

OPTION REPORTS FOURTH QUARTER and FISCAL YEAR 2002 RESULTS

For immediate release
Leuven, Belgium, 18 February 2003

Option N.V. ([NASDAQ Europe: OPIN](#)), the leading innovator in the wireless communications market, today reported results for the three- and twelve-month periods ended December 31, 2002. The results are reported in Euro and are prepared in accordance with United States generally accepted accounting principles (US GAAP).

The highlights of the quarter included:

- Revenues for the fourth quarter of fiscal 2002 are € 7.8 million. This compares with the € 0.2 million generated in the fourth quarter of 2001. The fourth quarter revenues were adversely affected by 2.8% due to the depreciation of the U.S. Dollar against the Euro during the last three months of 2002. For the full year period, revenues were € 25.6 million. This compares with revenues of € 22.1 million for the twelve months of 2001 and reflects a year-over-year revenue growth of 16%. During the year 2002, U.S Dollar depreciated 18.6 % against the Euro.
- 11% of the Q4 revenues was derived from the HP-Compaq and Lucent ([NYSE: HPQ and LU](#)) OEM agreements, 89% came from sales of the Globetrotter GPRS PC Card; the latter were only 42% in Q3. This increase is mainly explained by the launch of Vodafone ([LSE: VOD.L](#)) sales. Due to the US GAAP rules, Option was unable to recognize in its Q4 figures the expected revenue derived from its ongoing development agreements.
- The gross margin decreased to 33.8% from 41.1% in the third quarter of 2002. Gross margin for the full year improved to 41.2% compared with 20.7% for the full year of 2001, when Option's product mix was totally different.
- The quarterly operating expenses, excluding depreciation charges are € 3.3 million, stable compared to the previous quarter and the fourth quarter of 2001.
- Operating results for the quarter showed a loss of € -1.3 million in line with the EBIT figures of the third quarter of 2002 and compared to a loss of € -3.2 million in the fourth quarter of 2001.
- The net loss for the quarter amounts to € -2.45 million or € -0.30 per share compared to € -2.5 million or € -0.37 per share during the fourth quarter of 2001 and € -1.0 million or € -0.12 per share in the third quarter of 2002. Option made an exceptional accrual of € 0.5 million in relation with discontinued operations of its hardware R&D branch based in Cambridge (UK), where the company started in December a restructuring procedure.
- The Company generated a € 0.2 million negative cash flow from its operating activities during the fourth quarter, bringing the full year cash flow from its operating activities at a level of € 1.4 million negative.

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

"Our operational results of the fourth quarter reflect the benefits of the careful execution of Option new business model. Our global partnership with the Vodafone group ([LSE : VOD.L](#)) launched since November, allowed us to further strengthen a strong distribution platform to accelerate sales momentum for our tri-band GSM/GPRS PC Card, Globetrotter. Without the conservative US GAAP revenue recognition rules for our developments agreements we would have been able to post in the fourth quarter EBIT positive figures. I want to thank our team members for the strong delivering in respect of the GlobeTrotter sales and encourage them to continue to focus on the proper execution in our target markets. Even as a bank debt free company, we are maintaining our leading position in wireless data communication equipment.

Collectively we have sold some 38.000 GPRS terminals during the fourth quarter and nearly 100.000 for the full year.

Globetrotter continues to be shipped to specialist distribution partners in Europe and in the Asia Pac region. Beside the distribution in the Vodafone channel, Globetrotter is further commercialized under the T-Mobile-, Orange- and Panda China house styles, as well as under the Option brand name.

In the fourth quarter our company proved, after strengthening the product mix and the distribution channels, to be able to deliver increased sales and to nearly achieve operational profitability, while maintaining our costs and our margins of our equipment sales under control. For the current year our R&D efforts should result in the successful launch of new products requested by the wireless community. We continue to focus on efficient working capital management and to concentrate on the proven profitability of all the components of our strategy based on our OEM partnerships with HP and Lucent, together with the successful deployment of the sales of our Globetrotter.”

Financial Review

Income Statement

Revenues for the fourth quarter of 2002 were € 7.8 million, compared to the exceptionally low revenues of € 0.2 million generated during the fourth quarter of 2001. The fourth quarter revenues were adversely affected by 2.8% due to depreciation of the U.S. Dollar against the Euro during the last three months of 2002. The full year revenues nearly reached 26 million compared to € 22.1 million in 2001. This reflects a year-over-year revenue growth of 16%. During the year 2002, U.S Dollar depreciated 18.6 % against the Euro.

