

# Annual Report 1999

OPTION

**Our mission** is to be a source of excellence in the design, development, production and marketing of wireless communication solutions for global markets giving anywhere, anytime access to the mobile professional. Through this focus on wireless communications, we will build value for our shareholders through sustained revenue and profit growth.

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In the course of 1999 Option International implemented its redefined strategy in order to address the growing market of GSM wireless modules. These modules can be used for different product developments such as mobile phones, external or internal GSM modules for use with laptop computers and handheld devices, as well as for the integration of a GSM radio in different vertical applications.

Thanks to the FirstFone product and its technology platform, the Company was in a position to execute this important change.

The revised strategy required a shift from pure distribution to a mix of distribution and OEM sales. On the product and technology side, FirstFone led the way to a Dual Band GSM Phone contract. On the Sales & Marketing side, the Company was successful in closing three OEM product development agreements. The OEM segment has generated a significant order portfolio (backlog) of products scheduled for shipment during the year 2000.

Option International have reinforced the focus on R&D, and will continue to do so. The Company is dedicated to strengthen its know how and core competencies in the future in order to expand its presence in the market of wireless communication devices.

#### **The highlights of 1999 include**

##### *On the Production and Technology Side*

- The Irish subsidiary further prepared itself to be ready for volume production of GSM wireless modules and obtained its ISO 9002 accreditation.
- The R&D teams in Belgium and in Germany further expanded and developed new Dual Band 900/1800 and 900/1900 radio platforms.

##### *On the Product Side*

- Development, design and production of a Dual Band GSM mobile phone for Xococo and a module for wireless communication for Handspring.
- The introduction of 56K/ISDN GSM Ready PC Card and SoftRadius.
- Enhancement of the GSM - Ready PC Card line supporting an increased number of GSM handsets.

##### *On the Company side*

- Strengthening of the R&D department from 26 to 35 engineers.
- Restructuring of the Sales and Marketing departments in line with the new strategy.

##### *On the Sales and Marketing side*

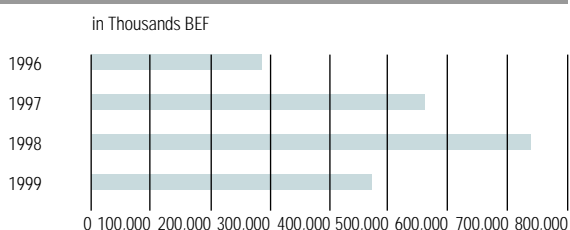
- The successful closure of three OEM product development agreements and the creation of a significant order portfolio at 31 December 1999.

## Financial Highlights (US GAAP) at December 31, 1999 (audited and consolidated) - 1998 - 1997 - 1996

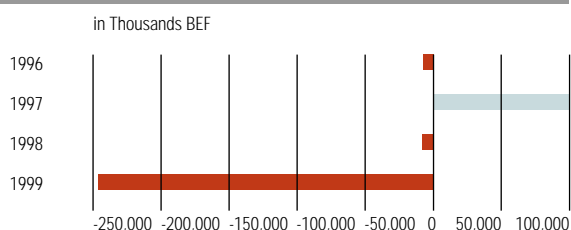
in Thousands BEF, Except Per Share Amounts

	1999	1998	1997	1996
Turnover	476,458	739,969	564,509	286,314
Gross Profit	126,168	292,618	219,549	77,335
<i>Gross Margin</i>	26.5 %	39.5 %	38.9 %	27.0 %
EBIT	-247,799	-8,274	100,410	-8,122
<i>EBIT-margin</i>	-52.0 %	-1.1 %	17.8 %	-2.8 %
Net Earnings After Tax	-170,559	-20,712	7,741	-1,816
Net Earnings on Ordinary Activities	-139,941	-2,709	61,246	-1,816
Total assets	738,066	866,276	848,604	184,482
Working Capital	503,115	641,277	733,906	39,637
Long-term obligations <sup>(1)</sup>	8,514	4,530	8,246	21,258
Shareholders' equity	556,633	727,193	747,095	15,142
Average shares outstanding	5,992,364	5,959,231	4,525,000	2,295,360 <sup>(2)</sup>
Total number of shares outstanding	5,992,364	5,992,364	5,958,956	2,463,408 <sup>(2)</sup>
Net Earnings Per Share on Ordinary Activities (in BEF)	-23.35	-0.45	13.5	-0.8
Dividends (in BEF)	0	0	0	0
Net Earnings Per Share on Ordinary Activities (in USD)	-0.59	-0.01	0.36	-0.02
Exchange rate USD-BEF <sup>(3)</sup>	39.44	34.6	37.2	32.0

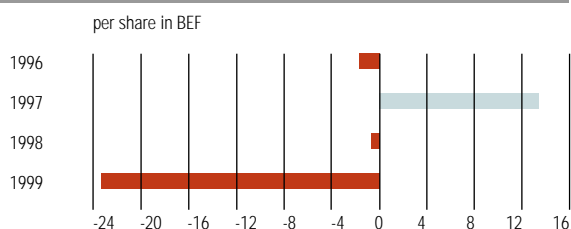
### Turnover growth



### EBIT



### Net result on ordinary activities



<sup>1</sup> Including long term debt and capital leases

<sup>2</sup> After stock split by 144

<sup>3</sup> Per December, 31st. Source: Fortis Bank



## Chairman's Statement

Ladies and Gentlemen, whilst 1998 was an important investment and transition year in the development of the company, 1999 has been a full year of new product developments in GSM wireless terminals (Phone Cards, Mobile Phones and Modules) preparing the wireless future for 2000 and beyond. 1999 has left us with important losses, but also with an important backlog for the year 2000.

Currently our FirstFone product line, with the first generation of a wireless terminal product, FirstFone Radio Card for GSM 900, has not taken off as expected. We invested further in the next generation and gained substantial and valuable know-how in Dual Band Radio technology, the miniaturization in GSM product designs and core skills in the building of these products for volume production.

We have implemented a new strategy to address the OEM market with contracts and volume shipments and by doing so, securing the further growth of the company.

This knowledge base and new strategy have already resulted in contracts with Xoceco, for the development of a GSM Dual Band mobile phone, and with Handspring for the development of a GSM telephony module that will plug into the successful Visor PDA.

We have decided to increase the engineering force and to realign sales and marketing headcount with a stronger focus on business to business opportunities. Although revenues were imploding, we have invested BEF 146 million in R&D or an increase of BEF 58 million compared to 1998.

To remain at the forefront of wireless technologies and anticipating high demand for next generation higher-speed wireless communications solutions such as GPRS, our Board is convinced that further increase in R&D expenses and headcount are indispensable.

In order to finance these continued efforts in R&D, the company is in the process of increasing its financial means.

Revenues from the distribution channel declined versus 1998, FirstFone sales were slightly up compared to 1998 but below expectations and the unavailability of some components pushed product shipments to Xoceco into 2000. FirstFone inventory decreased and will continue to decrease further as operators are now coming to market with Internet Packages using FirstFone. Margins on these sales however are under pressure, as FirstFone's product cost from 1997 is currently high. We felt it appropriate to set up a general obsolescence reserve for some of the inventories.

Looking ahead, 2000 is the year in which operators will upgrade their networks to HSCSD and GPRS technology and where manufacturers like Option will build WAP-compliant GPRS wireless terminals to access these networks. Significant revenues from GPRS however, are not anticipated before 2001. For the year 2000, we strongly rely on our OEM agreements for GSM modules and operator partnerships that are giving us the confidence to capture an important share of the wireless Internet market.

For the coming year, we will continue to prepare the wireless future by accelerating and multiplying new product developments for a growing market. As such, we are convinced Option will generate a continuous stream of growing revenues with increasing operational profitability.

On behalf of the Board of Directors I would like to take this opportunity of warmly thanking all those who have contributed to the further establishment of Option.

*Jan Callewaert*  
Chairman



## Product Review

### Product development

In the new strategy defined by Option International, product development and launch of new products under Option International's brand name will remain of crucial importance. In the past Option has succeeded in launching exciting new products that attracted worldwide attention to the Company. The GSM Ready product line enabled Option to set up a worldwide distribution channel. The development of the Snap-On was possible due to the core expertise the Company acquired with the GSM Ready products. Snap-On was a first step the Company took towards OEM and partnerships and was an excellent marketing tool as it associated Option International alongside 3Com's PalmPilot, the best selling handheld computer in the world. Thanks to the brand awareness created by Snap-On, Option International was chosen by Hong Kong Telecom to develop a GSM modem to be combined with a betting terminal from the Hong Kong Jockey Club, organizers of the popular horse races in Hong Kong.

In order to prepare the wireless future, Option International developed a Type II GSM PC Card with a 2W Radio, FirstFone. Thanks to this product the Company made the shift from a pure connectivity player to a GSM integrator. As a product FirstFone has opened the way to a new sales channel, the mobile telecom operators. As a technology platform FirstFone clearly demonstrated that Option had expert GSM engineering capabilities and this was the key factor in convincing Xococo and Handspring to partner with Option International for new product developments. Option International therefore believe that further investment in 'Option own brand', or 'Option co-label brand', product development is an absolute necessity to further increase the market visibility of the Company. The product development strategy is to further expand the core expertise in GSM technologies (including GPRS and other high speed data technology) and the integration of GSM technology into mobile computing and mobile communication devices.

### Track Record of Innovation

Option International's continuous efforts to engineer, produce and bring innovative products to market have resulted in a number of "firsts" within the mobile data communication industry.

1993	WORLD'S FIRST PAN-EUROPEAN PC CARD V.32BIS MODEM
1994	WORLD'S FIRST PAN-EUROPEAN PC CARD V.34 MODEM
1994	WORLD'S FIRST MODEM COUNTRY ENABLER FOR WINDOWS
1995	World's first PC Card combining GSM and Modem functionality in a single device
1995	WORLD'S FIRST PC CARD WITH GSM SUPPORT FOR SIEMENS MOBILE PHONES
1995	WORLD'S FIRST PC CARD WITH GSM SUPPORT FOR PANASONIC MOBILE PHONES
1996	WORLD'S FIRST PC CARD WITH GSM SUPPORT FOR ERICSSON MOBILE PHONES
1996	WORLD'S FIRST PC CARD WITH GSM SUPPORT FOR NOKIA MOBILE PHONES
1996	WORLD'S FIRST PC CARD WITH GSM SUPPORT FOR NORTEL MOBILE PHONES
1997	WORLD'S FIRST PC CARD WITH GSM SUPPORT FOR BOSCH MOBILE PHONES
1997	WORLD'S FIRST GSM ADAPTER FOR 3COM PALMPILLOT
1998	WORLD'S FIRST PC CARD PHONE WITH 2W RADIO IN TYPE II FORM FACTOR
1999	WORLD'S FIRST GSM SOFTWARE MODEM WITH MULTIPLE HANDSET AND MULTIPLE OS SUPPORT

### Product Lines

Option International provide a broad range of easy-to-use mobile data solutions that enable mobile workers from virtually anywhere in the world to use the Internet, access their e-mail, send faxes, and connect to their corporate network, whilst also providing excellent tools for vertical market applications.

