

The board of directors proposes in the framework of the contemplated issue of the convertible bonds to waive the pre-emptive rights of the existing shareholders and warrant holders in favor of:

1. *Mr. CALLEWAERT Jan, Jozef, Alfons, residing at 3000 Leuven, Vanden Tymplestraat 43/5, up to five million euro (EUR 5,000,000.00)*
2. *The private limited liability company "ATHOS INVESTMENTS", located at 3001 Leuven (Heverlee), Gaston Geenslaan 14, RLE Leuven with enterprise number 0837.471.076, up to one million euro (EUR 1,000,000.00)*
3. *The public limited liability company "PARTICIPATIEMAATSCHAPPIJ VLAANDEREN" in short "P.M.V.", located at 1000 Brussels, Oude Graanmarkt 63, RLE Brussels with enterprise number 0455.777.660, up to two million euro (EUR 2,000,000.00)*
4. *The nonprofit organization "LIFE SCIENCES RESEARCH PARTNERS", located at 3000 Leuven, Herestraat 49/913, RLE Leuven with enterprise number 0435.768.243, up to five hundred thousand euro (EUR 500,000.00)*
5. *The public limited liability company "MONDO", located at 3000 Leuven, Vanden Tymplestraat 43/5, RLE Leuven with enterprise number 0440.904.887, up to five hundred thousand euro (EUR 500,000.00)*

Mr. Jan Callewaert declares that he potentially has an intrest of a monetary nature that is conflicting with the interests of the Company as he will subscribe to the proposed issue of *convertible bonds both directly in his own name and for his own account, as well as indirectly via two companies, "Athos Investments" private limited liability company and "Mondo" public limited liability company.*

Although the conversion price, in accordance with section 598 of the Code of Companies, has not been fixed below the average share price during the thirty days preceding the day of the issue, it cannot be excluded according to Jan Callewaert that he potentially has a interest in having an as low as possible conversion price and that this personal interest is not necessarily reconcilable with the interests of the Company.

But above all the interest of a monetary nature that is conflicting with the interests of the Company exist in the waiving of the pre-emptive rights in favor of the indicated persons as this creates at the moment of conversion of the bonds into new shares a dilution for the other owners of shares and/or warrants.

The dilution is based on the total number of existing shares and the total number of existing warrants of the Company at this date. The dilution effect can be different in the future in the event of an issue of new shares and/or warrants of the Company.

The Financial consequences and the dilution effect of the capital increase that could occur following the conversion of the Convertible Bonds is further elucidated indicatively in the following table. This table is based on the hypothesis that all Convertible Bonds will be converted into shares.

By the issue of new shares the voting rights and the liquidation and dividend rights will be diluted as follows:

Conversion -price	*Number of new shares at conversion*	*Dilution of the shareholders in case of non-execution of existing warrants*	*Dilution of the shareholders in case of execution of the existing warrants*	*Total dilution of the shareholders in case of execution of the warrants and conversion*
0,285 EUR	*31.578.947*	*27,68 %*	*26,53 %*	*30,69 %*

The issue of the shares following conversion of all Convertible Bonds leads to a dilution of the voting rights and participation in profit and liquidation balance for the existing shareholders as further indicated above.

Taking into account the above and pursuant to section 523 of the Code of Companies, the director concerned will not participate at the deliberation and decision regarding the issue of the convertible bond with waiving of the pre-emptive rights in favor of the aforementioned persons.

Next Mr. Jan Callewaert reads a statement of Mr. Vanderhoydonck Francis, Martie, Fernand, residing at 3040 Huldenberg, Struikenbos 8 acting in his capacity of permanent representant of the private limited liability company "FDH Beheer", with seat at 1040 Etterbeek, Kommandant Lothairelaan 53/55, RPR Brussels with enterprise number 0806.352.783, for the execution of the mandate of director with the Company.

Mr. Francis Vanderhoydonck declares that he is, in his personal name, director, together with Mr. Jan Callewaert, of the private limited liability company "ATHOS INVESTMENTS", aforementioned, and that he potentially has an interest of a monetary nature that is conflicting with the interests of the Company as the private limited liability company "ATHOS INVESTMENTS" linked to him, will subscribe to the proposed issue of convertible bonds.

Although the conversion price, in accordance with section 598 of the Code of Companies, has not been fixed below the average share price during the thirty days preceding the day of the issue, it cannot be excluded according to Francis Vanderhoydonck, that he potentially has a interest in having an as low as possible conversion price and that this personal interest is not necessarily reconcilable with the interests of the Company.

But above all the interest of a monetary nature that is conflicting with the interests of the Company exists in the waiving of the pre-emptive rights in favor of the indicated persons as this creates at the moment of conversion of the bonds into new shares a dilution for the other owners of shares and/or warrants.

The dilution is based on the total number of existing shares and the total number of existing warrants of the Company at this date. The dilution effect can be different in the future in the event of an issue of new shares and/or warrants of the Company.

The Financial consequences and the dilution effect of the capital increase that could occur following the conversion of the Convertible Bonds is further elucidated indicatively in the following table. This table is based on the hypothesis that all Convertible Bonds will be converted into shares.

By the issue of new shares the voting rights and the liquidation and dividend rights will be diluted as follows:

Conversion -price	*Number of new shares at conversion*	*Dilution of the shareholders in case of non-execution of existing warrants*	*Dilution of the shareholders in case of execution of the existing warrants*	*Total dilution of the shareholders in case of execution of the warrants and conversion*
0,285 EUR	*31.578.947*	*27,68 %*	*26,53 %*	*30,69 %*

The issue of the shares following conversion of all Convertible Bonds leads to a dilution of the voting rights and participation in profit and liquidation balance for the existing shareholders as further indicated above.

Taking into account the above and pursuant to section 523 of the Code of Companies, the director concerned will not participate at the deliberation and decision regarding the issue of the convertible bond with waiving of the pre-emptive rights in favor of the aforementioned persons.

The auditor of the company will be informed of the aforementioned declarations of the directors.

Next Mr. Jan CALLEWAERT leaves the meeting in accordance with section 523 of the Code of Companies; the mandate that was given by the private limited liability company "FDH BEHEER" to Mr. Jan CALLEWAERT with a view to the representation during the meeting will, for the same reasons, not be used.

The board of directors further decided

- to issue the convertible bonds for an amount of nine million euro (€9.000.000,00) as further described in the report of the board of directors drafted in accordance with section 583 of the Code of Companies;
- to the interest of the company, to waive the pre-emptive rights of the existing shareholders and warrant holders in favor of the following five (5) parties:
    - Mr. CALLEWAERT Jan, aforementioned, up to an amount of five million euro (EUR 5,000,000.00)
    - The private limited liability company "ATHOS INVESTMENTS", aforementioned, up to an amount of one million euro (EUR 1,000,000.00)
    - The public limited liability company "PARTICIPATIEMAATSCHAPPIJ VLAANDEREN" in short "P.M.V.", aforementioned up to an amount of two million euro (EUR 2,000,000.00)
    - The nonprofit organization "LIFE SCIENCES RESEARCH PARTNERS", aforementioned up to an amount of five hundred thousand euro (EUR 500,000.00)
    - The public limited liability company "MONDO", aforementioned, up to an amount of five hundred thousand euro (EUR 500,000.00)

The policy with regard to transactions between the Company or any of its affiliated companies on the one hand and members of the Board of Directors or the Executive Management Team (or members of their immediate families) on the other hand that could give rise to conflicts of interest (other than those defined in the Belgian Companies Act) has been defined in the Corporate Governance Charter. In line with the decision taken by the Board of Directors in 2006 the Company reports on the professional fees charged by the US based law firm Brown Rudnick LLP, since Mr. Lawrence Levy who joined the Board of Directors of the Company early 2006 was one of the Senior Counsels of this law firm.
In order to avoid any ambiguity the Board of Directors decided in 2006 to report on an annual basis on the fees that were paid to Brown Rudnick LLP during the financial year. In 2012, the fees paid to Brown Rudnick LLP amounted to EUR 14k (2011: EUR 18k). At the end of 2010 Mr. Lawrence Levy retired from Brown Rudnick LLP and has no commercial ties with the lawfirm anymore.

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

Audit Committee

In 2012 the Audit Committee of the Company was composed of two independent directors, FVDH Beheer BVBA and An Other Look To Efficiency SPRL, and one non-executive director, Q-List BVBA. FVDH Beheer BVBA is chairman of the Audit Committee.

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

The Audit Committee gives guidance and controls the financial reporting of the Company. It ensures the presence of sufficient internal control mechanisms and, in co-operation with the statutory auditor of the Company, investigates questions relating to bookkeeping and valuation. The Audit Committee met 4 times in 2012 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:

Name	Audit Committees attended
Q-List BVBA	100 %
An Other Look To Efficiency SPRL	100 %
FVDH Beheer BVBA	100 %

Remuneration and Nomination Committee

The Remuneration and Nomination Committee was initially composed of two independent directors, i.e. Q-List BVBA and FVDH Beheer BVBA and one non-executive director, Mr. Lawrence Levy who chairs the Committee. As per 30 April 2012 and the reappointment of Q-List BVBA as non-independent director, the Remuneration and Nomination Committee is no longer composed of a majority of independent directors, but is composed of one independent director, one non-independent director and one non-executive director.

The Remuneration and Nomination Committee's role is to provide for a fair policy of remuneration for the employees and to ensure best international practices are respected when determining the remuneration and incentives of Directors Officers and Executive Management Team, and the appointment of the latter. Furthermore, The Remuneration and Nomination Committee advises the CEO of the Company regarding the compensation for the Executive Management Team. Given the size of the Group, the Remuneration Committee is therefore also combining the function of a Nomination Committee. The Remuneration and Nomination Committee met 3 times in 2012 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:

Name	Remuneration Committees attended
Q-List BVBA	100 %
Lawrence Levy	100 %
FVDH Beheer BVBA	100 %

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. This procedure is applied both in determining the remuneration policy and in determining the individual remuneration of directors and executive managers, and will, in the opinion of the Board of Directors, not be altered in the upcoming two financial years.

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

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

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

Remuneration of the directors

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

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

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

For the year 2012 the Board accepted to reduce the annual retainer with 25% bringing it to 18,750 EUR. This resulted in an overall lower compensation for the Board members.

The remuneration of the Board members for 2012 was therefore as follows.

Name	Total remuneration EUR
Jan Callewaert (1)	N/A (2011: N/A)
Q-List BVBA	41 028 (2011: 49 000)
Lawrence Levy	41 028 (2011: 49 000)
David Hytha	22 653 (2011: 49 000)
An Other Look To Efficiency SPRL	53 278 (2011: 74 000)
FVDH Beheer BVBA	44 778 (2011: 50 472)

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

In 2012, the global compensation for the Board of Directors amounted to EUR 203k (2011: EUR 271k).

