

## **OPTION POSTS RECORD REVENUES AND NET EARNINGS IN Q3 2005**

Leuven, Belgium – October 27<sup>th</sup>, 2005 - Option N.V. ([EURONEXT Brussels: OPTI; OTC: OPNVY](#)), the wireless technology company, today reported results for the third quarter 2005. The results are reported in Euro. In line with the regulatory environment the results, as from January 1<sup>st</sup> 2005, are prepared in accordance with International Financial Reporting Standards (IFRS). 2004 figures, reported under USGAAP rules, have been restated into IFRS and may differ from earnings releases issued in 2004.

### **The highlights of the third quarter and year-to-date included:**

- Revenues for the third quarter of fiscal year 2005 of EUR 55.9 million increased by 142% compared to the EUR 23.1 million generated in the third quarter of 2004.
- Gross margin of 41.3% on the Q3 revenues, related only to equipment sales, showed a decrease compared to the 52.8% gross margin of Q3, 2004 which was at the time positively influenced by development fees. Excluding the weakening Euro compared to the USD during the quarter and the margin influence following a robust demand in GlobeTrotter 3G Quad™, gross margin remained at a level of 44.8%.
- EBIT increased to EUR 11.0 million or 19.7% on revenues during the quarter compared to EUR 5.9 million or 25.7% on revenues in last year's equivalent period.
- Net Earnings for the third quarter of 2005 were EUR 8.4 million or EUR 0.83 per basic share and EUR 0.81 per diluted share, compared to a net profit of EUR 4.5 million or EUR 0.46 per basic share and EUR 0.44 per diluted share in Q3 2004.
- During the first three quarters of 2005 revenues amounted to EUR 134.7 million which means an increase of 91% compared to the EUR 70.6 million revenues generated during the first three quarters of 2004.
- The year-to-date gross margin is 44.6% compared to 49.4% gross margin during the equivalent period of 2004.
- During the first 9 months of 2005, the company realized an EBIT of 26.8 million (or 19.9% on revenues) compared to 14.7 million in the same period in 2004 (or 20.9% on revenues).
- The 2005 year-to-date net earnings were EUR 19.8 million or EUR 1.96 per basic share and EUR 1.92 per diluted share, resulting in a growth of 79% of the net profit of EUR 14.6 million or EUR 1.14 per basic share and EUR 1.10 per diluted share in the first three quarters of 2004.
- The Company generated EUR 22.5 million cash from operating activities during the first three quarters of 2005, compared to EUR 14.1 million in the comparative period the previous year.
- Inventories grew during the last quarter with EUR 2.1 million, mainly due to the building of additional components stocks in order to meet the strong sales order intake for the fourth quarter, whilst the level of finished goods at quarter end remained very low, 11.6% of total inventory held.

<b>In million of euros</b>				
Except for data per share				
	<b>IFRS</b>			
	<u><b>Q3/05</b></u>	<u><b>Q3/04</b></u>	<u><b>Sept/05</b></u>	<u><b>Sept/04</b></u>
	<b>UNAUDITED</b>	<b>UNAUDITED</b>	<b>UNAUDITED</b>	<b>UNAUDITED</b>
Revenues	55.9	23.1	134.7	70.6
Gross Profit	23.1	12.2	60.1	34.9
Operating expenses	12.1	6.2	33.2	20.2
Operating Income	11.0	5.9	26.8	14.7
Net Income	8.4	4.5	19.8	11.1
Earnings per share (basic) Euro	0.83	0.46	1.96	1.14

Commenting on the results, Mr. Callewaert, Founder and Chief Executive Officer said:

“We were pleasantly surprised by the greater than expected demand in our products during a quarter with traditional seasonal effects. Our Company reported higher revenues than last quarter more than 10% higher than our own management expectations. Revenues of 55.9 million EURO were virtually equivalent to the full 2003 year revenues of 56.6 million EURO and rose 142% year on year to the highest level of any given quarter so far.