## Product Review

In 1999, Option International added SoftRadius, a new product line to their existing portfolio.

### *GSM-Ready PC Card*

First introduced in late 1995, the GSM-Ready PC Card product line offers a wide variety of PC Card solutions, enabling combinations of GSM, ISDN and PSTN connectivity on all major platforms, including Windows CE, Windows 95/98, Windows NT and MacOS. All products are internationally approved and support the widest range of mobile phones available on the market. In 1999, Option International expanded the GSM-Ready product line with the launch of the 56K/ISDN GSM Ready PC Card. This new PC Card is a 3in1, in that it combines PSTN and ISDN and is fully GSM upgradeable. Furthermore, the Company continued to enhance support for new handsets such as the Ericsson T28s, and the Siemens S25. The Company have also partnered with IBM's Global Network Division to offer its international customers easy and worldwide access to the Internet at the cost of a local call.

### *Snap-On for Palm Connected Organizer*

Snap-On is an easy-to-use GSM adapter (modem) for the Palm Connected Organizers of 3Com and IBM, the best sold handheld computers worldwide. When attached to the Palm-sized PC and a mobile phone, Snap-On offers 'Information at your fingertips' as users can browse the Internet, e-mail, fax, dial-up networking and more from virtually anywhere. Option International added MultiMail, a software package specifically developed for use of e-mail and Internet access, that also enables the editing and sending of SMS messages and the administration of mobile Phonebook directories. MultiMail includes a wizard that makes the set up of Internet connections simple and easy. In doing so, the combination of Snap-On, Palm-sized PC and mobile phone, is an ideal device to browse the mobile Internet.

### *FirstFone*

Presented at CeBIT 1998, FirstFone was welcomed with enthusiastic reviews. FirstFone is the first ever tool to offer true wireless data and



enables the mobile worker to browse the Internet, e-mail, fax, dial-up networking and more from virtually anywhere. FirstFone is also an excellent tool for vertical applications such as wireless remote monitoring. Business references include Schlumberger – an international technical company with operations in over 100 countries and 64,000 employees. They have been integrating FirstFone into their parking meter system solutions since 1999. In the first year after its launch FirstFone sales were low and mainly generated in vertical applications where FirstFone was seen more as a technology platform that could be built-in, than as a product on its own. With new GSM technologies such as GPRS, HSCSD and EGDE, the speed of data transmission via GSM will increase towards the end of 2000 creating new market opportunities. In preparation for these new opportunities a host of new wireless data focused applications are becoming available. The interest for FirstFone as a product, specifically developed for data transmission via GSM, has seen to have significantly increased in the latter part of 1999.

### *SoftRadius*

With the launch of SoftRadius in May 1999, Option International demonstrated their ability to continuously improve and expand their product range according to changing market demands. With SoftRadius – a simple and complete GSM Data software solution,

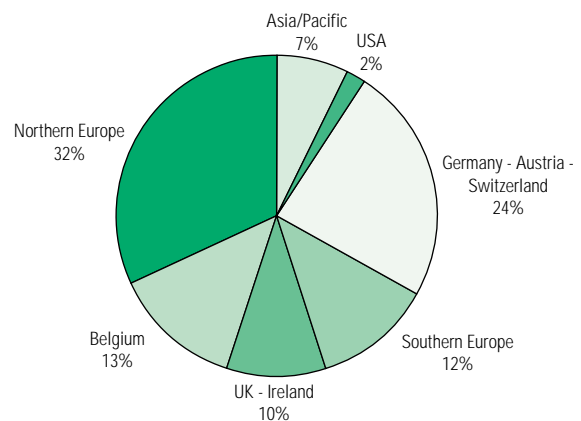
## Product Review

users can connect their GSM mobile phone to the serial port of their Notebook, Handheld or Palm PC and get the same performance and functionality as they would with a traditional wireless modem card. Unlike other software-based modems, SoftRadius requires a minimum of free disk space and works efficiently using 120Kb of memory. SoftRadius runs on all Windows 95, 98, 2000 and NT4.0 Notebook PCs as well as on Windows CE Handheld and Palm-size PCs. Like the GSM Ready, SoftRadius supports the widest range of handsets available and works with selected handsets from leading suppliers such as Nokia, Ericsson, Siemens and Sony. This gives mobile users the most flexible solution on the market and does not tie them to particular make or model of phone. SoftRadius is a secure, flexible, plug and play solution as it automatically detects and configures itself to the user's GSM mobile phone. Furthermore, a user can plug in another GSM mobile phone and SoftRadius reconfigures itself without the user needing to reboot, reinstall or manually reconfigure settings. This auto-detect phone feature, makes SoftRadius the ideal product for pre-installation across an entire PC base without the need to know what handset will be used. As SoftRadius communicates via a serial port, the PC Card slot is left free for a network card, CD-ROM drive or other peripheral. Additionally, because there is no hardware involved, no extra power is needed and battery life is maximised.

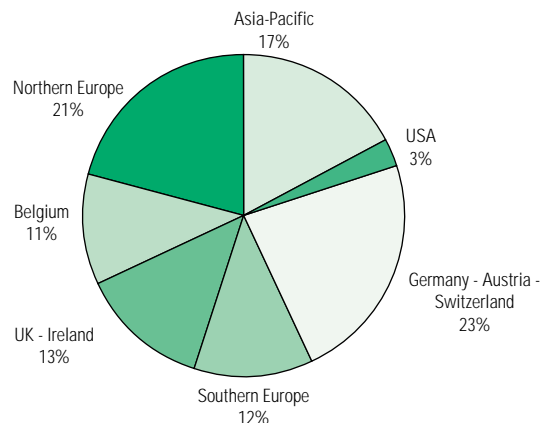
### Technology Platforms

Option International's engineering teams have a solid background and profound knowledge in GSM protocol stacks on various platforms and levels. The Company's current technology platform is a dual band GSM solution. Within R & D, Option International are working on new, high-speed wireless data technology platforms such as General Packed Radio System (GPRS). The acquisition of Rindle & Partners in 1998, brought into the Company a center of excellence in software design. Rindle & Partners are specialized in the development of Man-Machine-Interfaces (MMI) for small devices that have limited computing power or minimal graphics capability, and can design, develop and implement the interface that is needed to exploit the full functionality of the Company's GSM technology.

Sales breakdown by region 1998



Sales breakdown by region 1999





## Management Discussion

### Discussion of the consolidated Annual Accounts

The highlights of the 1999 accounts were as follows:

#### *Revenues*

Revenues for 1999 were BEF 476 million, compared to BEF 740 million in 1998. Option's sales performance has been offset by a number of factors including the trends towards embedded modems in notebooks and built-in GSM data in telephone handsets. The anticipated decline in the PC card business resulted in lower sales from the GSM Ready line. At the same time and against expectations, FirstFone, introduced in mid 1998, was not in a position to compensate the decline in the GSM Ready line nor further fuel the growth of the revenues.

The majority of the revenues still came from the GSM-Ready PC Card range.

Wireless data support was added for the Ericsson T28s and Siemens S25 handsets.

GSM Ready contributed for 70% to overall revenues.

The Snap-On GSM adapter for 3Com's Palm Pilot and the Hong Kong Telecom wireless betting adaptor accounted for 6% of the 1999 revenues.

The Company sold more FirstFone units in 1999, compared to 1998. Firstfone contributed for 14% to 1999's revenues.

The geographical spread by region is as follows:

Asia Pacific:	17%
USA	3%
Europe	80%

The growth in the Asia Pacific region was expected, specifically with the execution of the GSM Dual Band Mobile phone contract.

#### *Gross margin*

Compared to 1998, the Company expected erosion on its gross margins. The combination of lowered sales prices in Q1 99, the sale of obsolete components in the second quarter and an exceptional obsolescence reserve in Q4 99 explain the drop to 26.5% for the year.



#### *Operating expenses*

Total operating expenses for the year 1999 amounted to BEF 373 million, compared to BEF 301 million in 1998.

The Company realigned its strategy, continued to invest heavily in R&D. The operating expenses for R&D grew from BEF 87,7 million to BEF 145.7 million. At the same time, S&M was realigned, marcom spending reduced and the Paris and Sydney sales offices were closed. Overall S&M expenses grew modestly from BEF 164 million to BEF 170 million. The overall impact of the restructuring is estimated at a minimal BEF 5 million, included in the BEF 170 million.

The G&A expenses grew from BEF 49 million to BEF 57.8 million, mainly as a result of hirings from 1998 with a full year impact in 1999. Depreciation and amortization increased from BEF 15 million to BEF 58.3 million in 1999.

#### *Financial result*

As to exchange gains and losses, the company limited its USD exposures with forward contracts. The result for 1999 reveals an exchange gain of BEF 10.6 million, compared to a BEF 9.9 million exchange loss in 1998.

The exchange gain is for BEF 10.2 million realised.

## Management Discussion

### Net results

The net result over the year amounted to BEF -171 million, compared to BEF -20.7 million in 1998, with the volume drop in revenues as the main contributor to this disappointing result.

### Balance sheet

Cash and cash equivalents have decreased from BEF 351 million to BEF 149 million in 1999 as a result of investments in working capital and the loss for the year.

Accounts receivable have decreased from BEF 198 million in 1998 to BEF 172 million in 1999 as a result of both lower sales in the fourth quarter as for the full year.

Inventories have increased from BEF 210 million in 1998 to BEF 278 million in 1999.

Inventories include BEF 69 million for contracts in progress and BEF 209 million for products and components.

Investments in tangible assets increased at cost with BEF 27.8 million. Net book value increased from BEF 45.4 million to BEF 55.3 million. Acquisitions were made in two major categories: leasehold improvement for the Cork production facility and research equipment for R&D.

