# OPTION REPORTS THIRD QUARTER 2009 RESULTS, PLANNED CAPITAL INCREASE AND ADDITIONAL COST REDUCTIONS

- Third quarter revenues of EUR 35.7 million, gross margin up to 30.3%, EBIT of EUR -6.7 million and net result of EUR -8.9 million
- Additional restructuring with non revenue related operating expense savings of EUR 20 million
- Capital increase of approximately EUR 20 million
- Strategy to move away from commoditized hardware

**Leuven, Belgium – October 29, 2009 –** Option N.V. (EURONEXT Brussels: OPTI; OTC: OPNVY), the wireless technology company, today announces its results for the third quarter ended 30 September 2009. The financial information reported in this release is presented in Euros and has been prepared in accordance with the recognition and measurement criteria of IFRS as adopted by the European Union. The accounting policies and methods of computation followed in the attached financial statements are the same as those followed in the most recent annual financial statements.

## Cost Reduction Plan

In March, Option announced a plan to reduce quarterly non-revenue related operating expenses of EUR 21.3 million in Q4 2008 by 20%. At the end of Q3 2009, Option had significantly exceeded this plan and has reduced quarterly operating costs by 35% to EUR 13.8 million. Continuing its operational alignment with the strategy, Option is to carry out a further cost reduction plan. The new plan envisages an additional EUR 20 million savings in operating expenses for 2010 compared to the annualized Q3 2009 run-rate. Option has the intention to proceed with the following measures to implement this plan:

- The intention to proceed a collective dismissal of 55 employees at Leuven HQ that has been communicated to the works council
- Moving further to an outsourced customization and fulfilment model in China, which will result in a shift from a fixed to variable customization cost base and materially lower inventory levels
- Selectively outsourcing non-core engineering tasks and consolidating existing R&D capabilities and facilities. In the latter respect, the core of the activities of the R&D facility at Kamp-Lintfort (Germany) will be transferred to the Leuven R&D site before year-end and the company has announced its intention to close the Kamp-Lintfort site.
- Creating a leaner and more focused sales and marketing organization
- Streamlining and simplifying operations through additional headcount reduction across all sites and further non HR-related cost reductions

Related to this additional restructuring plan, the company anticipates approximately EUR 7 million of one-off restructuring costs in Q4 2009.

## Capital Increase

The Company has approved a capital increase of approximately EUR 20 million which will be used to support the costs associated with the further transformation of the Company. The Company is currently assessing different alternatives. Further details will be provided at the appropriate time.

## Strategy

The strategy is to explicitly focus on a move away from commoditized hardware to a fully integrated offering for mobile broadband markets:

- For the USB modem market (‘attached solutions’): a focus on delivering innovative integrated solutions based on, software, services and hardware. This is a clear shift away from commoditized hardware. This also includes a sales refocus on network operators valuing innovation, customization and flexibility and an expansion beyond operators to new types of customers such as communities, content/service providers and Mobile Virtual Network Operators.

- For embedded modules (‘embedded solutions’): a shift from the simple integration of a module to offering high-value services to device manufacturers. Option is bringing these solutions to mobile internet devices (MIDs) and consumer/professional electronic devices such as e-readers, gaming consoles and digital cameras.

## Other

Option announces that Chip Frederking, Vice President Sales Americas, has been promoted to Vice President Global Sales. Chip joined Option in mid 2008 and has been instrumental in its development in the US. Before joining Option, Chip worked for 20 years for Motorola where he held various sales management positions. Filip Buerms, previously Vice President Global Sales, has left the Company to pursue other opportunities.

## Financial Highlights of the third quarter 2009

- Total revenues for the third quarter of 2009 were EUR 35.7 million, compared to EUR 60.3 million realized in the third quarter of 2008.

- Gross margin for Q3 2009 was 30.2% of total revenues, compared to 26.6% for Q3 2008. There was, however, a substantial increase in gross margin (excluding restructuring charges) compared to Q2 2009, from 20.9% to 30.3% driven by favorable exchange rates and continuing manufacturing optimizations.

- Compared to Q3 2008, Q3 2009 operating expenses decreased by EUR 5.3 million excluding restructuring charges, from EUR 22.8 million to EUR 17.5 million. The decline is mainly due to cost reductions and lower sales related costs. Compared to Q2 2009, operating expenses (excluding restructuring charges) continued to decline from EUR 18.3 million to EUR 17.4 million.

