

## **OPTION Q2 04 REVENUES OF EURO 30 MILLION CONFIRM LEADERSHIP IN 3G DATA CARDS**

*First half earnings 2004 of EUR 5.9 million already above full year 2003 net income figures*

### **For immediate release**

Leuven, Belgium – 03 August 2004 - Option N.V. ([EURONEXT: OPTI](#)), the wireless technology company, today reported results for its second quarter ended June 30, 2004. The results are reported in Euro and are prepared in accordance with United States generally accepted accounting principles (US GAAP).

### **The highlights of the second quarter and first half included:**

- Revenues for the second quarter of fiscal 2004 reached EUR 30.2 million was better than management expectations. Revenue increased by 74% compared to EUR 17.3 million generated in the second quarter of 2003 and by 74% EUR 17.3 million generated in the first quarter of 2004.
- Almost all second quarter revenues are derived from product sales.
- The gross margin for the quarter topped at 49.1 %.
- Operating results for the quarter showed a profit of EUR 6.2 million compared to EUR 2.4 million in the second quarter of 2003 and to a profit of EUR 1.5 million in the first quarter of 2004.
- Net profit for the second quarter of 2004 was EUR 4.6 million, representing an EPS of EUR 0.47 compared to a net profit of EUR 1.5 million or an EPS of EUR 0.18 in the second quarter of 2003 and compared to a net profit in the first quarter of 2004 of EUR 1.2 million or an EPS of EUR 0.13.
- In the first half of fiscal year 2004 the Company generated a EUR 10.3 million positive cash flow from its operating activities compared to a EUR 5.9 million positive cash flow during the first half 2003.
- Revenue for the first half of 2004 EUR 47.5 million increased by 70% compared to EUR 28.1 million generated in the first half of 2003. The net profit for the first half of 2004 was EUR 5.9 million, representing an EPS of EUR 0.61 compared to a net profit EUR 1.9 million in the first half of 2003 or an EPS of EUR 0.23.
- In April the Company raised EUR 8 million through a private placement with institutional investors in Europe.

Commenting on the results, Mr Jan Callewaert, President and Chief Executive Officer said: "I am delighted with the very strong results of the second quarter of the fiscal year 2004 in which we demonstrated better than expected product sales and corresponding improved net results.

3G UMTS data cards are shipping into 16 countries with continued demand and repeat orders from our customers. Sales of our 2.5G GPRS data cards are also continuing to do very well.

This month, we have started the shipment of early production volumes of GlobeTrotter Fusion, our next generation wireless data card combining 3G UMTS and WiFi technologies, to Swisscom Mobile. Moreover GlobeTrotter Fusion has also been delivered to a half dozen other operators as part of a formal product acceptance and validation phase that precedes volume supply later this year.

The development of an EDGE combined WiFi wireless data card is on track and the commercial launch will happen during fiscal year 2004.

By year end we will have a comprehensive family of GlobeTrotter wireless products available that we will further extend moving into next year. By expanding our product line in this way we will broaden our client portfolio and we should be in a position to continue to grow faster than the market in terms of sales.

With the good visibility we have on demand we are able to increase our sales guidance for the full fiscal year 2004 from EUR 90 million to approximately EUR 100 million with net positive earnings”

When looking at the quarterly results of Option, it should be noted that the first and third quarters of the year normally generate lower sales than the second and fourth quarters, as it is the case for many companies active in Europe.

<i>In million of euros</i> except for share and per share data	<b><u>Q2/04</u></b>	<b><u>Q2/03</u></b>	<b><u>H1/04</u></b>	<b><u>H103</u></b>
Revenues	30.2	17.3	47.5	28.1
Gross Profit	14.8	7.9	22.7	12.8
Operating Income	6.2	2.4	7.7	3.1
Net Income	4.6	1.5	5.9	1.9
Earnings per basic share in Euro	0.47	0.18	0.61	0.23
N° shares used for calculation	9.784.683	8,218,985	9.535.648	8,218,985

## **Financial Review**

### **INCOME STATEMENT**

Revenues for the second quarter of 2004 reached EUR 30.2 million. This compares with the EUR 17.3 million generated in the second quarter of 2003 (+74%) and the EUR 17.3 million generated in the first quarter of 2004 (+74%).

The revenues of the first half of 2004 were EUR 47.5 million, an increase of 70% compared with the total revenues of the first half of 2003 of EUR 28.1 million.