Name	Board meetings attended		Audit Committees attended	Remuneration Committees attended	Strategic Committees Attended	Total remuneration Thousands EUR
	Physical attendance	*calls*				
Jan Callewaert (1)	5/5	20/21	N.A	N.A	N.A	N.A (2011: N.A)
Q-List BVBA	5/5	21/21	4/4	3/3	N.A	41.03 (2011: 49.00)
Lawrence Levy	5/5	21/21	N.A	3/3	N.A	41.03 (2011: 49.00)
David Hytha	3/3	11/12	N.A	N.A.	N.A	22.65 (2011: 49.00)
An Other Look To Efficiency SPRL	5/5	18/21	4/4	N.A	N.A	53.28 (2011: 74.00)
FVDH Beheer BVBA	5/5	19/21	4/4	3/3	N.A	44.78 (2011: 50.47)

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

For 2013 the Board of Directors proposes to the shareholders to reduce the annual retainer to 12 500 EUR and further to reduce the additional remuneration to the chairman of the Audit Committee to 3 750 EUR.

Summarizing the remuneration proposal for the Board of Directors in 2013 is as follows:

the remuneration per director is limited to a maximum of 49 000 EUR with an exception for the Chairman of the Audit Committee where the maximum remuneration is fixed at 52 750 EUR and, if applicable, the remuneration of the Chairman of the Board which is limited to 67 750 EUR[1]. The remuneration is composed of the following elements:

[1] *As far as the remuneration of Jan Callewaert is concerned, reference is made to the fact that since 2010 the Board of Directors Compensation is included in the fixed remuneration of the CEO.*

- an annual retainer of 12 500 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.

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.

At year end 2012 the following warrants "V" were held by the members of the Board of Directors.

Jan Callewaert	50 000
Lawrence Levy	50 000
Q-List BVBA	30 000
An Other Look To Efficiency SPRL	30 000
Total	**160 000**

Furthermore, Mr. David Hytha who resigned as a member of the Board of Directors in July 2012, holds 50 000 warrants "V".

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;
- 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.

Executive Management Team

As per 31 December 2012, the Executive Management Team was composed of the following members:

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

Jérôme Nadel, former Chief Experience Officer, left the Company in September, 2012.

Executive officers compensation (Executive Management Team)

The compensation of the executive officers of the Company is composed of a fix base remuneration and a variable remuneration. The variable remuneration is linked to the performance of the Company (EBITDA) in the current financial year. Warrants are destined to create longer term incentive schemes.

The management company of Mr Jan Callewaert (Mondo NV) is acting as CEO of the Group and performing management services for the Group. Following the recommendation of the Remuneration Committee, the Board of Directors decided on 26 May 2010 to modify the remuneration paid to the CEO of the Company (Mondo NV represented by Jan Callewaert) and decided to fix the base remuneration at EUR 430k per year and the variable remuneration to a maximum of EUR 190k per year. In addition, the Board of Directors suggested that the aforementioned remuneration, paid to the CEO, should also cover the compensations paid to Jan Callewaert in his capacity of member of the Board of Directors. Therefore, the remuneration for these management services in 2012 amounted to EUR 430k (2011: EUR 430k). For 2012, no variable compensation was paid out (2011: EUR 0k). The CEO received additional benefits for an amount of EUR 18k covering car, fuel and lump sum allowance costs (2011: EUR 15K). The CEO is not entitled to nor is he a beneficiary of any pension scheme which is paid for by the Company.

For the year 2012, an aggregate gross amount of EUR 944k (2011: EUR 1 228k) was attributed to the other five members of the Executive Management Team. The 2012 gross amount includes redundancy fees for one member of the Executive Management Team who left the Company in the course of 2012. For 2012, no variable pay was granted relating to 2012 performance (2011: EUR 22k).

For the members of the Executive Management Team, benefits include an extra-legal pension scheme, the cost of which amounted to EUR 53k (2011: EUR 32k). The members of the Executive Management Team received additional benefits for an amount of EUR 39K covering car, fuel, lump sum allowance and hospitalization insurance costs (2011: EUR 28K).

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

At year end 2012, the following warrants "V" were held by the current members of the Executive Management Team (2011: 137 500):

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

[1] Mondo NV, a company incorporated and organised under Belgian law, represented by Jan Callewaert
[2] Adrimaar BVBA, a company incorporated and organised under Belgian law, represented by Bart Goedseels.
[3] Swap NV, a company incorporated and organized under Belgian law, represented by Jan Smits.

SHAREHOLDER STRUCTURE

For a detailed overview of the shareholder structure, reference is made to note 18 of the Financial Report -IFRS hereafter.

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

Capital structure – capital shares/securities – rights

The warrant plan "V" and the warrant plan 2012 both provide 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" and the warrant plan 2012 may not be transferred by the warrant holders, except in the event of decease of the warrant holder.

Holders with special rights

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

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

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

Restrictions on voting rights

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

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

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

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

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

Shareholders' agreements

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

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

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

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

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

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

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

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

Rules governing the amendments to the bylaws of the Company

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

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

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

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

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

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

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

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

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

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

1. Supply agreements

- Cingular Wireless/AT&T Supply Agreement (non-assignment 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.

The most of such risks and uncertainties are related to the evolution of the market in which the Group is active. In general, this market is characterized by fast, successive introductions of new technologies. As a result the market is very dynamic and the Group must respond to important and successive changes. In particular, the following risks and uncertainties are specifically mentioned:

(1) Going concern.
The past months, the Group heavily invested in the renewal of its product portfolio. These new products are composed of various elements and are more complex. Furthermore they are offered via different sales channels creating longer sales cycles than previously was the case. All this has weakened the cash position of the Group and in consequence, the Group has less funds available for its operational activities, what could result in reduced funds being available for the operation of the Group's business, including marketing activities, capital expenditures, acquisitions 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 Group 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 Group'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 Group in jeopardy.

(2) The Group may be further negatively affected by the impact that the recent economic downturn has on the global economy. The uncertainty about the further evolution of this crisis, as well as its impact on the global economic situation, limits visibility on the evolution of the results of operations. 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 Group.

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

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

(5) The Group depends on third parties to offer wireless data communications services and hosting services. If these services are not offered as anticipated, consumers would be unable to use the Group's innovative products and revenues could decline. The marketability of the Company's products may suffer if wireless telecommunications operators do not deliver acceptable wireless services or if the price of such services would become too high for mass market adoption. In addition, the future growth depends on the successful deployment of next generation wireless data networks provided by those third parties, including those networks for which the Group is currently developing products. If these next generation networks are not deployed, delayed or not widely accepted, there

will be no market for the products the Group is developing to operate on those networks. If the Group does not properly manage the development of its business, the Group may experience significant strains on its management and operations.

(6) 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.

(7) The Group's increasingly complex products may contain errors or defects, which could prevent or decrease their market acceptance and lead to unanticipated costs or other adverse business consequences. The increasing product complexity multiplies the risk of undetected errors and defects.

(8) The market is evolving rapidly and the product life cycles are becoming shorter every year. In the event the Group would be unable to develop new innovative products that gain sufficient commercial acceptance, the Group may be unable to recover its research and development expenses and the Group may not be able to maintain its market share and the revenues could decline. The transition from pure hardware product sales to complex, wireless solution sales may further impact this as the typical sales cycle for a hardware product are shorter than those for a complex end to end solution. Furthermore, because of the short product life cycles the Group'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 competitive price and quality.

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

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

The Group may fail effectively to identify or execute certain strategic partnerships and if it does pursue such partnerships it may fail to realise anticipated benefits to the business in a timely manner. Furthermore, any acquisitions the Group makes or any sale of its divisions could disrupt its business and harm its financial condition and results of operations.

(10) The Group may not be able to develop products that comply with applicable government regulations. The Group's products must comply with government regulations. For example, in many countries many aspects of communications devices are regulated, including radiation of electromagnetic energy, biological safety and rules for devices to be connected to telephone networks. Additionally, the Group cannot anticipate the effect that changes in domestic or foreign government regulations may have on its ability to develop and sell products in the future. Failure to comply with existing or evolving government regulations or to obtain timely regulatory approvals or certificates for its products could materially adversely affect its business, financial condition and results of operations or cash flows.

(11) The Group might forecast customer demand incorrectly and order the manufacture of excess or insufficient quantities of particular products. Furthermore for its entire product line the Group depends on sole source suppliers for supplying some components used in its products. The availability and sale of those finished products would be harmed if any of these suppliers is not able to meet the Group's demand and production schedule.

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

(13) The Group may infringe on the intellectual property rights of others. Third parties could claim that the Group's products, or components within its products, infringe on their intellectual property rights. These claims may result in substantial costs, diversion of resources and management attention; harm the Group's reputation or interference with its current or prospective customer or supplier relation. The industry in which the Group operates has many participants that own, or claim to own, proprietary intellectual property. In the past we have received, and in the future may receive assertions or claims from third parties alleging that our products violate or infringe their intellectual property rights. The Group may be subject to these claims directly or through indemnities against these claims which the Group 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 direct, indirect or consequential damages, liabilities and litigation costs, including attorneys' fees and any other legal and court fees;
- We may be prohibited from further use of the intellectual property and may be required to cease selling our products that are subject to the claim;
- We may have to license the third party intellectual property, incurring royalty fees that may or may not be on commercially reasonable terms. In addition, there is no assurance that we will be able to successfully negotiate and obtain such a license from the third party;

- We may have to develop a non-infringing alternative, which could be costly and delay or result in the loss of sales. In addition, there is no assurance that we will be able to develop such a non-infringing alternative;
- The diversion of management's attention and resources;

We may be required to indemnify our customers for certain costs and damages they incur in such a claim.

FINANCIAL INSTRUMENTS AND RISKS

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

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

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

(4) The Group 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 Group's freedom to do business and/or the Group could become in breach under such covenants. Finally, future financings to provide this capital may dilute investor's ownership in the Group. Any additional capital raised through the sale of additional shares may dilute Shareholder's percentage ownership interest in the Group and may have an effect on the market price of the shares.

(5) 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.

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

CONFLICTS OF INTERESTS

The conflict of interest procedure as set forth in Article 523 of the Belgian Code of Companies was applied in 2012 as set further out above in the corporate governance statement of this annual report.

REPORT ON RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

Control environment

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

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

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

Risk analysis

We refer to the section "overview of risks and uncertainties" and "financial instruments" of this report which describes the risks related to the evolution of the market and business, the Group is operating in.