Tangible assets breakdown (in 000 BEF):

	<i>Capitalized Amount</i>
Leasehold improvements	30,319
Office furniture & Equipment	13,332
Research Equipment	52,558
Cars	6.777
Total Property & Equipment	55,314

Intangible assets at net book value decreased considerably to BEF 6.7 million compared to the year 1998.

Depreciation on intangibles for 1999 amounted to BEF 40.2 million.

Deferred Tax Assets (in 000 BEF):

	<i>Option International NV</i>	<i>Thwing Ltd.</i>	<i>Consolidated</i>
Tax Loss Carry Forward	137,954	112,100	<b>250,054</b>
Tax rate	40.17%	10.00%	
Deferred Tax Credit (B/S)	55,416	11,210	<b>66,626</b>
Amount already accrued/offset	2,071	35	<b>2,106</b>
Net Tax credit affecting P&L	53,345	11,175	<b>64,520</b>

### Key developments

#### Distribution changes

Since the launch of the GSM Ready product line in 1995, Option International have seen a constant and important growth of the market of multifunctional PC Card modems. Thanks to this growth the Company was able to build its brand name and distribution channel in Europe, Asia and the United States. As the Company foresight that the GSM Ready product line would decline once the notebook vendors and mobile phone manufacturers started to embed the modem functionality into their products, the development of FirstFone was started in 1997. FirstFone was launched mid 1998 and proved to be a state-of-the-art design since it was the only Radio Card on the market that combined a 2W 900Mhz radio in a type II PC Card format. In the months following its launch, it became clear that FirstFone technology hit the market too soon with mobile communications still fully voice oriented. In addition, the existing IT distribution channel was not ideally suited for the distribution of a complex product such as FirstFone where cooperation of Telecom operators was necessary in order to promote mobile data communication. When FirstFone was launched the operators were focused on voice communication only. This changed in 1999 when operators started to focus on the possibilities offered by wireless Internet and the enormous potential GSM technology (with new developments such as WAP, HSCSD, GPRS and EDGE) offers in this area. With a view to prepare the wireless future, operators became interested in FirstFone and future developments in this product line. This accrued interest resulted in a two deals with Hong

## Management Discussion



Kong Telecom and Omnitel Italia, and placed Option International in a good position to fortify its relationships with operators that will become a new part of the distribution channel in which the Company operates.

### *Shift from pure distribution to mix of distribution and OEM*

In order to counter the short term downturn occasioned by the disappearing market of PC Card modems, Option International redefined its strategy to address not only the traditional distribution of standard products under the Option International brand name but also the growing market of GSM wireless modules. Such modules can be used for different product developments such as mobile phone, external radio module, internal radio module, etc.. For the year 1999 this shift has created an increase in the spending level for R&D since additional engineers were hired and equipment was purchased. These investments in people and resources have not generated substantial additional revenues since the development cycle of a radio module (from start of design to start of volume production) vary from 9 to 15 months. On the mid term however, for the year 2000, the shift from pure distribution towards a mix of distribution and OEM has generated a backlog bigger than the turnover of 1999. So far the Company was successful in closing three OEM (product development) agreements:

#### – Xoceco

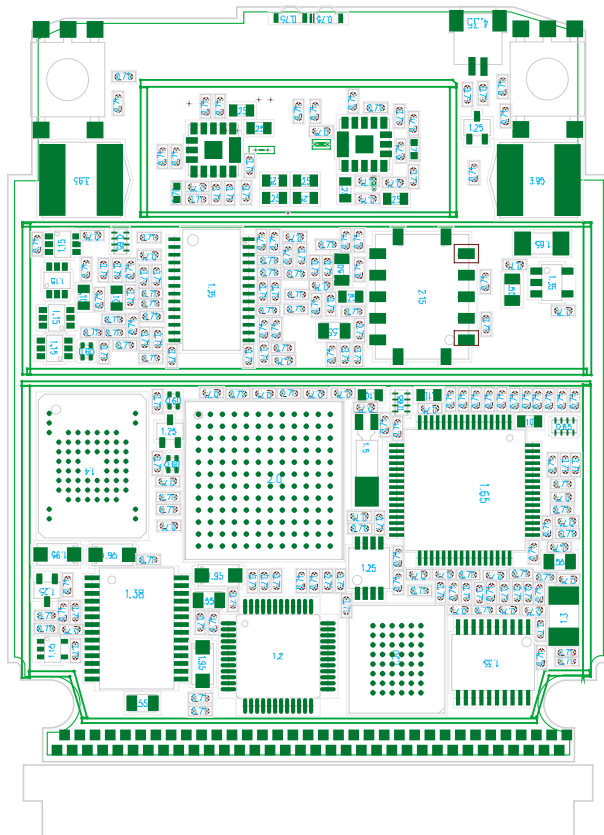
A first important step in the implementation of this new strategy was the agreement with Xoceco for the development of a Dual Band mobile phone for the Chinese market. The Company was able to close this deal thanks to its proven track record on GSM development with FirstFone. In the course of 1999, the Company has been developing the mobile phone together with the test equipment necessary for volume production in both Ireland and China. The design Option International have made is very miniaturised: a single PCB with outside dimensions of the phone limited to 119mm x 49mm x 18mm. The phone will be commercially available in mainland China towards the beginning of Q2, 2000.

#### – Hong Kong Telecom

Option International signed another agreement with Hong Kong Telecom for the development of a GSM modem (based on the Snap-On). The modem is destined for the customers of the Hongkong Jockey Club providing them anywhere, anytime access to the horse betting.

#### – Handspring

Option International joined forces with Handspring Inc., to jointly develop a module for wireless communication. The module can be plugged into the expansion slot of Handspring's Visor™, a PDA based upon the industry-leading 3Com Palm Computing™ platform. The combination of the Visor with the module creates a data centric device for mobile Internet applications that can also be used as a mobile phone. During the Telecom Geneva show of October 1999 the industry discovered the enormous market potential for these type of devices as data speed over GSM will increase in the course of 2000 and thereafter. Whilst the data transfer speeds over GSM are currently limited to 14.4 Kbps, the implementation of GPRS foreseen for end 2000 will boost the speed up to a maximum transfer speed up to 115 Kbps (faster than an ISDN connection). In addition, to a speed increase, GPRS offers packet switched data transfer allowing the user to be online 24hours a day and only pay for the data that is actually transferred. This new technologies combined with a wireless data centric device will



provide users access to the mobile Internet anywhere, anytime, Option International's primary focus since its launch of the GSM Ready PC Card in 1995. The combination of speed increase and reduction of costs of operation is expected to boost the market of the handheld computers. Dataquest estimated demand for handheld computers will grow from 8.2 million units in 1998 to 32.5 million in 2003. There are three main software platforms: PalmOS (PalmPilot™, Handspring™), WindowsCE™ (Hewlett Packard, Compaq, Casio, etc..) and Epoc32 (Psion™, Symbian™). In the first half of 1999 PalmOS held a 83.5% share of the handheld computer market. (source: Data Corp.). The future growth of this market is largely depending upon applications. With 33,000 registered third-party developers for the PalmOS (IBM™, Oracle™, SAP™, etc.), the Company is confident that Handspring's

Visor (based on PalmOS) is an ideal partner to address the handheld computer market with modules for wireless (voice and data) communication.

### Sales and Marketing

Following the changes in the distribution channel and the short term downturn in the sales of the existing product lines, Option International reorganised its sales and marketing department. As a result the offices in France and Australia were closed down and the spending for marketing promotions was reduced. Thanks to this restructuring the Company was able to slow down and stop the steep increase in its sales & marketing spending and by doing so centralise and realign its sales & marketing force from 20 to 16 people.

## Management Discussion

Management expects this number to increase over the next years with the hiring of more technically oriented sales and marketing personnel for the follow-up on OEM projects and partnerships with the Telecom operators.

### *Launch of eShop*

In order to address the increasing demand from end users and travellers, Option International launched in November 1999 its eShop. The complete product range is available at the eShop at the standard list prices. Since sales via eShop only started in November 1999, their total part in the 1999 figures is still modest. However, the Company has clear indications that the importance of its eShop in the total turnover will further increase over time. Furthermore, the Company views the launch of its eShop as a necessary experience for further development of devices and solutions for the mobile Internet.

### *Focus on R&D and production engineering in Ireland*

The shift of a GSM connectivity player towards a GSM integrator necessitates a greater focus on R&D. Whereas GSM connectivity is focused around modem technology, GSM integration implies the design, development and type approval of a radio module. In order to be able to meet the increasing demand for GSM integration, Option International have continuously invested in its R&D department in Leuven and Germany. Over the year 1999 R&D's main focus has been the development of the products under OEM contract and the maintenance and expansion of the existing product lines. The production engineering department in Cork (Ireland) has prepared itself for volume production that will start beginning of Q2, 2000. In the course of this the production facility in Cork obtained the ISO 9002 accreditation, a clear proof of the quality of Option International's production engineering in Ireland. Headcount in the R&D department raised from 26 in 1998 to 35 by the end of 1999. Spending level increased with 58 million BEF to 146 million BEF, an increase of 65%. Option International are strongly committed to further invest in R&D in order to secure their future growth.

## Social Report

### *Employees*

At 31 December the number of full-time employees in the Option International group was 95, an increase of 26 over the prior year (1998: 69, 1997: 36, 1996: 23).

### *Management*

Option International redefined its strategy and shifted its priorities:

- focus on Research & Development by designing and developing products for GSM wireless solutions
- implementation of an OEM business model besides the already existing distribution channel.

The company felt it necessary to reflect these significant changes in its strategy into its management structure and the following modifications were reported:

- Wouter Van Roost, Vice President Marketing and Bruno Spaas, Vice President Sales left the Company. Douglas Ros stepped in as Vice President Sales & Marketing. He joined Option International on February 16<sup>th</sup>, 2000.
- Alfred Tsoi, Vice President Business Development Asia-Pacific and Jeff Elias, Vice President Business Development North America left the company.
- Paul Vets finished his temporary assignment as CFO of Option International. His function was taken over by Wim Duson, Vice President Finance & Operations.