### **Gross Profit**

Compared to the second quarter of 2003 and the first quarter of the current year where the gross margin was around 45%, the company was able to improve the margin to 49%.

### **Operating expenses**

The quarterly operating expenses, excluding depreciation charges were EUR 7.9 million, coming from EUR 5.0 million in the second quarter of 2003 and from EUR 5.7 million in the first quarter of 2004, indicating as predicted the impact of variable operating costs of the IPR costs of UMTS technologies. The operating expenses for the first half, excluding depreciation charges were EUR 13.6 million, compared with EUR 8.5 million in the six first months of 2003.

In order to remain at the forefront of the wireless data communication technology 11% of Option's first half revenues are spend in R&D efforts that should result in the successful launch in the course of 2004 of new products and solutions combining WLAN and UMTS technologies as requested by several wireless carriers.

### Operating Results

The earnings before interests and taxes (EBIT) for the second quarter showed a profit of EUR 6.2 million compared to EUR 2.4 million in the second quarter of 2003 and to a profit of EUR 1.5 million in the first quarter of 2004.

The operating results for the first half showed a profit of EUR 7.7 million compared with EUR 3.1 million in the first half of previous year.

### Net Results

Net earnings for the second quarter of 2004 were EUR 4.6 million or EUR 0.47 per basic and EUR 0.46 per diluted share, compared to a net profit of EUR 1.5 million or an EPS of EUR 0.18 on a basic and EUR 0.16 on a diluted basis in the second quarter of 2003.

For the first half 2004, the Company posted a net income of EUR 5.9 million or EUR 0.61 per basic and EUR 0.59 per diluted share. This compares with a net income of EUR 1.9 million or EUR 0.23 per basic and EUR 0.20 per diluted share for last year equivalent period.

### BALANCE SHEET

Cash increased from EUR 9.1 million in the fourth quarter of 2003 to EUR 23.9 million at the end of the second quarter 2004.

Accounts Receivable increased from EUR 7.0 million at the end of the fourth quarter 2003 to EUR 15.7 million at the end of the second quarter 2004.

Inventories increased to EUR 2.7 million, coming from EUR 2.2 million at year-end 2003.

Due to the positive results, the deferred tax assets decreased from EUR 8.9 million at the end of 2003 to EUR 7.4 million at quarter-end.

Fixed assets were EUR 5.5 million (net book value) as at June 30<sup>th</sup>, 2004, slightly up from EUR 5.1 million at year-end 2003.

Total current liabilities increased during the second quarter to EUR 22.2 million at quarter-end compared to a level of EUR 13 million at year-end 2003. This increase is due to higher accounts payable at June 30, 2003.

On total assets of EUR 55.8 million the equity, including the capital increase of EUR 8 million minus its related costs, amounted to EUR 33.2 million, which gives the company at the end of the second quarter a solvency ratio of 59%.

Operating cash flow for the first half was positive by EUR 10.3 million compared to an operating cash flow of EUR 5.9 million during the first half of 2003. The total net cash flow of the first half was EUR 14.7 million positive.

### **Transition to IFRS**

The Company will prepare its audited financial statements for the year ending December 31, 2005 in compliance with International Financial Reporting Standards ("IFRS"). The financial statements for 2004 will be last annual financial statements to be prepared according to US GAAP. The financial statements for the year ending December 31, 2005 will include comparative amounts that have been restated to comply with IFRS standards that will be in force at the year-end.

The Company started a project to address IFRS conversion in 2004, under the management of the CFO. The Company is currently reviewing its reporting routines and internal control processes in order to be able to compile the data required for IFRS-based reporting. During 2004 and 2005 the Company will also compile the information that will be used for reporting the comparative amounts in the interim reports and in the financial statements for 2005.

We have compared our existing accounting policies with those that would be required by IFRS standards, mainly in the areas of recognition and measurement. Our preliminary study identified that the accounting for research and development costs is an area in which major differences in accounting policies are likely to arise. Such costs are currently expensed as incurred whereas under IFRS, development costs should be capitalized when certain criteria are met, hereby possibly influencing the income statement. Based upon our preliminary study, we have also determined that the following exemption provided for under IFRS 1 "First Time Adoption of International Financial Reporting Standards" is relevant to the Company: accounting for share-based payment transactions.