The Board of Directors and management determines the strategy, the budget and mid- to long term business plan for the Group. During this process, risks and uncertainties are discussed and taken into account to further finalize the Groups strategy and budgets.

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

Control activities

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

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

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

The Group's procurement process is processed by third party manufacturers and supervised by the Group.

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

To guarantee the continuity of ERP system (SAP), back-ups are made on a regular basis and the maintenance is performed by an experienced third party.
An important element to control activities is the annual budget exercise in which strategy, risk, business plans and intended results are tested. The performance towards the targets is monitored monthly by the Finance team and discussed in management meetings.

Information and communication

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

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

Supervision and monitoring

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

STATEMENT

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

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

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

Leuven, April 30, 2013

The Board of Directors

3. FINANCIAL REVIEW

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

At year-end 2012, all shares, except 1 (one) - which existed in registered form -, were dematerialized.

At year-end 2012, the Company had the following significant shareholders:

Identity of the person, entity or group of persons or entities	Number of shares	Percentage of financial instruments held
Jan Callewaert	14,809,008	17.95%
Free float	67,689,584	82.05%
Total outstanding shares	82,498,592	100%

The Extraordinary Shareholders' Meeting held on 26 August 2008 authorized the Warrant plan "V" for issuance of 2 500 000 naked warrants "V". At year-end 2009, 2 371 540 warrants "V" have been granted, of which 1 982 450 warrants "V" have been accepted. Over 2009 until 2012, 1 163 966 warrants were forfeited. We refer to Note 18 for more detailed information.

Besides, there is a "2012" warrant plan. On April 30 and May 21, 2012 the extraordinary Shareholders' meeting approved the issuance of 4 124 930 warrants "2012". The new plan "2012" is offered to employees of the Company and to independent contractors providing services to the Company. These warrants were not yet granted.

DISCUSSION OF THE CONSOLIDATED ANNUAL ACCOUNTS

The consolidated accounts include the following subsidiaries:

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

On the 29th of October 2009 the Group announced that, with respect to a cost reduction plan, the core activities of the research and development facility at Kamp-Lintfort (Germany) would be transferred to the Leuven (Belgium) R&D site and announced its intention to close the Kamp-Lintfort subsidiary. This liquidation process was finalized in the course of financial year 2012.

On the 25th of October 2012 the Group also announced that, with respect to a cost reduction plan, the core activities of the software facility at Augsburg (Germany) would be transferred to the Leuven (Belgium) site and announced its intention to close the German subsidiary. This liquidation has started in 2012 and will most likely be finalized in the course of financial year 2013.

REVENUES
Total revenues for 2012 decreased by 18.2 % to EUR 40 844k, compared with EUR 49 915k in 2011. Product revenues decreased from EUR 19 252 k in 2011 to EUR 13 140 k in 2012, whilst software and license revenues decreased from EUR 30 663k in 2011 to EUR 27 704 k in 2012. We refer to note 3 of this annual report for further information.

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

GROSS MARGIN
Gross profit for 2012 decreased by 15.7% compared to 2011, to an amount of EUR 25 904k. This resulted in a gross margin for the full year 2012 of 63.4% on total revenues, compared with gross margin of 61.6% in 2011. The 2012 gross margin was also positively impacted by license revenues, delivering higher margins compared to revenues generated by products.
During 2012 the company booked an inventory write off for an amount of EUR 4.3 million.

OPERATING EXPENSES
The operating expenses for the full year 2012, including depreciation, amortization and impairment charges were EUR 22 300k compared to EUR 34 313k for the previous year. This represents a decrease of 35.0%. The reduced expenses are the result of the downsizing of the Company, combined with lower sales related costs as well as effective cost control within the Group. The operating expenses were negatively impacted by impairment on the capitalized R&D for an amount of EUR 3.7 million and a positive impact by lowering the IPR accrual for an amount of EUR 7.4 million.

RESULT FROM OPERATIONS (EBIT)
During 2012, EBIT was EUR 3 604k (or 8.8% on revenues), compared to EUR -3 580k (or -7.2% on revenues) for 2011.

EBITDA
EBITDA amounted to EUR 12 627k (or 30.9% on revenues) for the full year 2012, compared to EUR 5 188k (or 10.4% on revenues) for 2011, representing an increase of EUR 7 439k.

FINANCE RESULT
The Group obtained a positive financial result of EUR 39 k (2011: positive of EUR 676 k). The 2012 net exchange rate result amounted to EUR -36 k and was mainly related to the USD. The Group received EUR 126 k from risk free investments of the available cash (2011: EUR 435 k). The financial costs of EUR 170 k are mainly related to bank charges, penalty fees and payment differences (2011: EUR 122 k).

TAX RESULT
Following the IFRS guidance related to deferred tax assets, the Group determined in financial year 2010 that it was prudent to reverse the deferred tax asset in full. No Deferred Tax Asset is recognized in 2012.

There was a positive tax result for 2011 of EUR 42k. The tax result for the financial year 2012 amounted to EUR 9k.

NET RESULT AND EARNINGS PER SHARE
The earnings per share were as follows in 2012:

Net result, for the full year 2012, amounted to EUR 3 651k or 0.04 EUR per basic and diluted share. This compares to a net result of EUR -2 862k or EUR -0.04 per basic and diluted share during 2011.

BALANCE SHEET

At year-end 2012, total assets amounted to EUR 17 466k compared to EUR 47 552k at the end of the previous year.

Cash and cash equivalents decreased over the year from EUR 25 216k to EUR 3 147k at the end of 2012.

Trade and other receivables decreased from EUR 3 924 k to EUR 3 167 k at the end of 2012. This decrease was attributable to the trade receivables which decreased due to lower revenues over the full year 2012. 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 6 792 k to EUR 4 036 k at the end of 2012. This lower inventory position is explained by decreased positions of the work in progress, finished goods and raw materials, combined with additional impairments on inventories. At the end of 2012, the company has assessed its inventory and has revalued some of its products leading to an extraordinary write off for an amount of EUR 4.3 million. The total provision related to the inventory amounted to EUR 5 534 k compared to EUR 3 238 k in 2011.

The net book value of intangible and tangible fixed assets was EUR 4 882 k at the end of 2012, compared with EUR 8 812 k as at 31 December 2011. Beside the depreciations, the existing capitalized R&D projects were reviewed which resulted in an impairment of EUR 3.7 million having its source in changing technologies and fast changing market conditions. The value was determined based on an estimate of the projected contributions from these development projects in the coming quarters.

During 2012, the total investments in tangible assets, mainly test equipment, amounted to EUR 1 750 k (2011: EUR 188 k) and the Group invested EUR 3 925 k (2011: EUR 6 209 k) in intangible assets of which EUR 3 925 (2011: EUR 5 744 k) for capitalized development projects and no investments (2011: EUR 465 k) related to licenses.

The deferred tax asset, mainly finding its source in the realized losses in Option NV, was reversed in full in 2010 following the IFRS guidance related to such deferred tax assets. The Group determined that it was prudent to reverse the deferred tax asset in full. In the financial year 2011 and 2012, no additional deferred tax assets were recorded.

Total current liabilities decreased during the year to EUR 12 612k in 2012, compared with EUR 46 285k in 2011. This decrease is mainly driven by a decrease in trade and other payables (EUR -6 272k), a decrease in deferred revenues as a result of software license deals (EUR -27 008k) and a decrease in provisions (EUR -368k).

On a balance sheet total of EUR 17 466k, the total shareholders' equity represented EUR 4 847k. Therefore, at the end of 2012, the Group solvency ratio was 27.8 %, compared to 2.6% in 2011.

The cash flow generated from operating activities during 2012 represented EUR -17 402k compared to EUR 6 030k in the previous year.

APPROPRIATION OF THE NON-CONSOLIDATED RESULT

The statutory accounts of the Company (Belgian GAAP) reported a net loss for the year 2012 of EUR 4.3 million, compared with a net profit of EUR 5.1 million in 2011.

The Board of Directors proposes to add the non-consolidated net loss of EUR 4.3 million of 2012 to the loss carried forward from the previous years.

Abridged allocation account (According to Belgian Accounting Standards)		
December 31- in Thousands EUR	2012	2011
Profit/(loss) carried forward from previous year	(62 952)	(68 074)
Profit/(loss) for the period available for appropriation	(4 343)	5 122
Profit/(loss) to be appropriated	(67 295)	(62 952)

4. FINANCIAL REPORT - IFRS

4.1. Consolidated Financial Statements

4.1.1. Consolidated Income Statement

Year ended 31 December	Note	2012 €000	2011 €000
Revenues	3	**40 844**	**49 915**
Product Revenue	3	13 140	*19 252*
Software and License revenue	3	27 704	*30 663*
Cost of products sold	4	(14 940)	(19 181)
Gross Margin		**25 904**	**30 733**
Research and Development expenses	4-5	(13 425)	(14 424)
Sales, marketing and royalties expenses	4-5	815	(9 852)
General and administrative expenses	4-5	(9 689)	(10 036)
Total Operating expenses		**(22 300)**	**(34 313)**
Result from operations		**3 604**	**(3 580)**
Finance costs	6	(170)	(122)
Finance income	6	208	798
Finance result-net		**39**	**676**
Profit / (loss) before income taxes		**3 643**	**(2 904)**
Income tax benefits / (expenses)	7	9	42
Net Result of the period attributable to the owners of the Company		**3 651**	**(2 862)**
Earnings per share			
Basic weighted average number of ordinary shares		82 498 592	82 498 592
Diluted weighted average number of ordinary shares		82 498 592	82 498 592
Basic earnings / (loss) per share	19	0.04	(0.04)
Diluted earnings / (loss) per share	19	0.04	(0.04)

4.1.2. Consolidated statement of comprehensive income

Year ended 31 December	Note	2012 €000	2011 €000
Profit / (Loss) for the period		3 651	(2 862)
Other comprehensive income			
Exchange difference arising on translation on foreign operations		(53)	(8)
Other comprehensive income / (loss) for the period (net of tax)		(53)	(8)
Total comprehensive income / (loss) for the period attributable to the owners of the parent		**3 598**	**(2 870)**

4.1.3. Consolidated statement of financial position

Year ended 31 December	Note	2012 €000	2011 €000
ASSETS			
Intangible assets	8	4 882	8 812
Property, plant and equipment	9	857	1 603
Other financial assets	11	1 195	1 043
Other non-current assets	10	120	130
Total non-current assets		**7 055**	**11 588**
Inventories	12	4 036	6 792
Trade and other receivables	10	3 167	3 924
Cash and cash equivalents	13	3 147	25 216
Income tax receivable	7	60	32
Total current assets		**10 411**	**35 964**
Total assets		**17 466**	**47 552**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Issued capital	18	12 232	12 232
Share premium	18	57 961	57 961
Reserves	18	(893)	(115)
Retained earnings / (losses)	18	(64 453)	(68 834)
Total shareholders' equity attributable to the owners of the Company		**4 847**	**1 245**
Other non-current liabilities		7	22
Total non-current liabilities		**7**	**22**
Trade and other payables	15	11 853	18 126
Deferred revenue	15	120	27 128
Provisions	16	580	948
Other financial liabilities	14	14	14
Income tax payable	7	45	69
Total current liabilities		**12 612**	**46 285**
Total liabilities and shareholders' equity		**17 466**	**47 552**