We have been proactive in further stimulating market demand by exercising the price elasticity of our market “best seller”, the GlobeTrotter 3G Quad™. A corresponding gross margin of 41.3% remains quite healthy. With a net result of 8.4 million EURO for the quarter, 87% higher compared to last year’s equivalent period, our Company continues to perform excellently.

3G data cards represented 86% of unit sales during the quarter with 14% of non-3G data card sales constituting the remainder, mainly EDGE related data cards.

The GlobeTrotter 3G Quad™ constituted two thirds of the total unit sales in the quarter. Volume shipments of GlobeTrotter combining WLAN technologies within a single data card remained strong accounting for 23.2% of overall unit sales.

Our Company continues to bring new products rapidly to market.

First, we were first to launch an innovative HSDPA-Ready solution into our customer base, empowering them to market HSDPA services today. First commercial shipments were made at the end of the quarter.

Second, with the recent acquisition of the Wireless Router Business of Possio, we launched GlobeSurfer® 3G, our first product aimed at the Fixed-Mobile substitution market. We announced a first customer for the product being O2 in Germany. We will announce further customers in the coming weeks.

Third, the sampling of our PCI express mini card module has been well received. We are confident we will launch with a major laptop vendor before year end and we expect to launch with additional leading laptop vendors throughout 2006.

We believe we will continue to have the most comprehensive product portfolio of wireless data products on the market encompassing HSDPA, UMTS, EDGE, GPRS and WLAN technologies.

With this comprehensive range of products we will further deepen the relationship with our more than 65 wireless operator customers.

As we see the market growth is high enough, we expect for the fourth quarter of the current financial year top-line figures around 60 million EURO with net positive earnings. As such our sales guidance for the full fiscal year is raised to 90% compared to last year's top line result, bringing the full year revenues to around 195 million EURO.

After three outstanding years and looking ahead into next year we feel comfortable with a revenue guidance of 2006 of between 275 million EURO and 295 million EURO".

## **Financial Review (as per International Financial Reporting Standards for 2005 figures and 2004 figures restated)**

### Income Statement

Revenues for the third quarter of fiscal year 2005 were EUR 55.9 million, compared to EUR 23.1 million (+142%) generated during the third quarter of 2004. All third quarter revenues originated from equipment sales, mainly the 3G-product line. During the third quarter of 2004 about 90% of the revenues were generated through equipment sales and the remainder originated from development agreements.

During the first nine months of 2005, the company generated revenues of EUR 134.7 million, meaning an increase of 91% compared to EUR 70.6 million during the comparative period in 2004.

### Gross Profit

Gross margin of 41.3% on the Q3 revenues, related only to equipment sales, showed a decrease compared to the 52.8% gross margin of Q3, 2004 which was at the time positively influenced by development fees. Excluding the weakening Euro compared to the USD during the quarter and the margin influence following a robust demand in GlobeTrotter 3G Quad™, gross margin remained at a level of 44.8%.

Year-to-date, the gross profit grew with 72% to EUR 60.1 million (or 44.6% on total sales) coming from EUR 34.9 million (or 49.4% on total sales).

### Operating expenses

The quarterly operating expenses, including depreciation charges, are EUR 12.1 million, compared to EUR 6.2 million in the third quarter of previous fiscal year.

The operating expenses for the first three quarters, including depreciation charges, are EUR 33.2 million, compared to EUR 20.2 million in the first three quarters of previous fiscal year.

### Operating Income

The operating income for the third quarter was EUR 11.0 million, or 19.7% on Q3 revenues, compared to EUR 5.9 million, or 25.7% on total revenues in last year equivalent period representing an 85% growth.

For the nine months of 2005, the operating income amounted to EUR 26.8 million (or 19.9% on sales). Compared to the operating income of EUR 14.7 million (or 20.9% on sales) of the first nine months of 2004, which means an 82% growth.

### Financial Results

During the third quarter of 2005, the company dealt with a negative financial result of EUR 23.2 thousand. The exchange rate losses on USD amounted to EUR 248.1 thousand. A total of EUR 141.4 thousand financial discounts were given to customers for cash payments and the other financial costs of EUR 35.5 thousand were mainly related to leasing contracts.