## Key figures (Longer Term - US GAAP)

<b>Profit &amp; Loss Account (000 BEF)</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
<b>December 31</b>				
<b>Net Sales</b>	<b>476,458</b>	<b>739,969</b>	<b>564,509</b>	<b>286,314</b>
EBIT	-247,799	-8,274	100,410	-8,122
<b>Profit on Ordinary activities after tax <sup>(4a)</sup></b>	<b>-139,941</b>	<b>-2,709</b>	<b>61,246</b>	<b>-1,816</b>
Profit after tax	-170,559	-20,712	7,741	-1,816
<b>Per Share (in BEF)</b>				
Profit on Ordinary activities after tax	-23.35	-0.45	13.53	-0.80
Equity <sup>(4b)</sup>	92.9	122.0	165.1	6.6
Number of shares				
average	5,992,364	5,959,231	4,525,000	2,295,360
total at 31/12	5,992,364	5,992,364	5,958,956	2,463,408
<b>Balance sheet (000 BEF)</b>				
Equity	556,633	727,193	747,095	15,142
Balance sheet total	738,066	866,276	848,604	184,482

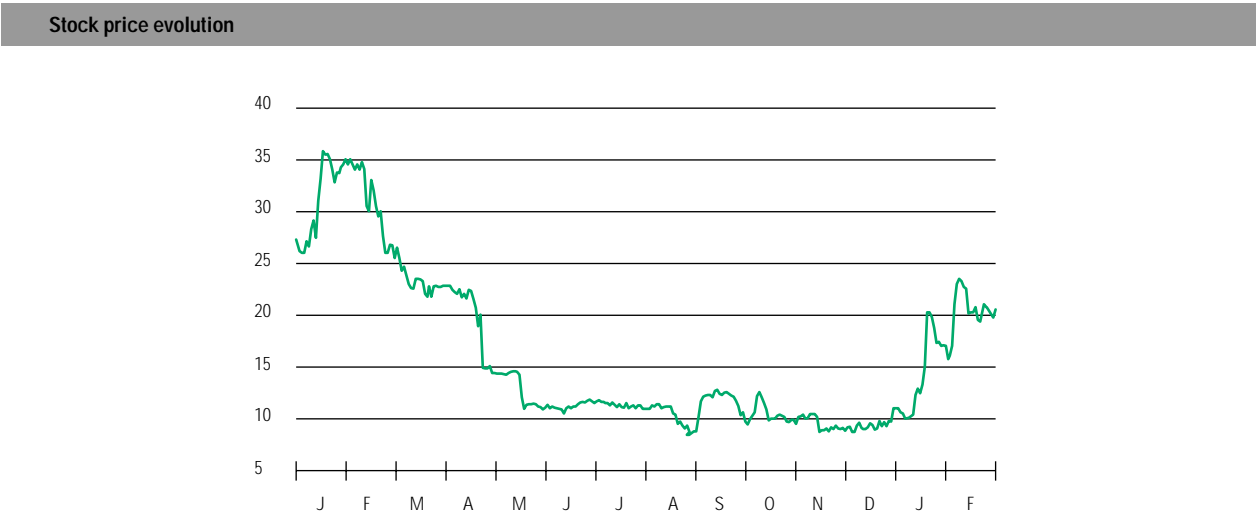
<sup>4a</sup> (Earnings before Income Taxes + Extraordinary Costs)\*(1 – Tax Rate)

<sup>4b</sup> (Equity/average number of shares outstanding)

# The Option International Share on EASDAQ

Option International <sup>(5)</sup> are listed on Easdaq since November 26, 1997.

At the IPO 2,567,804 shares were sold, 1,600,000 resulting from a capital increase. The shares were offered at USD 10.



Year high 35.575

Year low 8.225

	Jan 4, 1999	December 30, 1999
Closing price	26.580	10.725

At the end of 1999, total equity was represented by 5,992,364 shares.

On December 30, 1999 total market capitalisation amounted to BEF 2.53 billion.

Shareholders' structure (At December 31, 1999)		
Identity of person or group	Number	Percentage of ordinary shares held
J. Callewaert	1,481,365	24.72 %
Take Off Fonds (Venture capital - depending from Gimv)	1,254,432	20.93 %
Management	75,864	1.27 %
Public	3,180,703	53.08 %
<b>Total</b>	<b>5,992,364</b>	<b>100 %</b>

<sup>5</sup> Ticker on Bloomberg 'OPINES'; on Reuters 'OPIN.ED'

## The Option International Share on EASDAQ

The Company has never declared or paid any dividends on its shares since its incorporation.

The distribution of dividends is ultimately decided by the general shareholders' meeting upon proposal of the Board of Directors.

Any longer term determination to declare dividends will depend on the Company's operating results, financial condition, capital requirements and other factors deemed relevant by the Board of Directors and/or the general shareholders' meeting. Whilst the aim of the Company is to compensate its shareholders in an adequate way as soon as the Company's results and growth perspectives make this possible, the Company expects to retain earnings, if any, in the next years for the development of its activities.

## Management and Supervision

### Members of the Board of Directors

<i>Name</i>	<i>Age</i>	<i>Position</i>
Jan Callewaert	43	Chairman and Member of the Board
Dirk Beeusaert	35	Member of the Board
Alex Brabers	34	Member of the Board
Arnoud De Meyer	45	Member of the Board
Lucien De Schamphelaere <sup>(6)</sup>	68	Member of the Board
Pol Hauspie	48	Member of the Board
Tom Lawrence	64	Member of the Board
Philip Vermeulen	43	Member of the Board

#### *Jan Callewaert, Company Founder and CEO*

Prior to founding Option, Mr. Callewaert gained IT experience with BULL where he was product manager for the Dealer Channel. Then, with ERICSSON where he was product marketing manager for Office Automation products, he worked on the integration of hardware and software combining modems, data networks, fibre optics and video-text. Mr. Callewaert is a qualified Commercial and Managerial Engineer in Management Informatics and has a Baccalaureat in Philosophy from the University of Leuven. He has presented papers on mobile computing to industry conferences, and is a recognized figure in the mobile data communications industry. He will continue to promote the Company through regular presentations to industry groups.

#### *Dirk Beeusaert*

He holds a Law Degree (University of Ghent) and a special Degree in Tax Law and Accountancy (Vlerick). After serving as a lawyer with Storme, Leroy, Van Parys & Doolaeye (Ghent) and as a member of the management team of Gamma Belgium, he became in 1995 legal advisor to GIMV.

#### *Alex Brabers*

He holds a Degree in Economic Science (K.U. Leuven) and followed the Bachelor's Program in Philosophy (K.U. Leuven). He first joined BACOB Bank in Brussels and was there involved in strategic planning and financial markets. As an Investment Director at GIMV (Investment Company for Flanders) which he joined in 1990, he was involved in developing different new ventures and is responsible for several venture capital investments in the ICT-sector. He is also director of various companies, mainly in the Telecommunications and information technology area (e.g. Mobistar N.V.).

#### *Arnoud De Meyer*

Arnoud De Meyer is Professor of Technology Management and Associate Dean for Executive Education at INSEAD. He is also part time professor at the Vlerick School of Management at the University of Ghent. He is an electrotechnical engineer and has a Ph.D. in Business Administration. As an academic he has worked as a visiting scholar at M.I.T. (Cambridge, USA), Keio Business School (Tokyo, Japan) and Kiel University. He has published widely on International R&D Management, the interface between R&D and Manufacturing and Manufacturing Strategy. Arnoud De Meyer is currently also the Director of the INSEAD Euro Asia Centre and has extensive experience in Asia/Pacific. He has consulted with several Asian and European organizations on Technology Management and is currently board member of four entrepreneurial organizations.

#### *Lucien De Schamphelaere*

Lucien De Schamphelaere founded Xeikon in 1988 and today serves as its chairman. Prior to founding Xeikon he held, during a period of over 35 years, several positions in the field of process control and instrumentation at Afga-Gevaert. Most recently he served as a General Manager in charge of the digital imaging division and as Managing Director of AGIF NV, Afga-Gevaert's venture capital fund. Mr. De Schamphelaere is also a Director of Imec NV, a Belgium-based semiconductor development and manufacturing company. He holds a degree in electronic engineering and several patents in the fields of automatic control and electronic printing.

<sup>6</sup> Represents Triakon NV

## Management and Supervision

### *Pol Hauspie*

In 1977, Mr. Hauspie founded HPP Computer Center (HPP), a developer and marketer of software for accountants and financial advisors and served as its president until selling HPP in 1987. Pol Hauspie was co-founder of Lernout & Hauspie Speech Products (LHSP) in December 1987 and acted as Managing Director since then and acted as its Chairman from January 1994 until October 1996. He also is co-chairman of the Board of Directors since October 1996 and member of the Office of the Chief Executive since February 1996. He became co-member of the Office of the Chief Executive since October 1996. Mr. Hauspie also served as Director of the Fund Manager of the Flanders Language Valley C.V.A. from 1996 to May 1997.

### *Tom Lawrence*

Mr. Thomas J. Lawrence is the founder and chairman of TLJ Inc., Worldwide Strategic Services. Mr. Lawrence gained BSEE degrees in computer sciences and mathematics at the University of Michigan (1957). He also holds a Masters degree in computer sciences from Stanford University (1965).

Mr. Lawrence's experience includes 12 years of progressive positions in the design of computer systems at Lockheed Missiles and Space (4 years), Stanford University (6 years) and RCA Corporation (2 years). He also held positions of Vice President and General Manager of Europe for Intel Corporation (1970-1979), Vice President and General Manager of Europe for Apple Computer (1979-1983), Vice President and General Manager of Valid Logic Systems Europe (1983-1986) and chairman and CEO of TLJ Inc. from 1988 until present.

### *Philip Vermeulen*

Mr. Vermeulen served in various positions with Chase Manhattan Bank S.A. (Belgium), Sidel Computers Centers N.V. and IPPA Bank N.V. (Belgium). He also served as Executive Senior Investment Manager for Venture Capital with GIMV. He is a Director of various companies active in the information technology business.

Since September 1, 1997, Mr. Vermeulen also acted as Director of the Fund Manager of Flanders Language Valley C.V.A. where he was appointed as Chief Executive Officer since September 1997.

### **Statutory auditor**

DELOITTE & TOUCHE Bedrijfsrevisoren B.C.V.

Represented by

Leo Van Steenberge

Statutory Auditor

### **Executive Officers**

<i>Name</i>	<i>Age</i>	<i>Position</i>
Jan Callewaert	43	Chief Executive Officer
Jan Vercruysse	41	VP Research & Development
Wim Duson	42	VP Finance & Operations
Douglas Ros	46	VP Sales and Marketing
Patrick Hofkens	30	Legal Counsel

## Management and Supervision

### *Jan Callewaert, Company Founder and CEO*

Prior to founding Option, Mr. Callewaert gained IT experience with BULL where he was product manager for the Dealer Channel. Then, with ERICSSON where he was product marketing manager for Office Automation products, he worked on the integration of hardware and software combining modems, data networks, fibre optics and video-text. Mr. Callewaert is a qualified Commercial and Managerial Engineer in Management Informatics and has a Baccalaureat in Philosophy from the University of Leuven. He has presented papers on mobile computing to industry conferences, and is a recognized figure in the mobile data communications industry. He will continue to promote the Company through regular presentations to industry groups.