Given the nature and extent of our preliminary study, the final effect on accounting policies and disclosures cannot be determined at this time. We anticipate to provide quantitative disclosure on the impact of IFRS in our annual report for the year ending December 31, 2004.

### **Auditor Statement**

"We have performed a limited review of the half-year consolidated financial statements of Option, NV as at June 30, 2004, which show a consolidated balance sheet total of 55.824 (000) EUR and a consolidated income statement resulting in a profit for the period of 5.858(000) EUR. These financial statements are the responsibility of the company's management.

Our review did not reveal any elements requiring significant corrections of the figures in the half-year consolidated report, or requiring corrections on the descriptive notes on the qualitative effects of the change from US GAAP to IFRS, as included in the press release."

**OPTION N.V.**  
**US GAAP Consolidated Balance Sheet at June 30, 2004 and December 31, 2003**

In 000 EUR	June 30, 2004 000 EUR LIMITED REVIEW	December 31, 2003 000 EUR AUDITED
<b>Assets</b>		
Cash & Cash Equivalents	23.870,7	9,136,6
Accounts receivable	15.702,6	6,962,6
Other receivables	677,3	569,6
Inventories	2.751,2	2.167,5
<b>Total current assets</b>	<b>43.001,7</b>	<b>18.836,3</b>
Deferred taxes	7.368,3	8.869,5
Property & equipment	2.776,3	3.192,1
Intangible assets	2.678,0	1.884,4
<b>Total fixed assets</b>	<b>5.454,3</b>	<b>5.076,5</b>
<b>Total Assets</b>	<b>55.824,3</b>	<b>32.782,3</b>
<b>Liabilities &amp; shareholders' equity</b>		
Accounts payable	15.891,2	6.403,2
Salaries and payroll related liabilities	1.368,5	1.093,5
Short-term debt	415,4	1.964,5
Accrued expenses & Deferred Income	4.558,2	3.550,2
<b>Total current liabilities</b>	<b>22.233,3</b>	<b>13.011,4</b>
Subordinated long-term debt	221,7	221,7
Long-term debt	189,5	399,2
Common Stock (no par value)	5.820,3	5.474,2
Share premium	42.975,1	35.149,1
Paid-in capital	8,0	8,0
Accumulated other comprehensive income/loss	-2,9	-2,9
Retained earnings	-15.620,8	-21.478,4
<b>Total Equity</b>	<b>33.179,8</b>	<b>19.150,0</b>
<b>Total liabilities + Equity</b>	<b>55.824,3</b>	<b>32.782,3</b>

**OPTION N.V.**  
**USGAAP Consolidated Income Statement for Q2/2004 and Q2/2003 and for period**  
**ending June 30<sup>th</sup>, 2004-2003**

In 000 EUR	Q2/2004 000 EUR	Q2/2003 000 EUR	June 30, 2004 000 EUR	June 30,2003 000 EUR
	LIMITED REVIEW	UNAUDITED	LIMITED REVIEW	UNAUDITED
<b>Net Sales</b>	<b>30.199,0</b>	<b>17.325,9</b>	<b>47.519,0</b>	<b>28.099,2</b>
Cost of sales	-15.373,2	-9.408,8	-24.783,1	-15.325,2
<b>Gross Profit</b>	<b>14.825,8</b>	<b>7.917,1</b>	<b>22.735,9</b>	<b>12.774,0</b>
<b>Gross Margin %</b>	<b>49,1%</b>	<b>45,7%</b>	<b>47,8%</b>	<b>45,5%</b>
Research & Development	-2.940,8	-2.262,1	-5.047,6	-3.887,5
Sales & Marketing	-3.851,7	-1.612,7	-6.572,4	-2.660,3
General & Administrative	-1.078,8	-1.096,3	-1.971,8	-1.939,5
<b>EBITDA</b>	<b>6.954,6</b>	<b>2.946,0</b>	<b>9.144,1</b>	<b>4.286,7</b>
<b>EBITDA / Turnover %</b>	<b>23,0%</b>	<b>17,0%</b>	<b>19,2%</b>	<b>15,3%</b>
Depreciation Expenses	-728,7	-553,2	-1.404,7	-1.164,3
<b>Income/(Loss) from Operations</b>	<b>6.225,9</b>	<b>2.392,8</b>	<b>7.739,4</b>	<b>3.122,4</b>
<b>Operational Profit / Turnover %</b>	<b>20,6%</b>	<b>13,8%</b>	<b>16,3%</b>	<b>11,1%</b>
Exchange gain/(Loss)	-206,1	22,3	-255,2	74,1
Extraordinary Item	0,5	0,0	0,5	0,0
Finance Income/(Expense)	-105,1	-247,5	-116,1	-527,5
<b>Income/Loss before Taxes</b>	<b>5.915,2</b>	<b>2.167,6</b>	<b>7.368,6</b>	<b>2.669,0</b>
Income tax	-1.283,5	-655,3	-1.511,0	-809,2
<b>Net Result</b>	<b>4.631,7</b>	<b>1.512,3</b>	<b>5.857,6</b>	<b>1.859,8</b>
<b>Average # Shares Outstanding</b>	<b>9.784.683</b>	<b>8,218,985</b>	<b>9.535.648</b>	<b>8.218.985</b>
<b>Average diluted Shares Outstanding</b>	<b>10.173.721</b>	<b>9.387.014</b>	<b>9.924.832</b>	<b>9.387.014</b>
<b>Net Result per Share in EUR</b>	<b>0.47</b>	<b>0.18</b>	<b>0.61</b>	<b>0,23</b>
<b>Net Result per diluted share in EUR</b>	<b>0.46</b>	<b>0.16</b>	<b>0,59</b>	<b>0,20</b>