The company generated a net financial revenue of EUR 401.8 thousand from a risk-free investment of the available cash.

The total exchange rate losses during the last 4 quarters amounted to EUR 1,152.7 thousand or 0.69% on total sales of that period.

### Net Results

The net profit for the third quarter amounts to EUR 8.4 million or EUR 0.83 per basic share (or EUR 0.81 per diluted share). This compared to a net profit of EUR 4.5 million or EUR 0.46 per basic share (or EUR 0.44 per diluted share) during the third quarter of 2004.

The net profit, for the first three quarters of 2005, amounts to EUR 19.8 million or EUR 1.96 per basic share (or EUR 1.92 per diluted share). This compared to a net profit of EUR 11.1 million or EUR 1.14 per basic share (or EUR 1.10 per diluted share) during the first three quarters of 2004.

### Balance Sheet

Cash increased from EUR 31.6 million at the end of 2004 to EUR 47.3 million at the end of the third quarter.

Accounts Receivable increased from EUR 15.5 million at the end of 2004 to EUR 31.6 million at the end of the third quarter 2005, reflecting the growing business.

During the first three quarters, inventories have increased from EUR 5,6 million to EUR 14.2 million. This increase is explained by the building of raw materials stocks in order to meet the strong sales order intake for the fourth quarter, whilst, with 11.6% of the total inventories, the level of finished goods at quarter end remains very low.

Thanks to the positive results the Company further reduces its deferred tax asset by an amount of EUR 5.0 million during nine months, resulting in a deferred tax asset of EUR 1.3 million.

Fixed assets were EUR 14.4 million (net book value) as at September 30<sup>th</sup> 2005, an increase of 4.2 million compared to the net book value of EUR 10.2 million at the end of the previous fiscal year. In the course of 2005 the Company invested mainly in additional test equipment and development projects. Year-to-date, the total investments in tangible assets amounted to EUR 6.0 Mio and the company invested EUR 3.1 Mio in intangible assets.

*IFRS impact: under USGAAP, at quarter-end, the net book value of the fixed assets would have been EUR 9.1 million. The difference results solely from the capitalization under IFRS during the previous years of the commercial development projects as intangible assets.*

Total current liabilities increased from EUR 22.9 million at the end 2004 to EUR 42.7 million. This increase is mainly due to the increase of the accounts payable reflecting the increased business activities of the Company.

Under IFRS the company generated a deferred tax liability as a result of the net capitalization of the commercial development projects. In 2005 this deferred tax liability remained stable.

*The liability was non-existent under USGAAP.*

On total assets of EUR 110.1 million the equity, amounted to EUR 67.2 million, which results in a solvency ratio of 61.0% at quarter-end.

The Company generated EUR 22.5 million cash from operating activities during the first three quarters of 2005, compared to EUR 14.1 million generated in the first three quarters of 2004.

**OPTION N.V.**  
**IFRS Consolidated Balance Sheet at September 30, 2005 and December 31, 2004**

In 000 EUR	September 30, 2005 000 EUR	December 31, 2004 000 EUR
	UNAUDITED	LIMITED REVIEW
<b>Assets</b>		
Cash & Cash Equivalents	47,282.1	31,612.1
Accounts receivable	31,635.7	15,507.1
Other receivables	1,323.5	883.9
Inventories	14,199.8	5,559.8
<b>Total current assets</b>	<b>94,441.2</b>	<b>53,562.9</b>
Property & equipment	7,493.0	3,189.9
Intangible assets	6,940.7	7,022.7
Deferred taxes	1,269.6	6,314.5
<b>Total non-current assets</b>	<b>15,703.3</b>	<b>16,527.1</b>
<b>Total Assets</b>	<b>110,144.5</b>	<b>70,090.0</b>
<b>Liabilities &amp; shareholders' equity</b>		
Accounts payable	34,556.0	15,711.6
Salaries, tax and payroll related liabilities	2,907.7	1,196.0
Short-term debt	488.1	911.2
Accrued expenses & Deferred Income	3,226.8	1,997.9
Deferred taxes	1,540.4	1,544.7
<b>Total current liabilities</b>	<b>42,688.6</b>	<b>22,865.0</b>
Subordinated long-term debt	290.7	221.7
Long-term debt	10.2	286.2
<b>Total non-current liabilities</b>	<b>300.9</b>	<b>507.9</b>
Common Stock	50,340.6	49,708.4
Retained earnings	16,814.4	-2,991.2
<b>Total Shareholders' Equity</b>	<b>67,155.0</b>	<b>46,717.2</b>
<b>Total liabilities + Equity</b>	<b>110,144.5</b>	<b>70,090.0</b>