4.1.4. Consolidated statement of cash flows

Year ended 31 December	Note	2012 €000	2011 €000
OPERATING ACTIVITIES			
Net Result (A)		**3 651**	**(2 862)**
Amortisation of intangible assets	8	4 164	5 628
Depreciation of property, plant and equipment	9	1 168	2 776
Loss/(gains) on sale of property, plant and equipment		(118)	(75)
(Reversal of) write-offs on current and non current assets		2 317	(2 309)
Impairment losses on intangible assets	8	3 690	365
Increase / (decrease) in provisions	16	106	(842)
Unrealized foreign exchange losses/(gains)		(34)	(123)
Interest (income)	6	(126)	(435)
Interest expense	6	66	20
Equity settled share based payment expense	18	4	69
Tax expense / (benefit)	7	(9)	(42)
Total (B)		**11 228**	**5 032**
Cash flow from operating activities before changes in working capital (C)=(A)+(B)		**14 879**	**2 170**
Decrease / (increase) in inventories		383	8 038
Decrease / (increase) in trade and other receivables		718	3 258
Increase / (decrease) in trade and other payables		(6 301)	(11 517)
Increase / (decrease) in deferred revenue		(27 008)	4 458
Use of provisions		(209)	(307)
Total changes in working capital (D)		**(32 418)**	**3 930**
Cash generated from operations (E)=(C) + (D)		**(17 539)**	**6 100**
Interests (paid) (F)		(82)	(386)
Interests received (G)		223	320
Income tax (paid)/received (H)		(4)	(4)
CASH FLOW FROM OPERATING ACTIVITIES (I)=(E)+(F)+(G)+(H)		**(17 402)**	**6 030**

INVESTING ACTIVITIES			
Acquisition of intangible assets	8	-	(265)
Expenditures on product development, net of grants received	8	(3 925)	(5 744)
Investment in non-consolidated companies	11	(152)	(1 043)
Acquisition of property, plant and equipment	9	(1 750)	(167)
Acquisition of a business, net of cash disposed of		-	(220)
Proceeds from sale of property, plant and equipment	9	1 181	395
CASH FLOW USED IN INVESTING ACTIVITIES (J)		**(4 646)**	**(7 044)**
FINANCING ACTIVITIES			
Finance lease liabilities	15	(14)	35
Repayment of borrowings	14	-	(4 770)
CASH FLOW PROVIDED BY / (USED IN) FINANCING ACTIVITIES (K)		**(14)**	**(4 735)**
Net increase/(decrease) in cash and cash equivalents = (I)+(J)+(K)		**(22 062)**	**(5 749)**
Cash and cash equivalents at beginning of year	13	25 216	30 930
Effect of foreign exchange difference		(7)	35
Cash and cash equivalents at end of year	13	3 147	25 216
Difference		**(22 062)**	**(5 749)**

4.1.5. Consolidated statement of changes in 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 2011……………………. ..		**12 232**	**57 961**	**1 376**	**83**	**(1 635)**	**(65 971)**	**4 046**
Net result for the year		-	-	-	-	-	(2 862)	(2 862)
Other comprehensive loss for the year, net of income tax......................		-	-	-	(8)	-	-	(8)
Total comprehensive loss for the year..		*-*	*-*	*-*	*(8)*		*(2 862)*	*(2 870)*
Share based payments	18	-	-	69	-	-	-	69
At 31 December 2011		**12 232**	**57 961**	**1 444**	**76**	**(1 635)**	**(68 837)**	**1 245**
Net result for the year		-	-	-	-	-	3 651	3 651
Other comprehensive income for the year, net of income tax		-	-	-	(53)	-	-	(53)
Total comprehensive loss for the year..		*-*	*-*	*-*	*(53)*	*-*	*3 651*	*3 598*
Share based payments	18	-	-	(726)	-	-	730	4
At 31 December 2012		**12 232**	**57 961**	**721**	**23**	**(1 635)**	**(64 457)**	**4 847**

4.2. Notes to the consolidated financial statements

NOTE 1: Corporate information

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

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

The consolidated financial statements of the Company for the year ended 31 December 2012 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 April 30, 2013 and signed on its behalf by Mr. Jan Callewaert.

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

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

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

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

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

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

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:

- Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* (applicable for annual periods beginning on or after 1 July 2011)

Early adoption of Standards and Interpretations

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

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

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

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

Going concern

The going concern valuation rules were used both for the standalone annual accounts and the consolidated annual accounts of the Company. The Board of Directors is of the opinion that, notwithstanding the existence of substantial losses carried forward the use of going concern valuation rules is justified taking into account the below circumstances. In addition, reference is made to the Report of the Board of Directors, drafted in accordance with section 633 of the Code of Companies, which is available on the website of the Company.

Wireless Data – the market:
The Company operates primarily in the wireless data market with an increased focus on the M2M segment. This segment is expected to be one of the important growth markets in the wireless space, with more devices being connected to different technologies (the 'Internet of Things'). The Company is approaching this market with a very price competitive gateway product, CloudGate that can be easily adapted to the specific environment (soft- and hardware) in which it will be deployed. In order to address the different channels in this market, the Company is setting up various partnerships across the value chain. One of the partners on which the Company is focusing are the AEPs (application enablement platform providers such as ILS, Axeda, Sensinode, etc...). ABI Research sees the market for AEPs growing to $1.72 billion from $169.9 million in 2011 with the number of M2M connections quadrupling to 453 million during the same period.

Budget – new products and markets:
In the third and fourth quarter of 2012 the Company announced the launch of a new product "CloudGate" thereby marking an important transition for the Company; no longer focused on consumer products but rather on products used in professional and industrial environments, no longer focused on the modem but rather on the (M2M)

solution. The experience that Option has acquired in the wireless data market and the reputation it has earned, has enabled the Company to already create a number of important partnerships and channels (or ecosystem) for its CloudGate offering. The successful launch of the new CloudGate product in the US is a clear evidence of this.

The budget for 2013 is predominantly built around the aforementioned product and the further sale of some of the existing product portfolio. The projections made in the budget are based on the initial feedback received from the channel partners in the US (where the product is being tested and designed in a number of M2M projects) and from initial discussions around the commercialization of CloudGate in the EMEA region. The Board has used its best efforts to try to prepare a realistic budget taking into account for example, the fact that the development of a channel in Europe will take time. However, in the current economic climate any budget exercise remains very difficult. The company's financial position and liquidity may be negatively impacted in case the business plan is only partially realized, or not timely realized. During the following months, the company will be able to assess the extent to which the initial market interest materializes according to this budget.

Cost Reduction Plans:
In 2012 the Company has taken different measures to stop activities that were not profitable enough in an effort to further lower its cost base. In line therewith the Company has decided to close the sites in Augsburg (Germany) and in Paris (France), and to substantially reduce the staff in Cork (Ireland) and Leuven (Belgium). These initiatives are starting to have effect with the cash opex for the Company being reduced to less than EUR 17 million on an annual basis, and further reduction to be expected once the restructuring exercises will have been implemented. Furthermore, in line with the above, the Company has decided to concentrate its development efforts on the support of different applications via very flexible soft- and hardware solutions, and less on the pure modem development and certification. The result of this is that the R&D effort requires less investment and can support more specific higher end niches. The Company will continue its cost optimization exercise throughout the year.

Financing:
In March 2013, the Company secured EUR 9 million EUR via the issue of a convertible bond. The convertible bond has a term of 5 years and matures in March 2018. The bonds can be converted into 31,034,483 new shares of Option N.V. The convertible bond has an annual interest rate of 5% payable once every year. The conversion price of the bonds is fixed at EUR 0.285 which was the average share price during the 30 days prior to the issuing of the convertible bond.

With the convertible bond secured, the Company will start discussions around the set up of new credit lines to support the ramp up of production for its new CloudGate product.

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 2012, the best estimate of the carrying amount of capitalized development costs was EUR 4 579k (2011: EUR 8 194k), 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 2012, the company has recognized impairment losses on the capitalized development projects for EUR 3 690k (2011: EUR 365k), Further details are given in Note 8.

Financial assets
The Company is since 2H, 2011 shareholder of Autonet, a California (US) based company active in the automotive sector. Jan Callewaert sits on the board of directors of Autonet.
The valuation of the participation in Autonet is reviewed by the management and the Board in function of the progress (both commercially and financially) made by Autonet and the general evolution witnessed in the automotive market. It was therefore decided to keep the valuation of the participation unchanged and to further evaluate the situation of Autonet on a regular basis.

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. Following the IFRS guidance related to deferred tax assets, the Group determined that it was prudent to reverse the deferred tax asset in 2010 in full. Therefore, there is no remaining carrying value of recognized tax losses at 31 December 2011 and 2012. Although these tax losses are not recorded on the balance sheet, they do not expire nor may be used to offset taxable income elsewhere in the Group. Further details are contained in Note 7.

Warranty provision
The Group estimates the cost for the warranty coverage by applying statistical techniques on the sales recorded.
The warranty period is between 12 and 24 months, determined by the location of the customer.
At 31 December 2012, the estimated provision for warranty is EUR 54k (2011: EUR 83k). Further details are given in Note 16.

Restructuring provision
A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring as explained in the accounting policy in Note 2. In the last quarter of 2009, the Group announced a second restructuring which affected the Company and a number of its affiliates. At the end of the financial year 2012 the remainder of this restructuring provision was estimated at EUR 66k (2011: EUR 510k). Further details are given in Note 16.

Intellectual Property Rights
The Group has revised its royalty provisions for essential patents which had been made in the past in accordance with common practice but before FRAND requirements for essential patent licenses (Fair Reasonable and Non-Discriminatory terms) became well established and not yet challenged on their validity before the courts and antitrust authorities. In order to bring the royalty provisions in line with these new developments the Group revisited these provisions and refers to the following reasons:

- The essential patent context has substantially changed. There are now external and objective criteria in order to justify a change in the position towards essential patents and the royalty burden that essential patent holders may impose for the use of their essential patents.