Gross Profit

The gross margin decreased to 33.8% from 41.1% in the third quarter of 2002. Gross margin for the full year improved to 41.2% compared with 20.7% for the full year of 2001, when Option's product mix was totally different.

Operating expenses

The quarterly operating expenses, excluding depreciation charges are € 3.3 million, compared to € 3.3 million in the fourth quarter of 2001 and to 3.3 million recurrent operating expenses in the third quarter of 2002. In 2002 the operating expenses amounted to € 15.1 million including a write off of € 1.5 million on a Chinese receivable and a once off cost in the second quarter 2002 of € 0.4 million for legal and advisory expenses in relation with possible strategic alliances. The total operating expenses of € 15.6 million in the previous year were influenced by one-time expenses of € 1.1 million necessary for the testing and the regulatory equipment approval for the Compaq iPAQ Pocket PC Tri-Band GPRS Wireless Pack.

Operating Results

The earnings before interests and taxes (EBIT) for the fourth quarter showed a loss of € - 1.3 million, in line with the EBIT figures of the third quarter of 2002. In the fourth quarter of 2001 the operating loss was € -3.2 million negative.

Operating results in 2002 improved by 44% reducing the loss from € -12.8 million in 2001 to € - 7.2 million.

Net Results

The net loss for the quarter amounts to € -2.45 million or € -0.30 per share compared to € - 2.5 million or € -0.37 per share during the fourth quarter of 2001 and € -1.0 million or € -0.12 per share in the third quarter of 2002. At year-end the company accrued € 0.5 million in relation to discontinued operations of its hardware R&D branch based in Cambridge (UK), where it started in December a restructuring procedure. At year-end the company reduced its deferred tax asset by € 1.3 million considering the lowered Belgian income tax rate of about 34%.

For the fiscal year 2002 Option posted a net loss of € -7.1 million or € - 0.89 per share. This compares with a net loss of € - 9.6 million or € -1.46 per share for 2001.

Balance Sheet

Cash decreased from € 3.4 million at the end of third quarter to € 2.6 million in the fourth quarter of 2002.

Accounts Receivable has increased from € 1.6 million at the end of the third quarter to € 5.0 million at the end of 2002.

Other receivables were € 1.3 million at the end of the fourth quarter, decreasing by € 0.3 million compared to the amount accounted at the third quarter 2002. The decrease is related to unbilled services for an OEM contract.

Inventories have significantly decreased from € 6.3 million at the end of 2001 to € 2.6 million at the end of 2002 and compared to € 4.3 million at the end of the third quarter. The decision to outsource material procurement and manufacturing services to Jabil Circuit ([NYSE : JBL](#)) continued to have positive effects on the working capital management.

Deferred tax assets decreased from EUR 9.7 million at the end of the third quarter of 2002 to EUR 9.2 million at year-end. The company accounts for income taxes in accordance with SFAS No 109, "Accounting for Income Taxes" which requires the use of the liability method of accounting for deferred income taxes. The company evaluated the deferred tax assets at year-end and took the new Belgian legislation of reduced company income tax rate of 34% into account.

Fixed assets were EUR 4.5 million (net book value) as at December, 31st 2002 and down from 5.1 million at year-end 2001. During the twelve months of 2002 the Company invested an amount of EUR 2.6 million mainly in software licenses for the GPRS products, production test systems and lab and testing equipment for UMTS.

Total current liabilities increased during the fourth quarter to € 11million at year-end compared to a level of € 8.8 million at end of the previous quarter. The company continues to have a bank debt free balance.

Accounts payable increased from EUR 6.8 million at the end of last year to EUR 7.4 million at the end of 2002. Salary, payroll, withholding taxes and VAT related liabilities increased with one million compared with the balance reported last year.

Accrued expenses and deferred income increased from EUR 0.8 million at December 31st, 2001 to EUR 1.6 million at year-end 2002.

Provision for risk and charges decreased from EUR 2.7 million at the end of last year to EUR 0.6 million at the end of the fourth quarter of 2002. The decrease of EUR 2 million is due to the settlements through the year with suppliers on firm purchase commitments for inventory goods for 2.6 million. The account is impacted by the exceptional accrual in relation to the discontinued operations of the Cambridge based R&D branch.