**OPTION N.V.**  
**IFRS Consolidated Income Statement for Q3/2005 and Q3/2004 and for the period**  
**ending September 30<sup>th</sup>, 2005-2004**

In 000 EUR	Q3/2005 000 EUR UNAUDITED	Q3/2004 000 EUR UNAUDITED	September 30th, 2005 000 EUR UNAUDITED	September 30th, 2004 000 EUR UNAUDITED
<b>Net Sales</b>	<b>55,887.0</b>	<b>23,054.3</b>	<b>134,733.0</b>	<b>70,573.3</b>
Cost of goods sold	-32,800.6	-10,879.5	-74,661.9	-35,680.5
<b>Gross Profit</b>	<b>23,086.4</b>	<b>12,174.8</b>	<b>60,071.1</b>	<b>34,892.8</b>
<b>Gross Margin %</b>	<b>41.3%</b>	<b>52.8%</b>	<b>44.6%</b>	<b>49.4%</b>
Research & Development	-3,263.9	-2,325.6	-11,153.3	-7,585.1
Sales, Marketing & royalty expenses	-7,144.3	-3,024.8	-18,192.8	-9,616.7
General & Administrative	-1,655.4	-890.0	-3,883.2	-2,949.1
<b>Operating Income</b>	<b>11,022.7</b>	<b>5,934.4</b>	<b>26,841.7</b>	<b>14,741.8</b>
<b>Oper Profit / Turnover %</b>	<b>19.7%</b>	<b>25.7%</b>	<b>19.9%</b>	<b>20.9%</b>
Depreciation and amortization	1,632.6	1,168.0	4,820.4	2,889.9
<b>EBITDA</b>	<b>12,655.3</b>	<b>7,102.4</b>	<b>31,662.1</b>	<b>17,631.7</b>
<b>EBITDA / Turnover %</b>	<b>22.6%</b>	<b>30.8%</b>	<b>23.5%</b>	<b>25.0%</b>
Exchange gain/(Loss)	-248.1	164.2	-1,817.1	-91.0
Extraordinary Income / expense	0.0	0.0	0.0	0.5
Finance Income/(Expense)	224.9	46.3	184.8	-69.8
<b>Income/Loss before Taxes</b>	<b>10,999.5</b>	<b>6,144.9</b>	<b>25,209.5</b>	<b>14,581.5</b>
Income tax	-2,595.9	-1,601.5	-5,403.8	-3,509.5
<b>Net Result</b>	<b>8,403.6</b>	<b>4,543.4</b>	<b>19,805.7</b>	<b>11,071.9</b>
<b>Average # Shares Outstanding</b>	<b>10,123,351</b>	<b>9,940,008</b>	<b>10,111,419</b>	<b>9,671,515</b>
<b>Average # diluted Shares Outstanding</b>	<b>10,312,324</b>	<b>10,289,124</b>	<b>10,312,429</b>	<b>10,029,748</b>
<b>Net Result per Share in EUR</b>	<b>0.83</b>	<b>0.46</b>	<b>1.96</b>	<b>1.14</b>
<b>Net Result per diluted Share in EUR</b>	<b>0.81</b>	<b>0.44</b>	<b>1.92</b>	<b>1.10</b>