- The elements evidencing substantial changes in the legal framework and in the market are amongst others:

1. The requirement that the terms and conditions of essential patent license agreements must be FRAND (Fair reasonable and non-discriminatory) compliant;
2. The possibility to challenge the FRAND requirement before the Courts and Antitrust Authorities;
3. The possibility for Option to require to be treated in a non-discriminatory way vis-à-vis its competitors (Chinese and other) as well for past as future royalty payments;
4. The overall reduction of prices and margins following the mass market commoditization of virtually all 3G products.

At 31 December 2012, this revision resulted in a EUR 6.7 million profit, recognized in the income statement in the caption "sales, marketing and royalties' expenses" and decreasing trade payables. Further details are given in Note 15.

NOTE 2: Significant accounting policies

1. FOREIGN CURRENCY TRANSLATION

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

- the Japanese subsidiary for which its functional currency is the Japanese Yen; 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, i.e. data cards, USB Devices, routers, embedded wireless modules, licenses and software products.

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

Revenue from products is recognized by the Group when

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

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

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

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

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

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

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

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

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

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

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

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

Any cash discount is netted against revenue.

3. ROYALTIES BASED ON THE SALE OF PRODUCTS

Under license agreements, the Group is committed to make royalty payments for the use of certain patented technologies in wireless data communication, taking into account fair market conditions.
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 17.

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 derecognition 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 18.

13. FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

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

14. BORROWING COSTS

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

17. SEGMENT REPORTING

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

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

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

NOTE 3: Operating segments and entity-wide disclosures

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

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

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

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

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

	Revenues from external customers		Operating segment result	
	2012	**2011**	**2012**	**2011**
Devices & Solutions	6 996	13 907	1 571	(7 977)
Embedded & Solutions	6 144	6 162	(4 518)	(2 502)
Licenses	27 008	28 135	27 008	27 938
Other	695	1 711	(5 308)	(3 507)
Totals	**40 844**	**49 915**	**18 753**	**13 952**
Unallocated Operating Expenses			(15 150)	(17 532)
Finance (costs) / income			39	676
Income taxes / (expenses)			9	42
Net result			**3 651**	**(2 862)**

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

As of 2010, the "license" revenues exceeded the threshold of 10% compared to total revenues and therefore the Group started to report those revenues as a separate segment. Those revenues were mainly the result of a cooperation agreement between the Group and Huawei Technologies in October 2010, in which Huawei, amongst others, agreed to license Option's *u*CAN® Connection Manager software and, for which an amount of EUR 27 million was paid, covering an initial period of 1 year (i.e. October 26, 2010 until October 25, 2011). During 2011 a payment of EUR 33 million was received as extension of the software license agreement. This extension of the agreement will generate revenues in the period November 2011 until October 2012.The Group's accounting policy related to such license agreements foresees that license income is recognized as revenue over the period of the license. Therefore, for the financial year 2012, the Group has recognized EUR 27.0 million as revenue (2011: EUR 28.1 million).

Most of the equipment sales occur under global or international mobile brands and are invoiced to their local, national and partnership network operators or established outsourced equipment manufacturers, resulting in a spread risk of a solid portfolio of sound and different accounts receivable. In 2012, only one customer represented more than 10% of the total revenues realized in 2012, being 66.1%. The remaining customers of the top 10 represented combined 17.7% of total revenues in 2012.

19% of the Group's revenues in 2012 were obtained within Europe compared with 23% in 2011. The only country where the Group generated more than 10% of total revenues in 2012 was Hong Kong with 66.1% (2011: 56.2%).

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	2012	2011
Europe	19%	23%
Americas	10%	15%
Asia-Pacific	70%	59%
Other	1%	3%

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

NOTE 4: additional information on operating expenses by nature

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

Thousands EUR	Depreciation on property, plant and equipment		Amortization on intangible assets		Impairment loss on intangible assets		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Cost of products sold	45	115	0	2		-	45	117
Operating Expenses including :								
- Research and development expenses	891	2 210	4 042	5 487	3 690	365	8 623	8 062
- Sales, marketing and royalties expenses	25	55	118	81		-	143	136
- General and administrative expenses	207	396	4	57		-	212	453
Total	**1 168**	**2 776**	**4 164**	**5 627**	**3 690**	**365**	**9 023**	**8 768**

In 2012, the Group reviewed the existing capitalized R&D projects which resulted in an impairment of EUR 3 690k (2011: EUR 365k) mainly having its source in changing technologies and fast changing market conditions.

The research and development expenses that were expensed as incurred amounted to EUR 5 889k (2011: 7 039k).

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

Thousands EUR	2012	2011
Cost of products sold	46	255
Research and development expenses	2 194	2 293
Sales, marketing and royalties expenses	3 397	5 155
General and administrative expenses	4 897	4 221
Total	**10 533**	**11 924**

Cost of products sold

At year-end 96.7 %, or EUR 14 440k of the cost of product sold relates to materials (2011: 94.3%, or EUR 18 089k)

NOTE 5: Payroll and related benefits

Thousands EUR	2012	2011
Wages and salaries	7 277	8 207
Social security contributions	2 630	2 712
Other personnel expenses	243	542
Contributions to pension plan	383	388
Payroll related restructuring charges	0	74
	10 533	**11 923**

a) Total number of people registered at year-end	155	183
b) Average number of people registered in full time equivalent	172	191
Direct and indirect labor	0	1
Employees	169	183
Management	3	7

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 383k (2011: EUR 388k).

NOTE 6: Finance result-net

Thousands EUR	2012	2011
Interest income	126	435
Net foreign exchange gains	-	259
Other	82	104
Finance income	**208**	**798**
Interest expense	(66)	(20)
Net foreign exchange losses	(36)	-
Other, mainly bank charges and payment differences	(68)	(102)
Finance costs	**(170)**	**(122)**
Finance net result	**39**	**676**

The net foreign exchange result amounted to EUR (36k) or -0.1% of total revenues of 2012 (2011: EUR 259k or 0.5% of total revenues of 2011) mainly due to realized losses on the USD.

In the financial year 2011 and 2012, the Group did not enter into derivative financial instruments.

NOTE 7: Income tax

Thousands EUR	2012	2011
Tax benefit/(expense) comprises:		
Current tax benefit/(expense)	9	22
Deferred tax benefit/(expense)	0	20
Total tax income/(expense)	**9**	**42**
Result before tax	3 643	(2 904)
Tax benefit / (expense) calculated at 33.99%	(1 238)	987
Effect of non-taxable income	-	-
Effect of expenses that are not deductible in determining taxable profit	(119)	(169)
Effect of concessions and other tax credits	-	638
Effect of unused tax losses not recognized during the year	-	-
Effect of previously recognized unused tax losses and deductible temporary differences written off in the current year	1 366	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	(1 414)
Tax income/(expense) recognized in the income statement	**9**	**42**

The tax rate used for the 2012 and 2011 reconciliations above is the corporate tax of 33.99% payable by companies in Belgium under Belgian tax law.

Following the IFRS guidance related to deferred tax assets, the Group determined that it is prudent to reverse the deferred tax asset in full in 2010. Although the deferred tax assets are not recorded on the balance sheet of the Group, the use of those tax losses and deductible temporary differences are still valid and unlimited in time, except for the part which relates to the notional interest deduction of 2011 and before, which is limited to a 7 year period. The tax effected value of the tax losses carried forward and other tax credits are calculated at EUR 45.1 million for which an amount of EUR 0. 42 million expires in 2014, an amount of EUR 0. 90 million expires in 2015, an amount of EUR 0. 86 million expires in 2016 and an amount of EUR 0.31 million expires in 2017. The remaining part, being EUR 42.6 million, is unlimited in time.

NOTE 8: Intangible assets

Thousands EUR	Capitalized develop-ment	Concessions, patents, licenses	Software	Total 2012
Acquisition cost				
Balance at 1 January 2012	**90 256**	**6 853**	**2 826**	**99 934**
Effect of movements in foreign exchange	-	-	(1)	(1)
Additions	-	-	-	-
Expenditures on product development, net of grants received	3 925	-	-	3 925
Transfer to other asset categories	-	-	-	-
Disposals	-	-	(2)	(2)
Other movements	-	-	-	-
Balance at 31 December 2012	**94 181**	**6 853**	**2 823**	**103 856**
Amortization and impairment loss				
Balance at 1 January 2012	**(82 062)**	**(6 446)**	**(2 614)**	**(91 122)**
Effect of movements in foreign exchange	-	-	(1)	(1)
Amortization	-	(205)	(110)	(315)
Amortization for expenditures on product development	(3 850)	-	-	(3 850)
Impairment loss	(3 690)	-	-	(3 690)
Disposals	-	-	2	2
Transfer to other asset categories	-	-	-	-
Balance 31 December 2012	**(89 602)**	**(6 651)**	**(2 722)**	**(98 975)**
Carrying amount				
at 1 January 2012	**8 194**	**407**	**212**	**8 812**
at 31 December 2012	**4 579**	**202**	**101**	**4 882**

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

Impairment of intangible assets with definite useful life

In 2012, the Group reviewed the existing capitalized R&D projects which resulted in an impairment of EUR 3 690k (2011: EUR 365k) 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 2012. The value was determined based on an estimate of the projected contributions from these development projects in the coming quarters.

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

The remaining net book value of EUR 4 579 k relates to current 3G commercialized projects as well as to new LTE developments. Furthermore, the Group reports a Carrying amount of EUR 303 k for server licenses and software.

NOTE 9: Property, plant and equipment

Thousands EUR	Machinery and computer equipment	Furniture and Vehicles	Leasehold improvements	Total 2012
Acquisition cost				
Balance at 1 January 2012	**24 283**	**1 662**	**1 645**	**27 590**
Effect of movements in foreign exchange	-	-	-	-
Additions	505	5	1 240	1 750
Disposals	(2 356)	(28)	(1 871)	(4 255)
Other movements	-	-	-	-
Balance at 31 December 2012	**22 432**	**1 639**	**1 014**	**25 085**
Depreciation				
Balance at 1 January 2012	**(23 055)**	**(1 424)**	**(1 508)**	**(25 987)**
Effect of movements in foreign exchange	-	-	-	-
Depreciation	(994)	(99)	(75)	(1 168)
Impairment loss	-	-	-	-
Disposals and cancellation	2 328	23	569	2 920
Other movements	-	-	8	8
Balance at 31 December 2012	**(21 721)**	**(1 500)**	**(1 006)**	**(24 227)**
Carrying amount				
at 1 January 2012	**1 228**	**238**	**137**	**1 603**
at 31 December 2012	**711**	**139**	**8**	**857**

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

NOTE 10: Trade and other receivables

CURRENT TRADE AND RECEIVABLES

Thousands EUR	2012	2011
Trade receivables	3 479	4 090
Allowance for doubtful accounts	(813)	(799)
Subtotal	2 792	*3 291*
Recoverable VAT	199	329
Other receivables	302	304
Subtotal	375	633
	3 167	**3 924**

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

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

Aging of trade receivables:

Thousands EUR	Gross Amounts		Allowance for doubtful accounts	
	2012	2011	2012	2011
< 60 days	2 434	2 986	-	-
60 - 90 days	62	55	-	-
90 - 120 days	-	216	-	-
> 120 days	983	833	(813)	(799)
	3 479	**4 090**	**(813)**	**(799)**

See also Note 21 for further information about credit risk.