- Quarterly EBIT amounted to EUR –6.7 million or –18.9% of total revenues compared to EUR –6.8 million or –11.2% for the corresponding period in 2008. Compared to Q2 2009, the Q3 2009 quarterly negative result from operations (EBIT excluding restructuring charges) decreased from EUR -9.7 million to EUR -6.7 million.

- Net result for Q3 2009 amounted to EUR –8.9 million, or EUR –0.22 per basic share. This compares with a net result of EUR –2.9 million, or EUR –0.07 per basic share, for Q3 2008. The Q3 2009 net result was negatively impacted by a financial result of EUR –1.6 million primarily due to the continued effect of the weakness of the US dollar against the Euro on bank accounts and remaining hedging contracts. This compares to EUR -4.5 million in Q2 2009.

- In Q3 2009, the company stopped accounting for positive tax results as the deferred taxes on the balance sheet represent 22% of the total assets. The company has determined that it is prudent to cap the deferred tax asset at this level. If a positive tax effect had been included, the net result would have improved by EUR 4.3 million to -4.7 million.

- The Group's balance sheet includes EUR 26.5 million in cash, of which EUR 10.8 million has been drawn from existing credit lines. This compares with a cash position of EUR 28.2 million as of 30 June 2009, of which EUR 7 million was from existing credit lines. The accounts payable and receivable positions decreased compared to year end 2008, and the average days outstanding on receivables for the third quarter decreased to an average of 47 days net of subcontracting parties.

## Financial Highlights of the year to date result 2009

- Total year to date revenues were EUR 127.7 million, a decrease of 35.5% compared to EUR 197.9 million revenues realized during the comparable period in 2008.

- Year to date gross margin was EUR 32.3 million or 25.3% of total revenues, compared to EUR 57.7 million or 29.1% in 2008. Excluding the year to date restructuring charge of EUR 407 thousand in 2009, the gross margin would have been 25.6%.

- Year to date EBIT decreased to EUR –27.2 million or –21.3% of total revenues, including the year to date restructuring charge of EUR 1.7 million, compared to EBIT of EUR –10.3 million for the corresponding period in 2008.

- Net result decreased to EUR –25.8 million, or EUR –0.62 per basic share. This compares with a net result of EUR –5.7 million, or EUR –0.14 per basic share, in 2008. The 2009 net result was positively impacted by taxes of EUR 6.9 million and negatively impacted by a finance result of EUR –5.6 million.

Commenting on the results Jan Callewaert, CEO, said:

"Our focus on improved profitability has resulted in gross margins increasing to 30% this quarter and continued reductions in non-revenue related operating expenses. Although we find it hard to let employees go, the new cost reduction plan is required to ensure that we meet our profitability targets. The capital increase is intended to strengthen our balance sheet and to keep our core competencies in house to support our strategy."

## CONSOLIDATED PERFORMANCE

| For the period ended 30 September<br>Million EUR (except per share figures) | Q3 2009 | Q3 2008 | YTD 2009 | YTD 2008 |
|---|---|---|---|---|
| Revenues | 35.7 | 60.3 | 127.7 | 197.9 |
| Gross profit | 10.8 | 16.0 | 32.3 | 57.7 |
| Operating expenses | 17.5 | 22.8 | 59.5 | 67.9 |
| EBIT | (6.7) | (6.8) | (27.2) | (10.3) |
| Net result | (8.9) | (2.9) | (25.8) | (5.7) |
| Weighted average number of ordinary shares | 41 249 296 | 41 249 296 | 41 249 296 | 41 249 296 |
| Basic earnings / (loss) per share (EUR) | (0.22) | (0.07) | (0.62) | (0.14) |

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## Financial report prepared in accordance with International Financial Reporting Standards (IFRSs)

