



## OPTION REPORTS FULL YEAR 2013 RESULTS

**Leuven, Belgium – March 13, 2014** – Option N.V. ([EURONEXT Brussels: OPTI](#); [OTC: OPNVY](#)), a global leader in wireless connectivity, security and experience, today announced its results for the full fiscal year ended December 31, 2013. 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.

### Business Update

- In the last few years Option has been transformed into a company executing a new business model targeting the big “Internet of Things” market opportunity. Option starts with a clean sheet, has kept in house all core competences acquired over the years and has the ambition to become a global player again in the enterprise-grade “Intelligent Gateway” solutions market’. As such during 2013 Option further evolved from a B2C to a B2B model focused on the Machine to Machine (M2M) market.
- In 2013, the sales focus has been to increase Option’s geographical reach in the M2M market. In the geographical markets of Europe, North America, Latin America and Asia Pacific, the sales focus has been directed at 5 key market segments:
  - Utilities
  - Industrial Telematics
  - Environmental monitoring
  - Secure Financial transactions
  - General connectivity
- The development focus for CloudGate has been directed at two areas. The first focus was to enrich the product offering by developing extension cards and by improving the application scope of the software platform in key market segments. This resulted in the launch of several additional expansion cards, the deployment of CloudGate Universe, Option’s cloud based platform, and added support for the most important industrial protocols. The second focus was on the expansion of the eco-system by increasing the types of supported devices (sensors, industrial assets, etc.) and by supporting the major third party applications in the M2M space allowing Option’s customers to fully leverage the versatility of the CloudGate platform.
- In the M2M market, the sales cycles are typically long with lengthy pilot programs before final acceptance. This shows the importance that customers place on reliability and product quality when selecting an M2M gateway and this plays directly to Option’s strengths as a company. Following final acceptance existing customers generate repeat sales with healthy margins for years to come.

- To minimize strain on the company's financial resources, the cost structure of the organization was further reduced while preserving the company's core competences.
- The new business environment is characterized by lower volumes and fewer channels. Therefore, the logistical organization has been simplified by transferring operations from Cork, Ireland to Leuven, Belgium.
- In August 2013 Christine Pollie joined as the CFO of the company and in October 2013 Frank Deschuytere was appointed as Option's CEO while Jan Callewaert was named Executive Chairman. The new executive team will continue to implement the company's strategy of becoming a leading player in the buoying M2M market worldwide

Frank Deschuytere, CEO Option commented:

"CloudGate, Option's intelligent M2M gateway, is uniquely positioned to capture the opportunities in the key M2M markets defined. The solution is highly competitive. Looking at the number of partners that have adopted the CloudGate solution, looking at the opportunities in our sales funnel and looking at the speed at which the sales cycles mature, I feel confident that this will result in a healthy top line growth in line with our plans."

### **Financial Highlights of the full fiscal year 2013**

- Total revenues for the full year 2013 were EUR 9.4 million compared with EUR 40.8 million realized in 2012. Product related revenues decreased from EUR 13.1 million to EUR 9.2 million, while software and license revenue decreased from EUR 27.7 million to EUR 0.2 million. Due to the expiration of the license agreement with Huawei, there are no more revenues reported in 2013 under this agreement (2012: EUR 27.0 million of revenues for the full year).
- Gross margin for the full year 2013 was 35.9% on total revenues, compared with a gross margin of 63.4 % for the comparable period in 2012 which was positively impacted by the revenue received from the license agreement with Huawei.
- Compared to the full year 2012, total operating expenses for 2013 decreased from EUR 22.3 million to EUR 14.4 million as a result of downsizing the Group, additional savings and a correction on the incentives received from the Belgian government agency for salaries of research personnel. The normalized operating expenses amount to EUR 16.8 million for 2013 compared to EUR 26.0 million in 2012. The one-offs for 2013 generated some extra income such as recovered professional taxes (EUR 0.5 million) and reversal of IPR (EUR 3.2 million - against 7.3 million in 2012). The one-offs as cost are redundancy and restructuring costs (EUR 1.2 million) and impairment on R&D (EUR 0.1 million – against 3.6 million in 2012).
- Financial costs increased significantly, mainly due to the interests to be paid on the convertible bond that was issued at the end of the first quarter 2013.
- The 2013 EBIT and net result amounted to respectively EUR (11.1) million and EUR (11.7) million compared to EUR 3.6 million and EUR 3.4 million during the corresponding period 2012.
- The Group's balance sheet includes EUR 1.6 million in cash. The trade and other receivable position decreased from EUR 3.2 million to EUR 1.3 million and the inventory levels from EUR 4.0 million to EUR 3.4 million by the end of 2013. The intangible assets, impacted by a negative impairment of EUR 0.1 million, decreased from EUR 4.9 million in 2012 to EUR 4.0 million in 2013. The trade and other payable position decreased to EUR 8.9 million in 2013 from EUR 11.9 million by lowering our IPR accrual. The financial debt increased to EUR 8.1 million due to the issue of the convertible bond recognized at net present value.