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

OTHER NON-CURRRRENT ASSETS

Thousands EUR	2012	2011
Cash guarantees	120	130
	120	**130**

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

NOTE 11: Other financial assets

Thousands EUR	2012	2011
Other financial assets...	1 195	1 043
	1 195	**1 043**

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

In February 2012, the Group participated in the company's capital increase and increased the investment with EUR 152 k.

NOTE 12: Inventories

Thousands EUR	2012	%	2011	%
Raw materials	2 280	56.5%	1 932	28.4%
Work in progress	4 473	110.8%	5 725	84.3%
Finished goods	2 817	69.8%	2 373	34.9%
Provision for inventories	(5 534)	(137.1%)	(3 238)	(47.6%)
	4 036		**6 792**	

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 6 792k to EUR 4 036k at the end of 2012. This decrease is mainly explained by the increase in provision. At the end of 2012, the total provision for inventories amounted to EUR 5 534k (2011: EUR 3 238k).
The increase in provision for inventories of EUR 2 296k 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 2.0 million has been expensed as a result of inventory write offs during 2012 (2011: EUR 2.0 million).

There are no inventories pledged for security.

NOTE 13: Cash and cash equivalents

Thousands EUR	2012	2011
Short Term deposits	815	10 000
Bank current accounts	2 326	15 206
Cash	6	10
	3 147	**25 216**

Bank accounts include short term deposits (between one day and 3 months) in 2012 for an amount EUR of EUR 815k (2011: EUR 10 000k).

NOTE 14: Financial assets and Liabilities

OTHER FINANCIAL LIABILITIES

Absorptions from existing credit lines, totaling EUR 4.8 million at the end of 2010, have been reimbursed in 2011.
In 2012, the conditions and cost to use the current credit facilities have increased and therefore in June 2012, the company expressed its desire to terminate the existing Credit facilities with both banks: ING and Belfius. As of June 12 and October 4, both credit facilities and pledges were completely canceled. The Company has no longer any existing credit facilities nor pledge on the Company's business.

Thousands EUR	2012	2011
Credit facility ING	-	-
Credit facility Belfius	-	-
Other financial liabilities	**-**	**-**

Thousands EUR	2012	2011
Pledge on the company's business (ING)	-	15 000
Pledge on the company's business (Belfius)	-	5 000

NOTE 15: Trade and other payables – deferred revenues

TRADE AND OTHER PAYABLES

Thousands EUR	2012	2011
Trade payables	9 218	15 202
Salaries, tax and payroll related liabilities	2 269	1 888
Other payables and accrued expenses	366	1 035
	11 853	**18 125**

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

The Group has revised its royalty provisions for essential patents which had been made in the past in accordance with common practice but before FRAND requirements for essential patent licenses (Fair Reasonable and Non-Discriminatory terms) became well established and not yet challenged on their validity before the courts and antitrust authorities. In order to bring the royalty provisions in line with these new developments the Group revisited these provisions and refers to the following reasons:

- The essential patent context has substantially changed. There are now external and objective criteria in order to justify a change in the position towards essential patents and the royalty burden that essential patent holders may impose for the use of their essential patents.

- The elements evidencing substantial changes in the legal framework and in the market are amongst others:

    1. The requirement that the terms and conditions of essential patent license agreements must be FRAND (Fair reasonable and non-discriminatory) compliant;
    2. The possibility to challenge the FRAND requirement before the Courts and Antitrust Authorities;
    3. The possibility for Option to require to be treated in a non-discriminatory way vis-à-vis its competitors (Chinese and other) as well for past as future royalty payments;
    4. The overall reduction of prices and margins following the mass market commoditization of virtually all 3G products.

At 31 December 2012, this revision resulted in a EUR 6.7 million profit, recognized in the income statement in the caption "sales, marketing and royalties' expenses" and a decrease in the outstanding trade payables.

DEFERRED REVENUES

Thousands EUR	2012	2011
Deferred revenues	120	27 128
	120	**27 128**

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

NOTE 16: Provisions

Thousands EUR	2011	Additions	(Use)	(Reversal)	2012
Warranty provision	83	-	-	(29)	54
Loss on supply agreements	187	175	-	-	362
Legal and other claims	168	-	(30)	(40)	98
Restructuring provisions	510	-	(444)	-	66
	948	**175**	**(474)**	**(69)**	**580**

Part of the provisions from 2011 have been used or reversed. The outcome of the remaining legal and other claims may differ from the assessment made.

The loss on supply agreements has been increased during 2012 by EUR 175k due to commercial terms with key suppliers.
The warranty provision has been reversed with an amount of EUR 29k, mainly due to a decrease of expected units returned under warranty.
During 2012 the Group used a significant amount of the 2011 Restructuring Provision as the company continues to reduce its annual cost base. EUR 444k of the EUR 510k was used in 2012.

NOTE 17: Operating and finance leases

OPERATING LEASES

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

Thousands EUR	2012	2011
Less than one year	1 342	1 322
Between one and five years	1 836	2 558
More than five years	-	-
	3 178	**3 880**

The Group leases a number of office locations, car rentals and office equipment under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are increased annually to reflect indexations. None of the leases include contingent rentals.
In 2012, EUR 1 813k was recognized as an expense in the income statement in respect of operating leases (2011: EUR 1 569k).

Leases as lessor

Non-cancelable operating sublease rentals are receivable as follows:

Thousands EUR	2012	2011
Less than one year	480	480
Between one and five years	0	480
More than five years	0	0
	480	**960**

In the course of 2010 Option NV entered into a sublease with a third party, which will terminate in 2012. During 2011, Option NV entered into two new sublease agreements of which one will terminate in December 2013 and one ended on 31st December 2011. None of the leases include contingent rentals. In 2012, EUR 480k (2011: EUR 455k) was recognized as rental income in the income statement.

NOTE 18: Shareholders' equity

CAPITAL STRUCTURE – ISSUED CAPITAL

At year-end 2012, the Company announced the following significant shareholders:

Identity of the person, entity or group of persons or entities	Number of shares	Percentage of financial instruments held
Jan Callewaert	14 809 008	17.95%
Free float:	67 689 584	82.05%
Total outstanding shares	82 498 592	100%

The authorized share capital, at the end of 2012 comprises 82 498 592 ordinary shares, for an amount of EUR 12 232k. The shares have no par value and have been issued and fully paid. All shares held in the Company carry the same rights.

SHARE PREMIUM

€ thousands	2012	2011
At 31 December 2012 and 2011	57 961	57 961

In 2012 there were no movements on the share premium.

SHARE BASED PAYMENT RESERVE

€ thousands	2012	2011
At 31 December 2012 and 2011	721	1 444

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

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

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

In addition a total of 130 000 warrants "V" have been offered new members of the Executive Management team in 2009 (100% accepted in 2009). No warrants "V" have been offered in the course of 2010, 2011 and 2012.

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, 2009, 2010, 2011 and 2012 including the average weighted fair value of the warrants "V"

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

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

	Number of Warrants "V"	Weighted average exercise price
Balance at beginning of the financial year 2008	**0**	**-**
Accepted during the financial year......................................	665 000	2.84
Exercised during the financial year..	-	-
Forfeited / lapsed during the financial year.........................	-	-
Balance at end of the financial year 2008	**665 000**	**2.84**
Balance at beginning of the financial year 2009	**665 000**	**2.84**
Accepted during the financial year......................................	1 317 450	1.89
Exercised during the financial year..	-	-
Forfeited / lapsed during the financial year.........................	(328 456)	2.08
Balance at end of the financial year 2009	**1 653 994**	**2.24**
Balance at beginning of the financial year 2010	**1 653 994**	**2.24**
Accepted during the financial year......................................	-	-
Exercised during the financial year..	-	-
Forfeited / lapsed during the financial year.........................	(285 278)	2.22
Balance at end of the financial year 2010	**1 368 716**	**2.24**
Balance at beginning of the financial year 2011	**1 368 716**	**2.24**
Accepted during the financial year......................................	-	-
Exercised during the financial year..	-	-
Forfeited / lapsed during the financial year.........................	(182 200)	2.19
Balance at end of the financial year 2011	**1 186 516**	**2.23**
Balance at beginning of the financial year 2012	**1 186 516**	**2.23**
Accepted during the financial year......................................	-	-
Exercised during the financial year..	-	-
Forfeited / lapsed during the financial year.........................	(368 032)	2,37
Balance at end of the financial year 2012	**818 484**	**2,26**

The expense of the granted warrants "V" for the financial year 2012 was calculated at EUR 0k. (2011: EUR 69k).

The weighted average remaining contractual life of warrants "V" outstanding at the end of the period is 8 months.

None of the warrants "V" were exercised during the financial years 2009, 2010, 2011 and 2012.

Besides, there is a "2012" warrant plan. On April 30 and May 21, 2012 the extraordinary Shareholders' meeting approved the issuance of 4 124 930 warrants "2012". The new plan "2012" is offered to employees of the Company and to independent contractors providing services to the Company. These warrants were not yet granted.

Convertible Bonds
Reference is made to Note 24 concerning the events after balance sheet date.

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

NOTE 19: Earnings per share

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

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

Earnings per common share	2012	2011
Net result (in Thousands EUR)	3 651	(2 862)
Weighted average shares of common stock outstanding:		
Basic	82 498 592	82 498 592
Diluted	82 498 592	82 498 592
Per Share (in EUR)		
Basic earnings per share	0.04	(0.04)
Diluted earnings per share	0.04	(0.04)

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 in 2011, the basic and dilutive earnings per share remains equal.

NOTE 20: Capital management

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

The Group's objectives when managing capital are:

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

The Group's overall strategy and objectives remain unchanged during the years ended 31 December 2012 and 31 December 2011.