### *Jan Vercruysse, Vice President of Research & Development*

Jan Vercruysse holds a degree of Civil Engineer (KU Leuven). Prior to joining the Company, Jan Vercruysse held positions at Telindus Networks N.V. and Sparnex N.V.. At Telindus he specialized in Data Communication and modems, including design, layout and routing of PCB's (printed board circuits). He acquired specialist knowledge of Radio Frequency, and antenna design for data communications at Sparnex. He holds a degree in Telecommunications Engineering from the University of Leuven.

### *Wim Duson, Vice President Finance & Operations*

Wim Duson holds a degree in Applied Economic Science (KU Leuven). He started his career at Arthur Young & Co in public accounting. In 1985, he joined Motorola, where he served for almost 12 years and where he held various management positions in the company's finance and operation departments. For the last 6 years Mr. Duson worked as Director of Finance and Operations in Motorola Belgium and Motorola Sweden.

### *Douglas Ros, Vice President Sales & Marketing*

Douglas Ros joined Option International in February 2000 from World Telecom Labs where he held for 18 months the position as Director of Sales and Marketing. Prior to this, he was Managing Director of Micro-Integration Europe and General Manager of Thorn EMI Business Communications Belgium, a subsidiary of the U.K. conglomerate Thorn EMI. Douglas Ros started working for in Thorn EMI in 1983, and served for over 14 years, in a variety of technical, sales, business development, and management positions. Douglas Ros was educated in the U.K., and obtained a Higher National Diploma in Electrical & Mechanical Engineering, sponsored by the Racal Decca Group.

### *Patrick Hofkens, Legal Counsel*

Patrick Hofkens holds a Law Degree (KU Leuven) and a Postgraduate Degree in Company Law (KU Brussel).

Prior to joining Option, he worked for 6 years as a lawyer at the Antwerp Bar and in Edinburgh, Scotland. Patrick Hofkens joined Option International in 1998 and was promoted Legal Counsel in the beginning of 1999.



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## Balance Sheet at December 31, 1999 - 1998 - 1997 - 1996 | US GAAP (consolidated and audited)

	Amounts in Thousands BEF			
	1999	1998	1997	1996
<b>Assets</b>				
Cash & cash equivalents	149,330	350,805	587,432	14,460
Accounts receivable	172,556	197,743	93,071	51,052
Other receivables	9,048	15,031	12,251	12,607
Inventories (Note I)	278,474	209,740	116,579	76,574
Deferred taxes (Note J)	66,626	2,106	17,336	21,026
 Total current assets	 676,034	 775,425	 826,669	 175,719
 Property & equipment (Note H)	 55,314	 45,438	 21,935	 8,763
Intangible assets (Note N)	6,718	45,413	0	0
 Total Fixed assets	 62,032	 90,851	 21,935	 8,763
 <b>Total Assets</b>	 <b>738,066</b>	 <b>866,276</b>	 <b>848,604</b>	 <b>184,482</b>
 <b>Liabilities and Shareholders' Equity</b>				
Accounts payable	139,995	108,898	73,305	126,133
Salaries and payroll related liabilities	28,309	23,138	19,206	5,187
Accrued expenses	4,615	2,112	252	4,762
 Total current liabilities	 172,919	 134,148	 92,763	 136,082
 Long-term debt (Note K)	 8,514	 4,530	 8,246	 21,258
 Other liabilities	 0	 405	 500	 12,000
 Common Stock (no par value)	 143,553	 143,553	 142,752	 48,730
Share premium	630,225	630,225	630,190	0
Translation differences	-26	-26	0	0
Retained earnings	-217,119	-46,559	-25,847	-33,588
Total Equity	556,633	727,193	747,095	15,142
 <b>Total Liabilities + Equity</b>	 <b>738,066</b>	 <b>866,276</b>	 <b>848,604</b>	 <b>184,482</b>

## Income Statements at December 31, 1999 - 1998 - 1997 - 1996 | US GAAP (consolidated and audited)

	Amounts in Thousands BEF			
	1999	1998	1997	1996
Net Sales	476,458	739,969	564,509	286,314
Cost of Sales	-350,290	-447,351	-344,960	-208,979
<b>Gross Profit</b>	<b>126,168</b>	<b>292,618</b>	<b>219,549</b>	<b>77,335</b>
Research & Development	-145,700	-87,785	-40,499	-26,835
Sales & Marketing	-170,387	-164,079	-52,277	-17,247
General & Administrative	-57,880	-49,028	-26,363	-41,375
<b>Total Operating Expenses</b>	<b>-373,967</b>	<b>-300,892</b>	<b>-119,139</b>	<b>-85,457</b>
<b>Income/(Loss) from Operations (EBIT)</b>	<b>-247,799</b>	<b>-8,274</b>	<b>100,410</b>	<b>-8,122</b>
Interest Income/(Expense)	3,281	13,603	-5,240	-7,476
Exchange Gain/(Loss)	10,621	-9,857	7,196	-1,112
Extraordinary Items	-1,182	-954	-90,935	0
Income/Loss before Taxes	-235,079	-5,482	11,431	-16,710
Income tax (see Note J)	64,520	-15,230	-3,690	14,894
<b>Net Result</b>	<b>-170,559</b>	<b>-20,712</b>	<b>7,741</b>	<b>-1,816</b>
<i>Net Result on Ordinary Activities <sup>(7)</sup></i>	<i>-139,941</i>	<i>-2,709</i>	<i>61,246</i>	<i>-1,816</i>
Average Shares outstanding	5,992,364	5,959,231	4,525,000	2,295,360 <sup>(8)</sup>
Net Result on Ordinary Activities per Share in BEF	-23.35	-0.45	13.53	-0.80
Net Result on Ordinary Activities per Share in USD <sup>(9)</sup>	-0.59	-0.01	0.36	-0.02

<sup>7</sup> (Earnings Before Income Taxes + Extraordinary Costs)\*(1 – Tax Rate)

<sup>8</sup> After stock split by 144

<sup>9</sup> USD 31/12/99 = BEF 39,44, USD 31/12/98 = BEF 34,6, USD 31/12/97 = BEF 37,2, USD 31/12/96 = BEF 32,0 (Source Fortis Bank)

## Statement of Shareholder's Equity at December 31, 1999 - 1998 - 1997 - 1996 | US GAAP

	Common stock: number of shares	Common stock: amount in 000 BEF	Net Result in 000 BEF	Total Retained Earnings in 000 BEF	Total Share- holders' equity in 000 BEF
Balance at December 31, 1993	7,200	7,200			824
<i>Increase of capital on Dec. 21, 1994</i>	<i>+6,407</i>	<i>+26,030</i>			
Balance at December 31, 1994	13,607	31,230	-12,688	-6,371	12,166
Balance at December 31, 1995	13,607	31,230	-12,708	19,064	-542
<i>Increase of capital on May 9, 1996</i>	<i>+3,500</i>	<i>+17,500</i>			
Balance at December 31, 1996	17,107	48,730	-1,816	-31,772	15,142
<i>Increase of capital on August 6, 1997</i>	<i>+8,341</i>	<i>+20,109</i>			
<i>Increase of capital on October 10, 1997</i>	<i>+880</i>	<i>+21,983</i>			
Balance at October 14, 1997	26,328	90,822			
Stock split by 1/144	3,791,232				
<i>Increase of capital on October 24, 1997</i>					
• Conversion of bonds	567,724	13,600			
• IPO	1,600,000	38,329			
Balance at December 31, 1997	5,958,956	142,752		-25,847	747,095
<i>Increase of capital on December 29, 1998</i>					
• Execution of warrants	33,408	+801			
<b>Balance at December 31, 1998</b>	<b>5,992,364</b>	<b>143,553</b>		<b>-46,559</b>	<b>727,193</b>
<b>Balance at December 31, 1999</b>	<b>5,992,364</b>	<b>143,553</b>	<b>-170,559</b>	<b>-46,559</b>	<b>556,633</b>

## Statements of Cash Flows at December 31, 1999 - 1998 - 1997 - 1996 | US GAAP

	Amounts in Thousands BEF			
	1999	1998	1997	1996
<b>Cash Flows from Operating Activities</b>				
<i>Net earnings (A)</i>	<b>-170,559</b>	<b>-20,712</b>	<b>7,741</b>	<b>-1,816</b>
<b>Non cash adjustments</b>				
Depreciation	58,349	19,140	3,994	20,920
Translation differences	0	-26	0	0
Deferred taxes	-64,520	15,230	3,690	-14,894
Other non cash adjustments/provisions	37,205	2,085	-11,500	6,274
<b>Total non cash adjustments (B)</b>	<b>31,034</b>	<b>36,429</b>	<b>-3,816</b>	<b>12,300</b>
<b>Change in assets and liabilities</b>				
Accounts receivable	-12,423	-106,852	-42,019	-25,953
Inventories	-68,734	-93,161	-40,005	-55,097
Other assets	5,983	-2,780	4,814	-11,357
Account payable	24,654	40,264	-16,490	71,557
Salaries and payroll related liabilities	5,171	3,932	14,019	-5,633
Accrued expenses	2,503	1,860	-4,510	480
Prepaid taxes	0	0	-4,458	0
<b>Total change in assets &amp; liabilities (C)</b>	<b>-42,846</b>	<b>-156,737</b>	<b>-88,649</b>	<b>-26,003</b>
<b>Cash Flows from Operating Activities</b>	<b>-182,371</b>	<b>-141,020</b>	<b>-84,724</b>	<b>-15,519</b>

## Statements of Cash Flows at December 31, 1999 - 1998 - 1997 - 1996 | US GAAP

	Amounts in Thousands BEF			
	1999	1998	1997	1996
<b>Cash Flows from Investing Activities</b>				
Intangible fixed assets	-1,507	-56,238	0	0
Purchases of plant equipment	-28,023	-31,818	-17,165	-18,106
<b>Total cash flow from investing activities (D)</b>	<b>-29,530</b>	<b>-88,056</b>	<b>-17,165</b>	<b>-18,106</b>
<b>Cash Flows from Financing Activities</b>				
Net proceeds (payments) on notes payable	1,387	-2,422	-36,338	18,240
Proceeds from long term debt	13,749	994	3,671	15,000
Repayments long term debt	-4,710	-6,958	-16,683	-3,022
Capital increase	0	835	724,212	17,500
<b>Net cash provided by financing activities (E)</b>	<b>10,426</b>	<b>-7,551</b>	<b>674,862</b>	<b>47,718</b>
<b>Net Cash Flow (A)+(B)+(C)+(D)+(E)</b>	<b>-201,475</b>	<b>-236,627</b>	<b>572,973</b>	<b>14,093</b>
<b>Net Increase /</b>				
<b>Decrease in Cash and Cash Equivalents</b>				
CCash at beginning of period	350,805	587,432	14,460	367
Cash at end of period	149,330	350,805	587,432	14,460
<b>Difference</b>	<b>-201,475</b>	<b>-236,627</b>	<b>572,973</b>	<b>14,093</b>

## Notes to Financial Statements | US GAAP

### **Note A: Significant Accounting Policies**

The financial statements in this section have been prepared in accordance with US GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

The significant accounting policies can be summarized as follows:

#### *1) Revenue recognition*

The Company generates revenue from the sales of its products and technology, as well as the licensing of its technology. These sales of products are recognized as revenue when shipped. The revenues generated out of sales of technology and licenses are recognized as revenue when invoiced.