**OPTION N.V.**  
**IFRS Consolidated Statement of Cash Flow at September 30, 2005**  
**and September 30, 2004**

In 000 EUR	September 30th, 2005 000 EUR	September 30th, 2004 000 EUR
	UNAUDITED	UNAUDITED
<b>Cash Flows from Operating Activities</b>		
<b>Net result (A)</b>	<b>19,805.7</b>	<b>11,071.9</b>
Non Cash adjustments		
Depreciation & amort.	5,024.3	3,118.8
Own development capitalized	-2,550.2	-2,963.6
Capital increase & related costs	114.6	147.4
Translation differences	-0.1	0.0
Deferred taxes	5,040.7	3,496.0
Write-off inventories	196.0	33.7
Write-off trade debtors	0.9	13.6
<b>Total non cash adjustments (B)</b>	<b>7,826.2</b>	<b>3,845.9</b>
Change in operating assets and liabilities		
Accounts receivable	-16,129.5	-6,052.6
Inventories	-8,836.0	-1,657.1
Other assets	-439.6	-249.6
Accounts payable	18,844.4	7,072.9
Salaries, taxes and payroll related liabilities	177.8	-166.2
Accrued expenses & Deferred Income	1,228.9	245.8
<b>Total change in assets &amp; liabilities (C)</b>	<b>-5,154.1</b>	<b>-806.8</b>
<b>Cash Flows from Operating Activities</b>	<b>22,477.7</b>	<b>14,111.0</b>
Cash Flows from Investing Activities		
Intangible fixed assets	-691.9	-1,506.3
Purchases of plant equipment	-6,003.3	-1,633.4
<b>Total cash flow from investing activities (D)</b>	<b>-6,695.2</b>	<b>-3,139.7</b>
Cash Flows from Financing Activities		
Proceeds from long term debt	-206.9	64.5
Repayments from short term debt	-423.2	-1,080.7
Capital Increase and related costs	517.6	8,834.3
<b>Net cash flow from financing activities (E)</b>	<b>-112.5</b>	<b>7,818.1</b>
<b>Net Cash Flow (A)+(B)+(C)+(D)+(E)</b>	<b>15,670.0</b>	<b>18,789.4</b>
<b>Net Increase / Decrease in Cash and Equivalents</b>		
Cash at beginning of period	31,612.1	9,136.6
Cash at end of period	47,282.1	27,926.0
<b>Difference</b>	<b>15,670.0</b>	<b>18,789.4</b>

## Transition to IFRS

As from January 1<sup>st</sup>, 2005 the company has adopted International Financial Reporting Standards. The consequence of this transition will mainly show in the intangible assets through capitalization of commercial development projects and as a consequence also in the deferred taxes

The Board of Directors has decided that capitalized development will be depreciated over a period of two years, in line with the life cycle of the related products in a very fast moving high tech environment.

### Effect on shareholders' equity

	(I) - Dec 31 <sup>st</sup> 2003	(II) - Dec 31 <sup>st</sup> , 2004	(III) - Sept 30 <sup>th</sup> , 2005
USGAAP (audited I & II)	19,150.0	43,009.2	63,325.5
a) Operating expenses (development and related depreciation)	1,190.2	4,062.5	117.2
b) Deferred taxes	-402.0	-1,142.7	4.3
c) Difference rolled forward: Sum of a) and b) of previous years		788.2	3,708.0
IFRS (Limited review II – Unaudited III)	19,938.2	46,717.2	67,155.0

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. 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 ([www.option.com](http://www.option.com)) - EURONEXT Brussels OPTI – OTC: OPNVY**

Option is the wireless technology company and is a leading innovator in the design, development and manufacture of 3G UMTS-HSDPA, EDGE, GPRS, GSM and WLAN technology products for wireless connectivity solutions. Option has built up a solid reputation for creating exciting products that enhance the performance and functionality of wireless communications. Option's headquarters are in Leuven, Belgium. The company has Research & Development in Leuven, a Software and Applications development centre in Adelsried (Germany), a wireless router development centre in Stockholm and an ISO 9002 production engineering and logistics facility in Cork, Ireland.