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

In 2012 the debt, which is defined as long- and short-term borrowings (excluding derivatives) remained at the same level as in 2011. (2011: decreased with EUR 4 770k), In 2011 this decreased mainly as a result of the repayments of the existing credit facilities. The gearing ratio at year-end was as follows:

Thousands EUR	2012	2011
Current portion of financial liabilities	(14)	(14)
Cash and cash equivalents	3 147	25 216
Net	3 133	25 202
Equity	4 847	1 245
Gearing ratio	**64.6%**	**2024.3%**

Note 21: Financial risk management

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

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

Categories of significant financial instruments:

Thousands EUR	Notes	2012	2011
Financial assets measured at cost or amortized cost			
Cash and cash equivalents	13	3 147	25 216
Trade receivables	10	2 792	3 291
Recoverable VAT	10	199	329
Income tax receivable	7	60	32
Other financial assets	11	1 195	1 048
Derivative financial instruments	14	-	-
Financial liabilities measured at cost or amortized cost			
Trade payables	15	9 218	15 202
Salaries, tax and payroll related liabilities	15	2 269	1 888
Current financial liabilities	14	14	14
Income tax payable	7	45	69
Derivative financial instruments	14	-	-

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

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

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

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

Trade receivables consist of a large number of customers, spread across geographical areas. The receivables for customers who belong to the same group, in different geographical areas, are treated separately. 3 customers had balances greater than 5% of the net trade receivables of the Group for the year ended 31 December 2012. The balances of 2 of these customers (representing 16.4% of the total) were not due at year end. The remaining customer (representing 16.8% of the total) was overdue but has paid in full since the year end.

In 2011, one customer represented 5.6 % 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 2012.

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 232k (2011: EUR 305k) which are past due for more than 60 days 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	2012	2011
60 - 90 days	62	55
90 - 120 days	-	216
> 120 days	170	34
	232	**305**

Movement in the allowance for doubtful debts:

Thousands EUR	2012	2011
Balance at the beginning of the year	799	703
New reserves	35	632
(Write-offs)	-19	(532)
(releases)	-2	(4)
	813	**799**

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	2012	2011
60 - 90 days	-	-
90 - 120 days	-	-
> 120 days	813	799
	813	**799**

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

The Company has no existing credit agreement.

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

Thousands EUR	2012	2013	2014	2015
2012				
Trade payables	-	9 218	-	-
Salaries, tax and payroll related liabilities	-	2 269	-	-
Income tax payable	-	45	-	-
Credit facilities and other loans	-	-	-	-
	-	**11 532**	-	-
2011				
Trade payables	15 202	-	-	-
Salaries, tax and payroll related liabilities	1 888	-	-	-
Income tax payable	69	-	-	-
Credit facilities and other loans	-	-	-	-
	17 159	-	-	-

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

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

2012	Closing rate December 31, 2012	Possible volatility in %	Possible closing rate December 31, 2012
EUR/USD	1.3194	9.22	1.1978 – 1.4410
2011	Closing rate December 31, 2011	Possible volatility in %	Possible closing rate December 31, 2011
EUR/USD	1.2939	13.28	1.1221 – 1.4657

The Group's exposure in USD as of 31 December 2012 and 2011 is as follows:

Carrying amounts - Thousands USD	31 December 2012	31 December 2011
Trade payables	(3 604)	(2 776)
Trade receivables	3 665	4 394
Cash and cash equivalents	1 699	1 627
	1 760	**3 245**

If the USD had weakened/strengthened during 2012 by the above estimated possible changes against the euro, the 2012 net result would have been EUR 123k higher/lower.

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

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

NOTE 22: Contingent liabilities

Via patent license agreements, the Group has committed to make royalty payments to certain companies for licensing in some of their essential patents that are used in 2.5G and 3G wireless products.

The Group has revised its royalty provisions for essential patents which had been made in the past in accordance with common practice but before FRAND requirements for essential patent licenses (Fair Reasonable and Non-Discriminatory terms) became well established and not yet challenged on their validity before the courts and antitrust authorities. In order to bring the royalty provisions in line with these new developments the Group revisited these provisions and refers to the following reasons:

- The essential patent context has substantially changed. There are now external and objective criteria in order to justify a change in the position towards essential patents and the royalty burden that essential patent holders may impose for the use of their essential patents.

- The elements evidencing substantial changes in the legal framework and in the market are amongst others:

    1. The requirement that the terms and conditions of essential patent license agreements must be FRAND (Fair reasonable and non-discriminatory) compliant;
    2. The possibility to challenge the FRAND requirement before the Courts and Antitrust Authorities;
    3. The possibility for Option to require to be treated in a non-discriminatory way vis-à-vis its competitors (Chinese and other) as well for past as future royalty payments;
    4. The overall reduction of prices and margins following the mass market commoditisation of virtually all 3G products.

NOTE 23: Related parties transactions

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

	2012	2011
o Option Wireless Ltd, Cork (Ireland)	100%	100%
o Option Germany GmbH, Augsburg (Germany)	100%	100%
o Option Japan KK (Japan)	100%	100%
o Option Wireless Hong Kong Limited (China)	100%	100%
o Option Wireless Technology (Suzhou) Co. Ltd. (China)	100%	100%
o Option Wireless Hong Kong Limited Taiwan Branch (Taiwan).	100%	100%
o Option Wireless USA Inc. (United States of America)	100%	100%
o Option France SAS (France)	100%	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. At the end of 2010 Mr. Lawrence Levy retired from Brown Rudnick LLP and has no commercial ties with the law firm anymore.

In 2012, the fees paid to Brown Rudnick LLP amounted to EUR 14k (2011: EUR 18k).

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

Board of directors compensation

In 2012, the compensation for the Board of Directors amounted to EUR 203k (2011: EUR 271k).

Name	Board meetings attended		Audit Committees attended	Remuneration Committees attended	Strategic Committees Attended	Total remuneration Thousands EUR
	Physical attendance	*calls*				
Jan Callewaert (1)	5/5	20/21	N.A	N.A	N.A	N.A (2011: N.A)
Q-List BVBA	5/5	21/21	4/4	3/3	N.A	41.03 (2011: 49.00)
Lawrence Levy	5/5	21/21	N.A	3/3	N.A	41.03 (2011: 49.00)
David Hytha (2)	3/3	11/12	N.A	N.A.	N.A	22.65 (2011: 49.00)
An Other Look To Efficiency SPRL	5/5	18/21	4/4	N.A	N.A	53.28 (2011: 74.00)
FVDH Beheer BVBA	5/5	19/21	4/4	3/3	N.A	44.79 (2011: 50.47)

(1) *Excluding CEO remuneration to Mondo NV – As of 2010 the Board of Directors Compensation is included in the fixed remuneration of the CEO.*
(2) *Mr. David A. Hytha resigned as an independent director of the Company as from 20 July 2012. This resignation was published in the Annexes of the Belgian State Gazette of 19 February 2013.*

In addition, one non-executive Board member received an amount of EUR 2k (2011: EUR 5k) in his capacity of member of the Board of Option Wireless Ltd. (Ireland).

At year end 2012, the following warrants "V" were held by the members of the Board of Directors:

Jan Callewaert	50 000
Lawrence Levy	50 000
Q-List BVBA	30 000
An Other Look To Efficiency SPRL	30 000
Total	**160 000**

Furthermore, Mr. David Hytha who resigned as a member of the Board of Directors in July 2012, holds 50,000 warrants "V".

Executive management compensation

The CEO of the Group, since 29th May 2012 also re-elected as Chairman of the Board is the owner of a management company (Mondo NV), performing management services for the Group. Following the recommendation of the Remuneration Committee, the Board of Directors decided on 26 May 2010 to modify the remuneration paid to the CEO of the Company (Mondo NV represented by Jan Callewaert). The Board decided to fix the base remuneration at EUR 430k per year and the variable remuneration to a maximum of EUR 190k per year. In addition, the Board of Directors suggested that the aforementioned remuneration, paid to the CEO, should also cover the compensations paid to Jan Callewaert in his capacity of member and Chairman of the Board of Directors.
Therefore, the remuneration for these management services in 2012 amounted to EUR 430k (2011: EUR 430k). For 2012, no variable compensation was granted (2011: EUR 0k). The CEO received additional benefits for an amount of EUR 18k covering car, fuel and lump sum allowance costs (2011: EUR 15K).

For the year 2012, an aggregate gross amount of EUR 944k (2011: EUR 1 228k) was attributed to the other five members of the Executive Management Team. The 2012 gross amount includes redundancy fees for one member of the Executive Management Team who left the Company in the course of 2012. In 2012, no variable pay was granted relating to 2011 performance (2011: EUR 22k).
For the members of the Executive Management Team, benefits include an extra-legal pension scheme, the cost of which amounted to EUR 53k (2011: EUR 32k). The members of the Executive Management Team received additional benefits for an amount of EUR 39K covering car, fuel, lump sum allowance and hospitalization insurance costs (2011: EUR 28K).

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

At year end 2012, the following warrants "V" were held by the "*current*" members of the Executive Management Team (2011: 137 500):

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

NOTE 24: EVENTS AFTER BALANCE SHEET DATE

Subsequent to December 31, 2012, the following events or transactions occurred which require disclosure:

- On March 29th 2013, the Company announced that it had has secured a private placement for an amount of EUR 9 million via the issue of a convertible bond. The convertible bonds have a value of 100.000 EUR each. The issue was subscribed by 5 partners ;
    - the Flemish investment company PMV subscribed to 20 convertible bonds for an amount of EUR 2 million,
    - Athos Investments subscribed to 10 convertible bonds for an amount of EUR 1 million,
    - Life Science Research Partners subscribed to 5 convertible bonds for an amount of EUR 0,5 million,
    - Mondo NV subscribed to 5 convertible bonds for an amount EUR 0,5 million,
    - Jan Callewaert subscribed to 50 convertible bonds for an amount of EUR 5 million[1].

  The convertible bond matures in March 2018 and has an annual interest rate of 5%. The conversion price was fixed at EUR 0.285, which is the average share price during the 30 days prior to the issuing of the convertible bond. The 90 convertible bonds can be converted into 31,034,483 new shares of Option N.V.. The accounting impact under IFRS on the equity of the Company, if any, is yet to be determined.

- On March 29th 2013, the company announced that Jan Smits, CFO will leave Option.

[1] Following the issue of the convertible bond, the agreement between the Company and Mondo on a mid term loan facility in order to bridge potential cash requirements until the completion of the private placement, was terminated. The loan facility was not used.

NOTE 25: Option companies and business combination

List of companies, integrally consolidated in the financial statements

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

On the 25th of October 2012 the Group announced that, as part of the ongoing efforts to reduce the cost-base it was decided to close the Augsburg (Germany) facility and to move the software activities to Leuven (Belgium). This liquidation started in 2012 and should be finalized in the course of financial year 2013.

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

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

Thousands EUR	2012	2011	2010
Worldwide audit services for the annual financial statements	150	180	271
Worldwide tax and legal services	12	44	79
Other worldwide services	4	3	11
	167	**227**	**361**

5. AUDITOR'S REPORT

Deloitte.