#### *2) Income taxes*

Deferred income tax assets and liabilities are computed annually for differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using enacted tax rates in effect for the year in which the differences are expected to reverse.

#### *3) Cash and cash equivalents*

Highly liquid investments with a maturity of three months or less at date of purchase are considered cash equivalents.

#### *4) Accounts receivable*

The Company grants credit to customers in the normal course of business. Generally they do not require collateral or any other security to support amounts due. Management performs ongoing credit evaluations of its customers. All receivables are fully collectible except those doubtful accounts for which a 100 % allowance is accounted for.

#### *5) Inventories*

Raw materials are stated at the lower of cost (FIFO method) or market. The company reviews inventories for slow-moving or obsolete items on an ongoing basis and establishes allowances if needed. Work in progress and finished goods are valued at direct cost.

## Notes to Financial Statements | US GAAP

### 6) Property and equipment

The company's property and equipment, including dedicated production equipment, is recorded at purchase price. Compared to 1998, the company added some new categories of fixed asset accounts, to reflect assets with a short(er) lifetime. No changes were made to the existing categories and no assets were reclassified into the newly created accounts.

Depreciation is computed using the straight line method over the estimated useful lives of the assets which are as follows:

Leasehold improvements	3 to 9 years
Office furniture & equipment	2 to 10 years
Research equipment & machinery	1.5 to 10 years
Automobiles	5 years

### 7) Intangibles

a. The Company's intangible assets include licenses, recorded at purchase price, acquired for the integration into its product or as a means for exploitation and softwares for MRP and consolidation purposes.

#### b. Research and development

Research and development are expensed as incurred. Under Belgian GAAP, they were capitalised until the end of 1995. From 1996 on, Belgian valuation rules are in line with US GAAP prescriptions, stating that all these expenses are charged to the Profit & Loss account in the year when incurred. However, research and development charges that are related to the development and the realization of own specific product machinery, methods, testing equipment and other software used in the production of a specific product, are capitalized and depreciated over the expected life-time of the products for which the development has taken place.

### 8) Guarantee

The Company has modified its warranty policy: lifetime guarantee is only provided on the 2in1 Combo PC Cards and the GSM Only PC Cards.

SnapOn, FirstFone, GSM Ready 56K/ISDN PC card and SoftRadius have one year of warranty period.

No provision is set up to cover possible losses for this guarantee, as no considerable extra charges are expected from it.

### **Note B: Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Note C: Subsequent events**

No material events took place after December 31, 1999, which might have a material impact on the annual accounts reported on in this section.

Under the Social Report, a management change was reported as a subsequent event. Douglas Ros joined Option International as Vice President Sales & Marketing on February 16<sup>th</sup>, 2000.

The Company is in the process of increasing its credit facilities with Fortis Bank (Generale Bank). The negotiations are close to being finalised. The increased credit lines will allow the Company to further finance the growth of the company, and more specifically the OEM contracts in order portfolio.

### **Note D: Litigation**

The Company is not involved in any material, legal or arbitration proceedings.

### **Note E: Commitments**

- The Company leases its current facilities in Belgium under an operating lease which expires after 3 years in February 2002. Future minimum lease payments (of BEF 0.8 million per month) under the operating lease, linked to the consumer goods index, are as follows: 01.01.2000 – 28.02.2002: BEF 21.6 million.

The Company subleases partially to another company.

- The Company leases production facilities in Cork, Ireland.

Office furniture, vehicles and computer equipment are leased (financial lease over 3 to 4 years). Total outstanding lease debt on December 31, 1999 is BEF 8.5 million.

### **Note F: Credit Facilities**

The Company is able to draw down funds from line of credit available from Fortis Bank (Generale Bank). The total borrowing capacity of these facilities at December 31, 1999, amounts to BEF 80 million. The credit facilities are secured by a pledge of the Company's assets. As mentioned under the subsequent events, the Company is in the process of increasing its credit facilities with Fortis Bank (Generale Bank). The increased credit lines are expected to amount to BEF 355 million.

## Notes to Financial Statements | US GAAP

### Note G: Business Segments and Exports

The Company operates in a single industry segment, encompassing research & development, production and sales and support of PC Cards, GSM radio cards, Adapters, Mobile Phones and GSM Modules for mobile wireless communications.

The company generates more than 88% of its revenues outside Belgium.

The company adopted a mixed business model: a distribution channel combined with business to business.

In the distribution channel, the Company sells and markets its products through a sales force operating from offices located in Belgium, UK, Ireland, Germany and US, coordinating sales through its international distributors and through operator companies.

Within its distribution channel, the Company has introduced its eShop, an online e-commerce web site.

The Company also sells through Original Equipment Manufacturers (OEM's). The OEM business model requires a more centralised approach to the market, with technically qualified sales engineers, working in close relationship to the R&D department. As a result of the change in necessary skill set for the sales engineer and stronger emphasis on the OEM business model, the Company decided to close its Paris and Sydney offices.

### Note H: Property and equipment

Major classes of property and equipment can be summarized as follows:

December 31 - 000 BEF	1999	1998	1997	1996
Leasehold improvements	30,319	1,249	1,249	855
Office furniture & equipment	13,332	24,716	17,867	10,181
Research equipment	52,558	44,415	17,178	10,005
Cars	6,777	4,797	4,797	4,163
<b>Total property &amp; equipment</b>	<b>102,986</b>	<b>75,177</b>	<b>41,091</b>	<b>25,204</b>
Accumulated depreciation	47,671	29,739	19,156	16,441
<b>Net property &amp; equipment</b>	<b>55,314</b>	<b>45,438</b>	<b>21,935</b>	<b>8,763</b>

### Note I: Inventories

Inventories consist of the following:

December 31 - 000 BEF	1999	1998	1997	1996
Raw materials	125,770	157,155	92,044	48,392
Work in process	27,556	33,558	21,180	9,673
Finished goods	55,828	19,027	3,355	18,509
Contracts in progress	69,321	0	0	0
<b>Total</b>	<b>278,474</b>	<b>209,740</b>	<b>116,579</b>	<b>76,574</b>

## Notes to Financial Statements | US GAAP

### Note J: Taxes on income

The Company accounts for deferred income taxes on temporary differences between financial and tax reporting in accordance with US GAAP.

The amounts of the tax benefits resulting from this were calculated as follows:

<b>December 31 - 000 BEF</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
Tax loss carry forward	137,954	5,155	43,156	52,341
Tax rate in %	40.17%	40.17%	40.17%	40.17%
Deferred taxes (benefit)	55,416	2,071	17,336	21,025
Amount already accrued/offset	-2,071	-17,336	-21,025	-6,132
Net tax benefit affecting P&L	53,345	-15,265	-3,690	14,894

Thwing Ltd.

<b>December 31 - 000 BEF</b>	<b>1999</b>	<b>1998</b>
Tax loss carry forward	112,100	349
Tax rate	10.00%	10.00%
Deferred taxes (benefit)	11,210	35
Amount already accrued/offset	-35	
Net tax benefit affecting P&L	11,209	35

Consolidated

<b>December 31 - 000 BEF</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
Tax loss carry forward	250,054	5,504	43,156	52,341
Tax rate in %				
Deferred taxes (benefit)	66,626	2,106	17,336	21,025
Amount already accrued/offset	-2,106	-17,336	-21,025	-6,132
Net tax benefit affecting P&L	64,554	-15,230	-3,690	14,894

## Notes to Financial Statements | US GAAP

### Note K: Long term debt

Long term debt consists of the following at the end of each of the periods involved:

December 31 - 000 BEF	1999	1998	1997	1996
Long term leasing debt – equipment	7,438	1,935	4,161	2,575
Long term loan – automobiles	1,076	1,595	2,086	433
Long term loan ASLK	0	1,000	2,000	3,000
Long term loan private person	0	0	0	250
Convertible loan	0	0	0	15,000
	<b>8,514</b>	<b>4,530</b>	<b>8,247</b>	<b>21,258</b>

### Note L: Basis of consolidation

The consolidated financial statements include the financial statements of the parent company and all its subsidiaries made up to the end of the financial period. Intra-group trading has been eliminated upon consolidation.

Principles of consolidation:

At December 31, 1999 the Company owns all of the outstanding shares of Rindle & Partners GmbH and Thwing Ltd.

Accordingly, the consolidated financial statements include the accounts of Option International and its two wholly owned subsidiaries.

### Note M: Employee benefit plans

#### *Employee Stock Option Plan*

On the 22<sup>nd</sup> of October 1999, the Company issued a new Employee Stock Option Plan, in which 171,277 warrants 'S' were created in favour of employees and management. 154,939 warrants were granted to and accepted by the employees and management of the Company. The execution price was fixed at 11 USD (i.e. the average stock price of the 30 calendar days preceding the grant of the warrants). Every warrant entitles the holder to one share. 4/5 of the warrants may be executed from January 2003 until October, 2004. The remaining 1/5 may be executed from January 2004 until October 22, 2004. The warrants are lost in case the employee or manager concerned leaves the Company prior to the execution dates except for decease and permanent disablement.