## CONSOLIDATED INCOME STATEMENT

| For the 3 and 9 month period ended 30 Sept.<br>Thousands EUR (except per share figures) | Q3/2009 | Q3/2008 | Sept. 30, 2009 | Sept. 30, 2008 |
|---|---|---|---|---|
| **Revenues** | **35 664** | **60 287** | **127 707** | **197 887** |
| Cost of products sold [1] | (24 871) | (44 234) | (95 003) | (140 206) |
| **Gross margin excl restructuring charges** | **10 793** | **16 052** | **32 704** | **57 681** |
| Gross margin excluding restructuring charges % | 30.3% | 26.6% | 25.6% | 29.1% |
| *Restructuring charges* | *(22)* | - | *(407)* | - |
| **Gross margin** | **10 771** | **16 052** | **32 298** | **57 681** |
| Gross margin % | 30.2% | 26.6% | 25.3% | 29.1% |
| *Restructuring charges* | *(41)* | - | *(1 322)* | - |
| Research and development expenses[1] | (6 806) | (8 761) | (22 105) | (24 304) |
| Sales, marketing and royalties expenses[1] | (6 469) | (9 514) | (23 375) | (29 324) |
| General and administrative expenses [1] | (4 195) | (4 538) | (12 659) | (14 328) |
| **Total operating expenses** | **(17 511)** | **(22 813)** | **(59 461)** | **(67 956)** |
| **Profit from operations (EBIT)** | **(6 740)** | **(6 761)** | **(27 163)** | **(10 275)** |
| EBIT/Total revenues % | (18.9%) | (11.2%) | (21.3%) | (5.2%) |
| Depreciation and amortization | 4 907 | 5 455 | 14 363 | 15 137 |
| EBITDA | (1 833) | (1 306) | (12 799) | 4 862 |
| EBITDA/Total revenues % | (5.1%) | (2.2%) | (10.0%) | 2.5% |
| Exchange gain/(loss) | (2 176) | (1 044) | (3 162) | (1 308) |
| Interest income/(expense) and other financial income/(expense) | 520 | 2 888 | (2 432) | 1 095 |
| **Finance result** | **(1 656)** | **1 844** | **(5 594)** | **(213)** |
| **Result before taxes** | **(8 396)** | **(4 917)** | **(32 758)** | **(10 489)** |
| Tax benefits / (expense) | (571) | 2 050 | 6 977 | 4 775 |
| **Net result** | **(8 967)** | **(2 867)** | **(25 781)** | **(5 713)** |
| Weighted average number of ordinary shares | 41 249 296 | 41 249 296 | 41 249 296 | 41 249 296 |
| Diluted average number of ordinary shares | 41 249 296 | 41 249 296 | 41 249 296 | 41 249 296 |
| Basic earnings / (loss) per share (in EUR) | (0.22) | (0.07) | (0.62) | (0.14) |
| Diluted earnings / (loss) per share (in EUR) | (0.22) | (0.07) | (0.62) | (0.14) |

[1] These amounts are excluding restructuring charges

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## CONSOLIDATED BALANCE SHEET PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS)

| Thousands EUR<br>For the period ended | 30 September<br>2009 | 31 December<br>2008 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | 26 488 | 33 328 |
| Trade and other receivables | 22 445 | 44 819 |
| Other financial assets | 0 | 0 |
| Income tax receivable | 100 | 227 |
| Inventories | 24 109 | 32 894 |
| | **73 142** | **111 268** |
| **Non-current assets** | | |
| Property, plant and equipment | 12 229 | 16 291 |
| Intangible assets | 24 313 | 20 740 |
| Deferred tax assets | 30 313 | 22 413 |
| Other non-current assets | 339 | 383 |
| | **67 193** | **59 827** |
| **Total assets** | **140 335** | **171 094** |
| **EQUITY AND LIABILITIES** | | |
| **Current liabilities** | | |
| Trade and other payables | 48 054 | 67 353 |
| Income tax payable | 164 | 104 |
| Other financial liabilities | 13 140 | 89 |
| Provisions (current) | 2 268 | 2 437 |
| | **63 626** | **69 983** |
| **Non-current liabilities** | | |
| Other non current liabilities | 51 | 16 |
| Deferred tax liabilities | 2 656 | 2 013 |
| | **2 707** | **2 029** |
| **Equity** | | |
| Issued capital | 6 116 | 6 116 |
| Share premium | 43 865 | 43 865 |
| Reserves | 1 053 | 352 |
| Retained earnings | 22 968 | 48 749 |
| **Shareholders' equity** | **74 002** | **99 082** |
| **Total liabilities and shareholders' equity** | **140 335** | **171 094** |

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## CONSOLIDATED CASH FLOW STATEMENT