On total assets of € 25.2 million the semi-equity, being the total equity with the subordinated long-term debt, amounted to € 13.6 million, which gives the company at the end of the fourth quarter a solvency ratio of more than 54%.

Operating cash flow for the fourth quarter was negative by € -0.2 million. Operating cash flow for the year was negative for € -1.4 million. In 2001 the cash flow from operating activities was 2 million negative.

Losses per share for the fourth quarter 2002 were € - 0.30 or \$ - 0.31, compared with the negative result per share in the fourth quarter 2001 of € - 0.37 and \$ - 0.33.

For the full year 2002 the losses per share were € -0.89 or \$ -0.93, compared with the negative result per share in 2001 of € -1.46 or \$ -1.29.

Financial Guidance

For 2003, management provides the following guidance reflecting the current business expectations of GPRS and UMTS data communication equipment. Inherent in this guidance are the current positive outlook of volume shipments to channels with a good sell-through, and the launch of newer products in the course of the year. The success of Option's actual business model allows a substantial growth forecast so that the revenues are expected to reach a level of mid-thirties millions of Euros. Since all industry analysts accept a longer window of opportunity for GPRS related products, average gross margin for the full year should remain on level around 40%. Company proved to be able to stabilize its operating expenses to be approximately \$3.5 million per quarter, also reflecting the continued investment in research and development in order to remain at the forefront of business focus. As from the third quarter 2003 the figures should fully benefit from the cost savings of the closing of its Cambridge R&D department, which had an annual cost of £ 2 million. Even in these difficult times with geo-political uncertainties, year profitability should be the result of the commitment of the implemented growth plan for 2003.

At the end of 2003, Jaap Koestal, Vice President Sales, and Patrick Hofkens, General Counsel, left the company in order to pursue other business interests. By redistributing their tasks among the actual members of Option's management, the new organization better reflects also the focus of the different markets and targets.

Jan Callewaert adds: " By carefully leveraging our recognized strengths in technology and innovation to expand our focus into related markets, prudently managing our bottom lines and continuing to invest in delivering nothing less than the highest quality solutions, we remain confident in the ability of our management team to build a more solid company."

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.

Option, Option International., GlobeTrotter are trademarks of Option N.V. All other product names mentioned herein may be trademarks of the companies with which they are associated.

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OPTION N.V.
US GAAP Consolidated Balance Sheet at December 31, 2002 and December 31, 2001

In 000 EUR	December 31, 2002 000 EUR	December 31, 2001 000 EUR
	AUDITED	AUDITED
Assets		
Cash & Cash Equivalents	2,558.6	4,609.9
Restricted Assets	0.0	0.0
Accounts receivable	4,994.2	5,295.6
Other receivables	1,316.2	717.0
Inventories	2,601.3	6,331.6
Total current assets	11,470.3	16,954.1
Deferred taxes	9,214.4	8,000.0
Property & equipment	2,750.3	3,754.7
Intangible assets	1,774.7	1,314.7
Total fixed assets	4,525.0	5,069.4
Total Assets	25,209.7	30,023.5
Liabilities & shareholders' equity		
Accounts payable	7,400.8	6,849.8
Salaries and payroll related liabilities	1,946.0	950.3
Short-term debt	11.8	182.0
Accrued expenses & Deferred Income	1,617.0	802.1
Total current liabilities	10,975.6	8,784.1
Subordinated long-term debt	6,330.9	6,342.7
Provision for Risk & Charges	634.5	2,662.8
Common Stock (no par value)	4,848.7	4,488.1
Share premium	29,478.9	27,733.0
Translation and exchange rate differences	0.0	-0.3
Retained earnings	-27,058.9	-19,986.9
Total Equity	7,268.7	12,233.9
Total liabilities + Equity	25,209.7	30,023.5