**Note N: Intangible fixed assets**

The amount of intangible fixed assets at December 31, 1999 can be detailed as follows:

<b>Acquisition Cost</b>	<b>Licenses</b>	<b>Softwares</b>	<b>Total</b>
Thwing Ltd	0	0	0
Option NV	16,711	934	17,645
Rindle&Partner Gmbh	0	692	692
<b>Consolidated</b>	<b>16,711</b>	<b>1,626</b>	<b>18,337</b>
 <b>Accumulated Depreciation</b>	 <b>Licenses</b>	 <b>Softwares</b>	 <b>Total</b>
Thwing Ltd	0	0	0
Option NV	-11,053	-141	-11,194
Rindle&Partner Gmbh	0	-425	-425
<b>Consolidated</b>	<b>-11,053</b>	<b>-566</b>	<b>-11,619</b>
 <b>Net Book Value</b>	 <b>Licenses</b>	 <b>Softwares</b>	 <b>Total</b>
Thwing Ltd	0	0	0
Option NV	5,658	793	6,451
Rindle&Partner Gmbh	0	267	267
<b>Consolidated</b>	<b>5,658</b>	<b>1,060</b>	<b>6,718</b>

**Note O: Compensation of Directors and Executive officers**

The scheme provides for all Board Members to receive a compensation of BEF 50,000 for each Board meeting, and BEF 50,000 attendance fee for each Board meeting when they were present.

The aggregate amount paid to the Board of Directors was for 1999 a was Bef 5.0 million.

An aggregate amount of BEF 29.7 million has been paid to the executive officers in 1999.

**Balance Sheet at December 31, 1999 - 1998 - 1997 - 1996 | Belgian GAAP**  
**(Consolidated and audited)**

	Amounts in Thousands BEF			
	1999	1998	1997	1996
<b>Assets</b>				
<b><i>Fixed Assets</i></b>	<b>63,499</b>	<b>91,957</b>	<b>25,672</b>	<b>8,813</b>
I. Formation expenses	0	0	0	0
II. Intangible assets	6,718	45,413	0	0
III. Tangible assets	55,314	45,438	21,935	8,763
III.B. Plant, machinery and equipment	25,358	28,933	7,401	1,585
III.C. Furniture and vehicles	6,560	6,070	3,566	1,798
III.D. Leasing and other similar rights	19,578	8,291	9,937	4,620
III.E. Other tangible assets	3,818	2,144	1,031	760
IV. Financial assets	1,467	1,106	3,737	50
<b><i>Current Assets</i></b>	<b>607,941</b>	<b>772,213</b>	<b>800,690</b>	<b>154,642</b>
VI. Inventories and contracts in progress	278,474	209,740	116,579	76,574
VII. Amounts receivable within one year	178,838	208,202	104,157	63,421
VII.A. Trade debtors	172,556	197,743	92,765	51,052
VII.B. Other amounts receivable	6,282	10,459	11,392	12,369
VIII. Investments	97,799	252,676	545,733	0
IX. Cash at bank and in hand	51,531	98,129	33,599	14,460
X. Deferred charges and accrued income	1,299	3,466	622	187
<b>Total Assets:</b>	<b>671,440</b>	<b>864,170</b>	<b>826,362</b>	<b>163,455</b>

**Balance Sheet at December 31, 1999 - 1998 - 1997 - 1996 | Belgian GAAP**  
(Consolidated and audited)

		Amounts in Thousands BEF			
		1999	1998	1997	1996
<b>Liabilities</b>					
<b>Shareholders' Equity</b>		<b>490,007</b>	<b>725,086</b>	<b>725,091</b>	<b>-5,884</b>
I.	Capital	143,553	143,553	142,752	48,730
II.	Share premium	630,225	630,225	630,191	
IV.	Loss carried forward	-283,745	-48,666	-47,852	-54,614
V.	Translation Differences	-26	-26		
<b>Provisions and Deferred Taxes</b>		<b>0</b>	<b>405</b>	<b>500</b>	<b>12,000</b>
VII.A.	Provisions for liabilities and charges	0	405	500	12,000
<b>Creditors</b>		<b>181,433</b>	<b>138,679</b>	<b>100,771</b>	<b>157,338</b>
VIII.	Amounts payable after more than one year	8,514	4,530	8,246	21,258
VIII.A.	Financial debts	8,514	4,530	8,246	21,258
IX.	Amounts payable within one year	168,304	132,037	92,273	135,355
IX A.	Current portion of amounts payable after more than one year	9,765	4,710	6,958	4,513
IX.B.	Financial debts	1,387	0	2,422	38,760
IX.C.	Trade debts	66,012	101,571	63,687	84,420
IX.D.	Advances received on contracts in progress	53,715	0	0	0
IX.E.	Taxes, remunerations and social security	28,309	23,138	19,119	7,573
IX.E.1.	Withholding Taxes & VAT payable	2,015	13,326	6,024	2,413
IX.E.2.	Remuneration and social security	26,294	9,812	13,095	5,160
IX.F.	Other amounts payable	9,116	2,618	87	88
X.	Accrued charges and deferred income	4,615	2,112	252	726
<b>Total Liabilities</b>		<b>671,440</b>	<b>864,170</b>	<b>826,362</b>	<b>163,455</b>

## Income Statements at December 31, 1999 - 1998 - 1997 - 1996 | Belgian GAAP (Consolidated and audited)

	Amounts in Thousands BEF			
	1999	1998	1997	1996
I.A. Turnover	476,458	739,969	564,509	287,784
I.D. Other operating income	9,618	679	335	13
II.A. Raw materials, consumables and goods for resale	-289,428	-428,937	-330,488	-197,107
<b>Gross Margin</b>	<b>196,648</b>	<b>311,711</b>	<b>234,356</b>	<b>90,690</b>
II.B. Services and other goods	-194,657	-202,074	-81,798	-39,912
II.C. Remunerations, social security costs and pensions	-147,089	-94,183	-55,244	-26,729
II.D. Depreciation of formation expenses, intangible and tangible fixed assets and other amounts written off	-58,349	-19,140	3,994	-16,929
II.E. Allowance doubtful debtors	-37,610	-2,180		
II.F. Increase (+); decrease (-) in provisions for liabilities and charges	0	250	11,500	-12,000
II.G. Other operating charges	-1,867	-2,223	-1,021	-458
<b>Operating Profit/Loss</b>	<b>-242,924</b>	<b>-7,839</b>	<b>103,799</b>	<b>-5,338</b>
IV. Financial income	33,527	51,517	22,479	231
V. Financial costs	-20,620	-43,251	-25,191	-8,848
<b>Profit /Loss on Ordinary Activities before Taxes</b>	<b>-230,017</b>	<b>427</b>	<b>101,087</b>	<b>-13,955</b>
VII. Extraordinary income	0	0	0	0
VIII. Extraordinary charges	-3,580	-1,241	-94,325	-21,062
<b>Profit/Loss for the Period before Taxes</b>	<b>-233,597</b>	<b>-814</b>	<b>6,762</b>	<b>-35,017</b>
X. Income tax	-1,482	0	0	0
<b>Net profit</b>	<b>-235,079</b>	<b>-814</b>	<b>6,762</b>	<b>-35,017</b>
<b>Net Profit on Ordinary Activities <sup>(10)</sup></b>	<b>-137,619</b>	<b>255</b>	<b>60,480</b>	<b>-8,349</b>

<sup>10</sup> (Earnings Before Income Taxes + Extraordinary Costs)\*(1 – Tax Rate)

## Statements of Cash Flows at December 31, 1999 - 1998 - 1997 - 1996 | Belgian GAAP

	Amounts in Thousands BEF			
	1999	1998	1997	1996
<b>Cash Flows from Operating Activities</b>				
<b>Net earnings (A)</b>	<b>-235,079</b>	<b>-814</b>	<b>6,763</b>	<b>-35,017</b>
<b>Non Cash adjustments</b>				
Depreciation and amortization	58,349	19,140	3,994	33,501
Consolidation translation difference	0	-26		
Other non cash adjustments	37,205	2,085	-11,500	12,000
<b>Total non cash adjustments (B)</b>	<b>95,554</b>	<b>21,199</b>	<b>-7,506</b>	<b>45,501</b>
<b>Change in assets and liabilities</b>				
Accounts receivable	-12,423	-107,158	-41,713	-25,953
Inventories	-68,734	-93,161	-40,005	-55,097
Prepaid expenses and other	2,167	-2,844	-435	798
Other assets	10,314	6,095	-437	214
Account payable	-35,559	37,884	-20,734	71,557
Advances received on contracts in progress	53,715	0	0	0
Salaries and payroll related liabilities	16,482	-3,283	11,429	-5,633
VAT payable/receivable	-11,311	7,302	5,799	-12,369
Accrued expenses	2,503	1,860	-474	480
Prepaid taxes	0	0	-4,458	0
<b>Total change in assets and liabilities (C)</b>	<b>-42,846</b>	<b>-153,305</b>	<b>-91,028</b>	<b>-26,003</b>
<b>Cash Flows from Investing Activities</b>				
Intangible fixed assets	-1,507	-56,238	0	0
Purchases of plant equipment	-28,023	-31,818	-17,165	-18,106
Investments	154,877	293,057	-549,233	0
<b>Total cash flow from investing activities (D)</b>	<b>125,347</b>	<b>205,001</b>	<b>-566,398</b>	<b>-18,106</b>

## Statements of Cash Flows at December 31, 1999 - 1998 - 1997 - 1996 | Belgian GAAP

	Amounts in Thousands BEF			
	1999	1998	1997	1996
<b>Cash Flows from Financing Activities</b>				
Net proceeds (payments) on notes payable	1,387	-2,422	-36,338	18,240
Proceeds from long term debt	13,749	994	3,671	15,000
Principal repayments on long term debt	-4,710	-6,958	-14,237	-3,022
Capital increase/IPO	0	835	724,212	17,500
<b>Total cash flow from financing activities (E)</b>	<b>10,426</b>	<b>-7,551</b>	<b>677,308</b>	<b>47,718</b>
<b>Total Net Cash Flow (A)+(B)+(C)+(D)+(E)</b>	<b>-46,598</b>	<b>64,530</b>	<b>19,139</b>	<b>14,093</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>				
Cash at beginning of period	98,129	33,599	14,460	367
Cash at end of period	51,531	98,129	33,599	14,460
Difference	-46,598	64,530	+19,139	+14,093