- At the end of the first quarter 2013, Option secured EUR 9.0 million via the issue of a convertible bond. The funding was subscribed by 5 partners: the Flemish investment company PMV for EUR 2.0 million, Athos Investments for EUR 1.0 million, Life Science Research Partners for EUR 0.5 million, Mondo N.V. for EUR 0.5 million and Jan Callewaert for EUR 5.0 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.
- Option has generated a negative cash flow from operations during the full year 2013, putting pressure and reducing the group's liquidity and overall financial position.
- Should the overall revenue generation not accelerate in the near future then the Company will be confronted with further liquidity problems which will jeopardize its going concern. Moreover, due to the losses in 2013 as described above, additional financing in the near term is required to finance these losses.
- No deferred tax asset was recognized.

- OPTION N.V. -

**FINANCIAL REPORT PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS).  
CONSOLIDATED INCOME STATEMENT**

Year ended 31 December Thousands EUR	2013	2012
<b>Revenues</b>	<b>9 393</b>	<b>40 844</b>
<i>Product Revenue</i>	9 199	13 140
<i>Software and License revenue</i>	194	27 704
Cost of products sold	(6 022)	(14 940)
<b>Gross Margin</b>	<b>3 371</b>	<b>25 904</b>
Research and Development expenses	(6 073)	(13 425)
Sales, marketing and royalties expenses	( 79)	563
Operations *	(2 031)	(1 742)
General and administrative expenses	(6 242)	(7 695)
<b>Total Operating expenses</b>	<b>(14 425)</b>	<b>(22 299)</b>
<b>Result from operations</b>	<b>(11 054)</b>	<b>3 605</b>
Finance costs	( 892)	( 170)
Finance income	267	209
<b>Finance result-net</b>	<b>( 625)</b>	<b>39</b>
<b>Profit / (loss) before income taxes</b>	<b>(11 679)</b>	<b>3 643</b>
Income tax benefits / (expenses)	( 24)	9
<b>Net Result of the period attributable to the owners of the Company</b>	<b>(11 703)</b>	<b>3 651</b>
<b>Earnings per share</b>		
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	(0,14)	0,04
Diluted earnings / (loss) per share	(0,14)	0,04

\* breakdown since 2013, earlier included in line General and administrative expenses