OPTION N.V.
USGAAP Consolidated Income Statement for Q4/2002 and Q4/2001

In 000 EUR	Q4/2002 000 EUR AUDITED	Q4/2001 000 EUR AUDITED	December 31, 2002 000 EUR AUDITED	December 31, 2001 000 EUR AUDITED
Net Sales	7,797.4	232.3	25,626.4	22,108.0
Cost of sales	-5,159.6	448.0	-15,058.2	-17,526.7
Gross Profit	2,637.8	680.27	10,568.2	4,581.3
Gross Margin %	33.8%	292.8%	41.2%	20.7%
Research & Development	-1,456.5	-2,435.3	-6,992.5	-10,567.6
Sales & Marketing	-933.0	-384.8	-4,121.5	-3,035.2
General & Administrative	-881.7	-485.1	-4,004.6	-1,993.5
EBITDA	-633.4	-2,624.98	-4,550.4	-11,014.9
EBITDA / Turnover %	-8.1%	-1,130.0%	-17.8%	-49.8%
Depreciation Expenses	-644.0	-576.9	-2634.7	-1,774.4
Income/(Loss) from Operations	-1,277.4	-3,201.8	-7,185.1	-12,789.3
Oper Profit / Turnover %	-16.4%	-1378.3 %	-28.0%	-57.8%
Exchange gain/(Loss)	102.4	82.7	84.4	-143.3
Extraordinary Item	-562.1	0	-562.1	0.0
Finance Income/(Expense)	-260.7	-325.5	-607.9	-775.2
Income/Loss before Taxes	-1,997.8	-3,444.6	-8,270.7	-13,707.9
Income tax	-452.7	993.5	1,199.3	4,067.8
Net Result	-2,450.5	-2,451.1	-7,071.4	-9,640.1
Average # Shares Outstanding	8,218,985	6,624,045	7,959,256	6,590,615
Net Result per Share in EUR	-0.30	-0.37	-0.89	-1.46
Net Result per Share in USD	-0.31	-0.33	-0.93	-1.29
USD:EUR rate per December 31, 2001: 0.8844				
USD:EUR rate per December 31,2002: 1,0487				

OPTION N.V.
USGAAP Consolidated Statement of Cash Flow at December 31, 2002
and December 31, 2001

In 000 EUR	December 31, 2002 000 EUR	December 31, 2001 000 EUR
Cash Flows from Operating Activities	AUDITED	AUDITED
Net earnings (A)	-7,071.4	-9,554.8
Non Cash adjustments		
Depreciation & amort.	3,112.7	1,774.4
Translation differences	-0.3	0.4
Deferred taxes	-1,214.4	-4,055.1
Other non-cash adjustm.	2,104.0	2,886.4
Total non cash adjustments (B)	4,002.1	606.1
Change in assets and liabilities		
Accounts receivable	-2,366.9	-470.7
Inventories	3,730.2	10,478.3
Restricted Assets	0.0	0.0
Other assets	-599.2	-297.9
Accounts payable	551.0	-3,624.9
Sal. and payroll rel. liabil.	995.6	408.9
Provision for Risk & charges	-1,464.0	0.0
Accrued expenses & Deferred Income	815.0	464.1
Total change in assets & liabilities (C)	1,661.7	6,957.8
Cash Flows from Operating Activities	-1,407.6	-1,990.8
Cash Flows from Investing Activities		
Intangible fixed assets	-1,404.1	-1,285.1
Purchases of plant equipment	-1,164.1	-938.2
Total cash flow from investing activities (D)	-2,568.2	-2,223.3
Cash Flows from Financing Activities		
Proceeds from shareholders' convertible bond	0.0	6,331.0
Proceeds from long and short term debt	-11.9	0.0
Repayments from long and short term debt	-170.1	-3,122.8
Capital increase/IPO	2,106.5	4,446.0
Net cash provided by financing activities (E)	1,924.5	7,654.2
Net Cash Flow (A)+(B)+(C)+(D)+(E)	-2,051.3	3,440.1
Net Increase / Decrease in Cash and Cash Equivalents		
Cash at beginning of period	4,609.9	1,169.8
Cash at end of period	2,558.6	4,609.9
Difference	-2,051.3	3,440.1

Company Profile
Option N.V.

February 13, 2003

Average Market Capitalisation from July to December 2002 : USD 13.6 million

Actual Market Capitalization : USD 11.1 million

Share Price : USD 1.35 (Mid Price February 13, 2002)

Market Makers : Fortis Bank NV, KBC Securities NV

About Option - "Wireless Technology"- NASDAQ Europe: OPIN

Option is the leading innovator in wireless communications. The company specializes in the design, development and manufacture of GSM, GPRS, WLAN, and 3G UMTS technology products for wireless connectivity solutions. Option has built up an enviable reputation for creating exciting new products that enhance the performance and functionality of wireless communications. Option's headquarters are in Leuven, Belgium. The company has Research & Development centres in Leuven, and Cambridge (UK), a Software and Applications development centre in Adelsried (Germany) and a production engineering and logistics facility in Cork, Ireland. Option holds ISO 9001 and 9002 certification.

More information can be found at www.option.com