## Notes to the Financial Statements | Belgian GAAP

### NOTE A: STATEMENT OF INTANGIBLE ASSETS AS AT DECEMBER 31, 1999

Amounts in Thousands BEF

A) ACQUISITION COST	
At the end of the preceding period	92,222
Movements during the year	-73,883
At the end of the year	18,337
C) DEPRECIATION AND AMOUNTS WRITTEN OFF	
At the end of the preceding period	46,810
Movements during the year	
Depreciation	40,202
Sales and disposals	-75,393
At the end of the year	11,619
D) NET CARRYING VALUE AT THE END OF THE PERIOD	6,718

### NOTE B: STATEMENT OF TANGIBLE ASSETS AS AT DECEMBER 31, 1999

Amounts in Thousands BEF

A) ACQUISITION COST	
At the end of the preceding period	75,178
Movements during the year	
Expenditure	32,386
Sales and disposals	-4,578
At the end of the year	102,985
C) DEPRECIATION AND AMOUNTS WRITTEN OFF	
At the end of the preceding period	29,740
Movements during the year	
Expenditure	19,905
Sales and disposals	-1,974
At the end of the year	47,671
D) NET CARRYING VALUE AT THE END OF THE PERIOD	55,314

## Notes to the Financial Statements | Belgian GAAP

### NOTE C: STATEMENT OF FINANCIAL FIXED ASSETS AS AT DECEMBER 31, 1999

Amounts in Thousands BEF

A) ACQUISITION COST	
At the end of the preceding period	1,106
Movements during the year	
Expenditure	361
Sales and disposals	
At the end of the year	1,467

### NOTE D: STATE OF THE CAPITAL AS AT DECEMBER 31, 1999

Amounts in Thousands BEF

Number of Shares

A) CAPITAL		
1. Issued capital		
At end of preceding period	143,553	5,992,364
Changes during the period		
Capital increase	143,553	5,992,364

### NOTE E: STATE OF DEBT AS AT DECEMBER 31, 1999

Amounts in Thousands BEF

Maximum 1 year

Between 1 and 5 years

A. Analysis of debts with an original maturity of		
over one year, by remaining maturity	9,765	8,514

### NOTE F: STATE OF PERSONNEL CHARGES AS AT DECEMBER 31, 1999

	1999	1998	1997	1996
1. STAFF INCLUDED ON THE STAFF REGISTER				
a) Total number of people registered at year-end	95	69	36	23
b) Average number of people registered				
in full-time equivalent	79	43	32.1	20.6
c) Effective number of hours worked	133,027	72,745	55,270	35,625
2. PERSONNEL CHARGES (000 BEF)				
a) Remuneration and direct benefits	106,182	68,822	39,093	19,422
b) Employer's contributions for social security	31,072	21,524	15,896	5,672
d) Other personnel charges	9,834	708	255	1,635

## Reconciliation between P & L according to Belgian GAAP and P & L according to US GAAP

As the accounts of Option International are kept in accordance with accounting principles generally accepted in Belgium (Belgian GAAP), adjustments had to be made to conform to US GAAP. As this translation of the financial statements did result in differences in Net Profit/Loss, a full reconciliation is presented.

Most important is the provision for deferred taxes. As Option International has tax recoverable losses, a positive deferred tax provision was accounted for. In accordance with FAS 109 the asset is realisable.

As bringing unrealised exchange profits to P & L was not foreseen by the valuation rules prior to 1998, adjustments were posted in 1997 and 1998 in order to account for the unrealised exchange profits on the USD-exchange rate at year-end 1997, especially on the investments. To be in line with US GAAP, the Board of Directors changed this accounting policy in 1998, resulting in no differences for unrealised exchange gains and losses from 1999 onwards.

December 31 - 000 BEF	1999	1998	1997	1996
<b>Net result according to Belgian GAAP</b>	<b>-235,079</b>	<b>-814</b>	<b>6,762</b>	<b>-35,017</b>
Deferred taxes	64,520	-15,230	-3,690	14,894
Formation expenses to be transferred to P&L				543
Intangible assets to be transferred to P&L				12,038
Prior Year adjustments				5,726
Unrealised exchange gains		-4,668	4,668	
<b>Net result according to US GAAP</b>	<b>-170,559</b>	<b>-20,712</b>	<b>7,740</b>	<b>-1,816</b>

## Reconciliation between P & L according to Belgian GAAP and P & L according to US GAAP

December 31 - 000 BEF	1999	1998	1997	1996
<b>Equity according to Belgian GAAP</b>	<b>490,006</b>	<b>725,086</b>	<b>725,091</b>	<b>-5,884</b>
Deferred taxes	64,520	-15,230	-3,690	14,894
Formation expenses to be transferred to P&L				543
Intangible assets to be transferred to P&L				12,038
US GAAP Prior Year adjustments	2,107	22,005	21,026	-6,449
Unrealised exchange gains		-4,668	4,668	
<b>Equity according to US GAAP at closing date</b>	<b>556,633</b>	<b>727,193</b>	<b>747,095</b>	<b>15,142</b>

## **Report of the Statutory Auditor on the Consolidated Financial Statements (US GAAP) for the year ended December 31, 1999**

To the shareholders,

In accordance with legal and statutory requirements, we are pleased to report to you on the performance of the audit mandate which you have entrusted to us.

We have audited the consolidated financial statements as of and for the year ended December 31, 1999 which have been prepared under the responsibility of the Board of Directors and which show a balance sheet total of BEF 738.066.(000) and a consolidated loss for the year of BEF 170.559.(000). We have also examined the consolidated directors' report.

### **Unqualified audit opinion on the consolidated financial statements**

We conducted our audit in accordance with the standards of the 'Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren'. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, taking into account the legal and regulatory requirements applicable to the consolidated financial statements according to US GAAP.

In accordance with those standards, we considered the group's administrative and accounting organization, as well as its internal control procedures. We have obtained explanations and information required for our audit. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing accounting principles used, the basis for consolidation and significant accounting estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements give a true and fair view of the group's assets, liabilities, consolidated financial position as of December 31, 1999 and the consolidated results of its operations for the year 1999 then ended, in accordance with the legal and regulatory requirements applicable for US GAAP and the information given in the notes to the consolidated financial statements is adequate.

## Report of the Statutory Auditor on the Consolidated Financial Statements (US GAAP) for the year ended December 31, 1999

Notwithstanding the carry forward losses on the balance sheet which influence the financial position of the company, the annual accounts are made up in the assumption of continuity of the Company's activities. This assumption is only justified to the extent that the measures proposed by the Board will be effectively executed. Without changing the basis of our unqualified opinion mentioned above, we draw the attention to the report of the Board of Directors, which, in accordance with the legal requirements in Belgium, justifies the application of the valuation rules in the assumption of continuity.

The annual accounts have not been adjusted with respect to the valuation and classification of certain balance sheet items that could turn out to be necessary if the Company would not be able to continue its activities.

### **Other certification and information**

We supplement our report with the following certification and information which do not modify our audit opinion on the consolidated financial statements:

- The consolidated directors' report contains the information required by law and is consistent with the consolidated financial statements.

Brussels, February 16, 2000

The Statutory Auditor

**DELOITTE & TOUCHE**

**Bedrijfsrevisoren b.c.v.**

Represented by Leo Van Steenberghe

## Report of the Statutory Auditor on the Consolidated Financial Statements (Belgian GAAP) for the year ended December 31, 1999

To the shareholders,

In accordance with legal and statutory requirements, we are pleased to report to you on the performance of the audit mandate which you have entrusted to us.

We have audited the consolidated financial statements as of and for the year ended December 31, 1999 which have been prepared under the responsibility of the Board of Directors and which show a balance sheet total of BEF 671.440.(000) and a consolidated loss for the year of BEF 235.079.(000). We have also examined the consolidated directors' report.

### **Unqualified audit opinion on the consolidated financial statements, with an emphasis of matter paragraph**

We conducted our audit in accordance with the standards of the 'Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren'. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, taking into account the legal and regulatory requirements applicable to the consolidated financial statements in Belgium.

In accordance with those standards, we considered the group's administrative and accounting organization, as well as its internal control procedures. We have obtained explanations and information required for our audit. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing accounting principles used, the basis for consolidation and significant accounting estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements give a true and fair view of the group's assets, liabilities, consolidated financial position as of December 31, 1999 and the consolidated results of its operations for the year 1999 then ended, in accordance with the legal and regulatory requirements applicable in Belgium and the information given in the notes to the consolidated financial statements is adequate.

## Report of the Statutory Auditor on the Consolidated Financial Statements (Belgian GAAP) for the year ended December 31, 1999

Notwithstanding the carry forward losses on the balance sheet which influence the financial position of the company, the annual accounts are made up in the assumption of continuity of the Company's activities. This assumption is only justified to the extent that the measures proposed by the Board will be effectively executed. Without changing the basis of our unqualified opinion mentioned above, we draw the attention to the report of the Board of Directors, which, in accordance with the legal requirements in Belgium, justifies the application of the valuation rules in the assumption of continuity.

The annual accounts have not been adjusted with respect to the valuation and classification of certain balance sheet items that could turn out to be necessary if the Company would not be able to continue its activities.

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- The consolidated directors' report contains the information required by law and is consistent with the consolidated financial statements.

Brussels, February 16, 2000

The Statutory Auditor

**DELOITTE & TOUCHE**

**Bedrijfsrevisoren b.c.v.**

Represented by Leo Van Steenberge

## Financial Calendar

General Meeting of Shareholders 1999	March 31, 2000
1Q Results	Third week of May
2Q Results	Third week of August
3Q Results	Third week of November
Annual results 2000	Third week of February 2001

## Financial Information

For clarification concerning the information contained in this annual report or for information about Option International, please contact

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Vice President Finance & Operations  
Kolonel Begaultlaan 45  
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FAX +32 (0)16 20 71 64  
e-mail: (w.duson@option.com)

## Addresses

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### **Rindle & Partners GmbH**

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#### **USA**

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Burlingame  
California  
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USA  
TEL: +1 650 579 6640  
FAX: +1 650 579 6683

### **Thwing Ltd. (Option Ireland)** New address from April 1, 2000 (\*)

Kilbarry Industrial Park – Dublin Hill  
Cork  
Ireland  
TEL: +353 21 4900 250  
FAX: +353 21 4900 251

#### **United Kingdom**

Units 6 – 10, The Stud Offices  
Redenham Park, Andover, Hampshire SP11 9AQ.  
United Kingdom  
TEL: +44 1264 773 079  
FAX: +44 1264 773 438

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\* Former address:

Thwing Ltd. (Option Ireland)  
Unit 1 C, University Technology Center  
Curraheen Road – Bishopstown  
Cork  
Ireland

### **Disclaimer**

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