Year ended December 31 Thousands EUR	2013	2012
Profit / (Loss) for the period	(11 703)	3 651
<b><u>Other comprehensive income</u></b>		
Exchange difference arising on translation on foreign operations	( 62)	( 53)
Other comprehensive income / (loss) for the period (net of tax)	( 62)	( 53)
<b>Total comprehensive income / (loss) for the period attributable to the owners of the parent</b>	<b>(11 765)</b>	<b>3 599</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Year ended December 31 Thousands EUR	2013	2012
<b>Assets</b>		
Intangible assets	4 005	4 882
Property, plant and equipment	454	857
Other financial assets	1 236	1 195
Other non-current assets	125	120
<b>Total non-current assets</b>	<b>5 820</b>	<b>7 055</b>
Inventories	3 410	4 036
Trade and other receivables	1 350	3 167
Cash and cash equivalents	1 623	3 147
Income tax receivable	25	60
<b>Total current assets</b>	<b>6 408</b>	<b>10 411</b>
<b>Total assets</b>	<b>12 228</b>	<b>17 466</b>
<b>Liabilities and shareholders' equity</b>		
Issued capital	12 232	12 232
Share premium	59 041	57 961
Reserves	(1 675)	( 893)
Retained earnings / (losses)	(75 446)	(64 453)
<b>Total shareholders' equity attributable to the owners of the Company</b>	<b>(5 848)</b>	<b>4 847</b>
Financial debt	8 060	7
<b>Total non-current liabilities</b>	<b>8 060</b>	<b>7</b>
Trade and other payables	8 912	11 853
Deferred revenue	200	120
Provisions	395	580
Other financial liabilities	507	14
Income tax payable	1	45
<b>Total current liabilities</b>	<b>10 016</b>	<b>12 612</b>
<b>Total liabilities and shareholders' equity</b>	<b>12 228</b>	<b>17 466</b>

## CONSOLIDATED CASH FLOW STATEMENT

Prepared in accordance with International Financial Reporting Standards (IFRS)

Year ended December 31 Thousands EUR	2013	2012
<b>OPERATING ACTIVITIES</b>		
<b>Net Result (A)</b>	<b>(11 703)</b>	<b>3 651</b>
Amortisation of intangible assets	3 548	4 164
Depreciation of property, plant and equipment	398	1 168
Loss/(gains) on sale of property, plant and equipment	( 98)	( 118)
(Reversal of) write-offs on current and non current assets	(1 398)	2 317
Impairment losses on intangible assets	104	3 690
Increase / (decrease) in provisions	( 119)	106
Unrealized foreign exchange losses/(gains)	1	( 34)
Interest (income)	( 209)	( 126)
Interest expense	705	66
Equity settled share based payment expense	-	4
Tax expense / (benefit)	( 9)	( 9)
<b>Total (B)</b>	<b>2 923</b>	<b>11 228</b>
<b>Cash flow from operating activities before changes in working capital (C)=(A)+(B)</b>	<b>(8 780)</b>	<b>14 879</b>
Decrease / (increase) in inventories	2 023	383
Decrease / (increase) in trade and other receivables	2 053	718
Increase / (decrease) in trade and other payables	(3 493)	(6 301)
Increase / (decrease) in deferred revenue	-	(27 008)
Use of provisions	( 66)	( 209)
<b>Total changes in working capital (D)</b>	<b>517</b>	<b>(32 418)</b>
<b>Cash generated from operation (E)=(C) + (D)</b>	<b>(8 263)</b>	<b>(17 539)</b>
Interests and other finance costs (paid) (F)	( 48)	( 82)
Interests and other finance revenue received (G)	58	223
Income tax (paid)/received (H)	( 31)	( 4)
<b>CASH FLOW FROM OPERATING ACTIVITIES (I)=(E)+(F)+(G)+(H)</b>	<b>(8 284)</b>	<b>(17 402)</b>

**INVESTING ACTIVITIES**

Acquisition of intangible assets	-	-
Expenditures on product development, net of grants received	(2 788)	(3 925)
Investment in non-consolidated companies	( 45)	( 152)
Acquisition of property, plant and equipment	( 20)	(1 750)
Acquisition of a business, net of cash disposed of	( 7)	-
Proceeds from sale of property, plant and equipment	143	1 181

**CASH FLOW USED IN INVESTING ACTIVITIES (J)****(2 717)**      **(4 646)****FINANCING ACTIVITIES**

Proceeds from borrowings	9 500	-
Finance lease liabilities	( 14)	( 14)
Repayment of borrowings	-	-

**CASH FLOW PROVIDED BY/(USED IN) FINANCING ACTIVITIES (K)****9 486**      **( 14)****Cash increase/(decrease) = (I)+(J)+(K)****(1 515)**      **(22 062)**