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

Option NV

Statutory auditor's report
to the shareholders' meeting on the
consolidated financial statements
for the year ended 31 December 2012

The original text of this report is in Dutch

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

Member of Deloitte Touche Tohmatsu Limited

Deloitte.

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

Option NV

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2012

To the shareholders

As required by law, we report to you on the performance of our mandate of statutory auditor. This report includes our report on the consolidated financial statements as defined below together with our report on other legal and regulatory requirements.

Report on the consolidated financial statements – Disclaimer of opinion

We were engaged to audit 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. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 17.466 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 3.651 (000) EUR.

Responsibility of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's 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, the auditor considers 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

Because of the matter described below in the 'Basis for disclaimer of opinion' paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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Deloitte.

Basis for disclaimer of opinion

Notwithstanding the positive accounting result, the group has been unable to realize the objectives it had initially set under the business plan of the board in terms of turnover and gross margin. As a result, the group has again incurred negative cash flows which have severely impacted its financial and liquidity position per 31 December 2012. Therefore there exists a significant uncertainty concerning the group's ability to continue its business activities. We draw your attention to Note 1, section 'Accounting judgements, estimates and assumptions', in which the board of directors describe the main measures in order to preserve the going concern of the group.

The group's ability to continue as a going concern on the short term will depend on the extent to which the group realises:

- The successful commercial introduction in the coming months of the recently developed M2M product, Cloudgate, and following this successful commercial development, gains access to financing means to secure sufficient on-going liquidity;
- The budgeted revenues and margins, build around Cloudgate but also the further sale of some of the existing product portfolio;
- The timely execution of the cost reduction measures to further lower the group's cost base; and
- A positive decision by the shareholders of Option NV during the extra-ordinary shareholder's meeting in the framework of article 633 of the Code of Companies, which will be convened on 3 May 2013.

The accumulation of conditions that need to be fulfilled present a fundamental uncertainty about the going concern of the group and about the relevance of the financial information. 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 capitalization development expenses amounting to 4.579 (000) EUR and inventories amounting to 4.036 (000) EUR, which could be subject to significant impairments in case the group would not be able to continue as a going concern. Likewise, the valuation of the group's recent investment of 1.195 (000) EUR in Autonet Inc. is dependent on the successful introduction of Autonet's products in the automotive market in the United States.

Disclaimer of opinion

Because of the multiple and significant uncertainties described in the 'Basis for disclaimer of opinion' paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements.

Deloitte.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

In the framework of our mandate, our responsibility is to verify, for all significant aspects, the compliance with some legal and regulatory requirements. On this basis, we provide the following additional comment which does not modify 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, is, for all significant aspects, in agreement with the consolidated financial statements and is not in obvious contradiction with any information obtained in the performance of our mandate.

Diegem, 30 April 2013

The statutory auditor

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

6. ABBREVIATED STATUTORY ACCOUNTS OF OPTION NV AND EXPLANATORY NOTES

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

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

The statutory auditor's report is a "disclaimer of opinion" on the non consolidated financial statements of Option NV for the year ended 31 December 2012.

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

ASSETS

Thousands EUR	2012	2011	2010
Fixed assets	**6 906**	**13 637**	**14 664**
Intangible assets	4 777	8 558	7 973
Tangible assets	773	1 333	4 082
Financial assets	1 356	3 746	2 609
Current Assets	**4 519**	**29 214**	**25 502**
Stocks and contracts in progress	329	250	638
Accounts receivable within one year	2 681	14 203	23 078
Cash & cash investments	1 486	14 620	1 701
Deferred charges and accrued income	24	141	85
Total Assets	**11 425**	**42 851**	**40 166**

LIABILITIES

Thousands EUR	2012	2011	2010
Capital and reserves	**4 493**	**8 836**	**3 714**
Capital	12 232	12 232	12 232
Share premium	58 944	58 944	58 944
Legal reserve	612	612	612
Profit/(loss) carried forward	(67 295)	(62 952)	(68 074)
Provisions	**98**	**168**	**526**
Creditors	**6 834**	**33 847**	**35 926**
Long term financial liabilities	7	22	-
Amounts payable within one year	6 693	6 654	13 294
Accrued charges and deferred income	134	27 171	22 632
Total liabilities	**11 425**	**42 851**	**40 166**

On a balance sheet total of EUR 11.4 million, the total equity as of 31 December 2012 amounted to EUR 4.5 million, or less than half of the issued capital. As a result, the mandatory procedure set forth in Article 633 of the Company Code needs to be complied with, and a General Shareholders meeting should be held at the latest two months after the losses have been noted by the Board of Directors dated March 5, 2013. In this respect, the Board of Directors has convened a special shareholders' meeting on May 3, 2013, and has prepared a special report in which they proposed to continue the activities of the Company and identify the measures that have already been taken in order to improve its financial situation.

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

ABBREVIATED PROFIT AND LOSS ACCOUNT

Thousands EUR	2012	2011	2010
I. Revenues	**36 069**	**39 860**	**18 880**
Turnover	28 420	30 691	8 250
Increase (decrease) in stocks in finished goods, work and contracts in progress	160	(290)	(113)
Capitalized development costs	3 925	5 700	6 609
Other operating income (mainly intercompany transactions)	3 564	3 760	4 134
II. Operating charges	**(34 235)**	**(36 344)**	**(38 178)**
Raw materials, consumables and goods for resale	871	851	1 029
Services and other goods	13 257	17 004	17 436
Remuneration, social security costs and pensions	8 961	10 425	11 606
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	5 108	7 535	9 141
Increase, decrease in amounts written off stocks, contracts Contracts in progress and trade debtors	6 086	343	234
Provision for contingencies	(70)	-	(1 299)
Other operating charges	21	186	32
III. Operating profit/(loss)	**1 834**	**3 516**	**(19 299)**
IV. Financial income	**215**	**2 201**	**617**
V. Financial charges	**(197)**	**(230)**	**(914)**
VI. Profit/(loss) on ordinary activities before taxes	**1 853**	**5 487**	**(19 596)**
VII. Exceptional income	**-**	**-**	**640**
VIII. Exceptional charges	**(6 187)**	**(365)**	**(4 985)**
IX. Profit/(loss) for the period before taxes	**(4 333)**	**5 122**	**(23 942)**
X. Income tax expense	**10**	**-**	**-**
XIII. Profit/(loss) for the period available for appropriation	**(4 343)**	**5 122**	**(23 942)**

ABBREVIATED APPROPRIATION ACCOUNT (ACCORDING TO BELGIAN ACCOUNTING STANDARDS)

Thousands EUR	2012	2011	2010
Profit/(loss) to be appropriated	(62 952)	(68 074)	(44 132)
Profit/(loss) for the period available for appropriation	(4 343)	5 122	(23 942)
Profit/(loss) carried forward from previous year	(67 295)	(62 952)	(68 074)

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

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

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

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

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

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

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

Vehicles
Vehicles are linearly depreciated at rate of 20%.

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

Financial assets
During the financial period investments are not revalued.

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

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

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

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

Foreign currencies
Debts, liabilities and commitments denominated in foreign currencies are translated using the exchange rate of 31 December 2012. Transactions are converted at the daily exchange rate.
Exchange differences have been disclosed in the annual accounts as follows:

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

6.4. Explanatory notes - Abbreviated statutory accounts - Belgian GAAP

PARTICIPATING INTERESTS

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

31 December, 2012	Shares held by company (by number)	% held by company	% held by subsidiaries
Option Germany GMBH – Augsburg (D)	1	100%	0%
Option Wireless Ltd – Cork (IRL)	2 000 000	100%	0%
Option Wireless Hong Kong Limited – China	10 000	100%	0%
Option France SAS	10 000	100%	0%

STATEMENT OF CAPITAL

Issued capital 31 December, 2012	Amounts (in EUR)	Number of shares
At the end of the preceding period	12 232 134	82 498 592
At the end of the period	12 232 134	82 498 592

Structure of the capital December 31 2012		
Different categories of shares		
Registered shares and bearer shares		82 498 592
Registered		-
Bearer		82 498 592

Authorized capital

On 31 December 2012 the authorized (but non-issued) capital amounted to EUR 12 232k.

7. INVESTOR RELATIONS AND FINANCIAL CALENDAR

7.1. The Option Share on Euronext

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

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

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

7.2. Share history in 2010-2012 on Euronext

	2012	2011	2010
Number of shares outstanding	82 498 592	82 498 592	82 498 592
Year-end share price	0.31	0.30	0.58
Market capitalization (million)	26	25	48
Share price High	0.84	0.64	0.91
	(February 22, 2012)	(November 25, 2011)	(January 6, 2010)
Share price Low	0.29	0.28	0.34
	(January 2, 2012)	(January 5, 2011)	(September 24, 2010)
Free float	82.05%	82.05%	82.05%

During 2012, a total of 85,068,745 shares were traded on Euronext on 256 trading days, meaning an average for the year of 332,300 shares per day.

7.3. Financial calendar

Option intends to release its biannual financial information and business updates in 2013 on the following dates – before market hours:

1Q Business update	Thursday April 25, 2013
2Q Results and "Interim Financial Report"	Friday August 30, 2013
3Q Business update	Thursday October 24, 2013
General Meeting of Shareholders 2013	Friday May 31, 2013 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:

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

8. CERTIFICATION OF RESPONSIBLE PERSONS

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

a) the consolidated financial statements for the year ending December 31, 2012 have been prepared in accordance with IFRS (International Financial Reporting Standards) and give, in all material respects, a true and fair view of the consolidated financial position and results of Option NV and of its subsidiaries included in the consolidation;
b) the management report for the year ending December 31, 2012 gives, in all material respects, a true and fair view of the evolution of the business, the results and the situation of Option NV and of its subsidiaries included in the consolidation, as well as an overview of the most significant risks and uncertainties with which Option is confronted.

Leuven, April 30, 2013

Jan Callewaert	Jan Smits
CEO	CFO
Option NV	Option NV

9. INFORMATION SHEET BY END 2012

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

10. GLOSSARY

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

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

EBIT
Earnings Before Interest and Taxes.
Profit from operations.

EBITDA
Profit from operations plus depreciation and amortization.

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

GEARING RATIO
Net debt divided by shareholders' equity

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

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

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

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

WORKING CAPITAL
Current assets less current liabilities.

11. CORPORATE SOCIAL RESPONSIBILITY

STATEMENT OF BUSINESS ETHICS

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

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

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

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

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

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

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

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

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

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

ENVIRONMENTAL POLICY OF THE PRODUCTION AND LOGISTICAL UNIT

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

The organization's objectives include the following:

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

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

QUALITY CERTIFICATION

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

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

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

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

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

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

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