### Prepared in accordance with International Financial Reporting Standards (IFRSs)

| Thousands EUR<br>For the period ended | 30 September 2009 | 30 September 2008 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net profit (A) | (25 781) | (5 713) |
| | | |
| Depreciation and amortization | 14 363 | 15 137 |
| Write-offs on current and non current assets | 2 261 | 6 183 |
| Impairment losses | - | - |
| Increase/(decrease) in provisions | (169) | (1 859) |
| Unrealized foreign exchange losses/(gains) | 644 | 891 |
| (Gains)/Losses on hedging contracts | 2 008 | (573) |
| Interest income | (70) | (662) |
| Interest expense | 284 | 104 |
| Equity settled share based payment expense | 640 | - |
| Tax Benefit | (6 976) | (4 776) |
| **Total (B)** | **12 985** | **14 445** |
| | | |
| **Cash flow from operating activities before changes in working capital** (C)=(A)+(B) | **(12 796)** | **8 732** |
| Decrease/(increase) in trade and other receivables | 12 209 | (12 875) |
| Decrease/(increase) in inventories | 8 786 | 18 002 |
| Increase/(decrease) in trade and other payables | (11 815) | 765 |
| | | |
| **Total changes in working capital (D)** | **9 179** | **5 892** |
| **Cash generated from operations** (E)=(C)+(D) | **(3 617)** | **14 624** |
| Interests (paid) (F) | (172) | (90) |
| Interests received (G) | 76 | 354 |
| Income tax (paid)/received (H) | (29) | 2 928 |
| | | |
| **CASH FLOW FROM OPERATING ACTIVITIES** (I)=(E)+(F)+(G)+(H) | **(3 742)** | **17 816** |
| | | |
| **INVESTING ACTIVITIES** | | |
| | | |
| Proceeds from sale of plant & equipment | - | - |
| Proceeds from sale of intangible assets | - | - |
| Acquisition of property, plant and equipment | (862) | (2 045) |
| Acquisition of intangible assets | (174) | (878) |
| Development expenditures | (12 838) | (16 249) |
| **CASH FLOW FROM INVESTING ACTIVITIES** (J) | **(13 874)** | **(19 173)** |
| | | |
| **FINANCING ACTIVITIES** | | |
| | | |
| Proceeds from borrowings | 11 104 | 43 |
| Repayment of borrowings | (37) | (55) |
| Payment of finance lease liabilities | 11 | - |
| **CASH FLOW FROM FINANCING ACTIVITIES** (K) | **11 078** | **(13)** |
| | | |
| **Net increase/(decrease) in cash and cash equivalents** (I)+(J)+(K) | **(6 538)** | **(1 370)** |
| | | |
| Cash and cash equivalents at beginning of period | 33 328 | 36 299 |
| Effect of exchange rate fluctuations on cash held | (302) | 217 |
| Cash and cash equivalents at end of period | 26 488 | 35 146 |
| **Difference** | **0** | **0** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Thousands EUR<br>For the period ended 30 September 2009 | Shareholders' equity | | | | | |
|---|---|---|---|---|---|---|
| | Issued capital | Share premium | Share-based payment reserves | Translation reserves | Retained earnings | Total equity |
| **As per 31 December 2008...** | **6 116** | **43 865** | **513** | **(161)** | **48 749** | **99 082** |
| Net result ............................... | - | - | - | - | (25 781) | (25 781) |
| Share based payments ......... | - | - | 640 | - | - | 640 |
| Translation adjustment.......... | - | - | - | 61 | - | 61 |
| **As per 30 September 2009** | **6 116** | **43 865** | **1 153** | **(100)** | **22 968** | **74 002** |

This press release contains forward-looking information that involves risks and uncertainties, including statements about the company's plans, objectives, expectations and intentions. Such statements include, without limitation, discussions concerning the company's strategic direction and new product introductions and developments. Readers are cautioned that such forward-looking statements involve known and unknown risks and uncertainties that may cause actual results to differ materially than those set forth in the forward looking statements. The risks and uncertainties include, without limitation, the early stage of the market for connectivity and integrated wireless products and solutions for portable and handheld computers and mobile telephones, the management of growth, the ability of the company to develop and successfully market new products, rapid technological change and competition. Some of these risk factors were highlighted in the Consolidated and Statutory Report 2008 of the Board of Directors which can be found in the Annual Report 2008 page 25-27. The forward-looking statements contained herein speak only as of the date of this press release. The company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any such statement to reflect any change in the company's expectations or any change in events, conditions or circumstance on which any such statement is based.

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**About Option**

Option, the wireless technology company, is a leading innovator in the design, development and manufacture of 3G HSUPA, HSDPA, UMTS, EDGE, and WLAN technology products for wireless connectivity solutions. Option has established an impressive reputation for creating exciting products that enhance the performance and functionality of wireless communications. Option is headquartered in Leuven, Belgium. The company also has Research & Development in Belgium (Leuven), Germany (Düsseldorf and Augsburg) and an ISO 9001 production engineering and logistics facility in Ireland (Cork). Option maintains offices in Europe, US, Greater China, Japan and Australia. For more information please visit www.option.com.