Cash and cash equivalents at beginning of year	3 147	25 216
Effect of foreign exchange difference	( 9)	( 7)
Cash and cash equivalents at end of year	1 623	3 147

**Difference****(1 515)**      **(22 062)**



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Thousands EUR	Issued capital	Share premium	Share- based payment reserve	Foreign currency translation reserves	Share Issue costs	Retained earnings / (losses)	Total
<b>At 1 January 2012</b>	<b>12 232</b>	<b>57 961</b>	<b>1 444</b>	<b>76</b>	<b>(1 635)</b>	<b>(68 834)</b>	<b>1 245</b>
Net result for the year	-	-	-	-	-	3 651	3 651
Other comprehensive loss for the year, net of income tax	-	-	-	( 53)	-	-	( 53)
<i>Total comprehensive loss for the year</i>	-	-	-	( 53)	-	3 651	3 598
Share based payments	-	-	( 726)	-	-	730	4
<b>At 31 December 2012</b>	<b>12 232</b>	<b>57 961</b>	<b>720</b>	<b>23</b>	<b>(1 635)</b>	<b>(64 453)</b>	<b>4 847</b>
Net result for the year	-	-	-	-	-	(11 703)	(11 703)
Equity component of the convertible loan	-	1 078	-	-	-	-	1 078
Transfer from/to	-	2	-	-	-	( 2)	-
Other comprehensive loss for the year, net of income tax	-	-	-	( 62)	( 1)	( 8)	( 70)
<i>Total comprehensive loss for the year</i>	-	1 080	-	( 62)	-	(11 713)	(10 695)
Share based payments	-	-	( 720)	-	-	720	-
<b>At 31 December 2013</b>	<b>12 232</b>	<b>59 041</b>	<b>-</b>	<b>( 39)</b>	<b>(1 636)</b>	<b>(75 446)</b>	<b>(5 848)</b>

## CONSOLIDATED SEGEMENT REPORT

Thousands EUR	Revenues from external customers		Operating segment result	
	2013	2012	2013	2012
Devices & Solutions	3 754	6 996	2 626	1 571
Embedded & Solutions	3 462	6 144	(2 070)	(4 444)
M2M	1 853	-	( 721)	-
Licenses	-	27 008	-	27 008
Other	325	695	( 23)	(5 308)
<b>Totals</b>	<b>9 394</b>	<b>40 843</b>	<b>( 188)</b>	<b>18 827</b>
Unallocated Operating Expenses			(10 865)	(15 222)
Finance (costs) / income			( 625)	39
Income taxes / (expenses)			( 24)	9
<b>Net result</b>			<b>(11 702)</b>	<b>3 653</b>

## FINANCIAL CALENDAR

Annual Shareholders Meeting:

Wednesday May 28, 2014 at 10 AM in Leuven (Belgium)

Q1 business update:

Thursday April 24, 2014

Q2 results and "Interim Financial Report":

Thursday August 28, 2014

Q3 business update:

Thursday October 23, 2014

## **Annual Financial Report 2013**

Option is currently finalizing its IFRS financial statements for the year ended 31 December 2013. The auditor has not yet completed his audit procedures as of today mainly with respect to the going concern. Should any material changes arise during the audit finalization, and additional press release will be issued. Option expects to be able to publish its fully audited Annual Financial Report for the year 2013 on or before April 25, 2014.

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 2012 of the Board of Directors which can be found in the Annual Report 2012. 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 connects Things to the Cloud. With more than 20 years of experience and many industry's firsts in the wireless industry, the Company is ideally positioned to bring the most efficient, reliable and secure wireless solutions to business markets (B2B) and industrial markets (M2M). The Company partners with system integrators, value added resellers, application platform providers, value add distributors and network operators to bring tailor made solutions to end-customers. Option is headquartered in Belgium and maintains offices in Europe, the US, Greater China, Japan and Australia. More information: [www.option.com](http://www.option.com)

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