**OPTION N.V.**  
**USGAAP Consolidated Statement of Cash Flow at June 30, 2004**  
**and June 30, 2003**

In 000 EUR	June 30, 2004 000 EUR	June 30, 2003 000 EUR
Cash Flows from Operating Activities	LIMITED REVIEW	UNAUDITED
<b>Net earnings (A)</b>	<b>5.857,6</b>	<b>1.859,8</b>
Non Cash adjustments		
Depreciation & amortization	1.577,0	1.348,7
Translation differences	0,0	-0,1
Deferred taxes	1.501,2	800,0
Write-off inventories	-6,0	805,8
Write-off trade debtors	0,0	11,5
Provision for risks & charges.	0,0	-127,7
<b>Total non cash adjustments (B)</b>	<b>3.072,2</b>	<b>2.838,2</b>
Change in assets and liabilities		
Accounts receivable	-8.739,9	-2.786,9
Inventories	-577,6	269,2
Other assets	-107,7	-27,2
Accounts payable	9.487,9	2.393,8
Salaries and payroll related liabilities	274,9	-712,8
Provision for Risk & charges	0,0	-160,1
Accrued expenses & Deferred Income	1.008,1	2.268,4
<b>Total change in assets &amp; liabilities (C)</b>	<b>1.345,7</b>	<b>1.244,4</b>
<b>Cash Flows from Operating Activities</b>	<b>10.275,6</b>	<b>5.942,4</b>
Cash Flows from Investing Activities		
Purchases of intangible fixed assets	-1.479,4	-882,5
Purchases of property & equipment	-475,4	-425,9
<b>Total cash flow from investing activities (D)</b>	<b>-1.954,8</b>	<b>-1.308,4</b>
Cash Flows from Financing Activities		
Proceeds from long term debt	-209,7	0,0
Short term debt	-1,549,1	-11,8
Capital increase & related costs	8.172,2	0,0
<b>Net cash provided by financing activities (E)</b>	<b>6.413,4</b>	<b>-11,8</b>
<b>Net Cash Flow (A)+(B)+(C)+(D)+(E)</b>	<b>14.734,1</b>	<b>4.622,2</b>
<b>Net Increase / Decrease in Cash and Cash Equivalents</b>		
Cash at beginning of period	9,136,6	2,558,6
Cash at end of period	23.870,7	7.180,8
<b>Difference</b>	<b>14.734,1</b>	<b>4.622,2</b>

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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Company Profile Option N.V. July 30, 2004

**Actual Market Capitalization: EUR 185 million --- Share Price: EUR 18,65**

**About Option - "Wireless Technology" - EURONEXT: OPTI**

Option is the wireless technology company and is a leading innovator in the design, development and manufacture of GSM, GPRS, WLAN, EDGE and 3G UMTS technology products for wireless connectivity solutions. Option has built up an enviable 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) and an ISO 9002 production engineering and logistics facility in Cork, Ireland. More information can be found at [www.option.com](http://www.option.com).