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Annual report 2016

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# 1. MESSAGE TO SHAREHOLDERS

Dear Option Shareholders,

The Company is going through challenging times, with disappointing sales results, operational and management changes, and the rebuilding of trust and viability for the coming year.

To cope with some very pressing liquidity issues and to alleviate the debt burden of years of substantial investments in technology platforms that have as yet not generated significant operating profits, the board in collaboration with its key investors/bondholders has re-assessed the 'viability' of Option and has decided to act swiftly and decisively to steer the company away from failure to meet its obligations thru a 7 step restructuring/rescue plan the highlights of which have been summarized below.

First we decided to cope with the most immediate cash needs of the company thru the 'sale' of its LED lighting division better known as Innolumis BV in the Netherlands. ( December 2016).

Second we further secured EUR 2.6 million of new loans from key investors to address the financial needs of the first semester of 2017. ( including some restructuring charges and liabilities in arrear )

Third we embarked on a multiple step program to convert most of the historic debts of the company into share capital in order to alleviate the balance sheet ( EUR 23 million of bond & debt conversions will have been completed by end of June 2017).

Fourth: we implemented a 'reorganization' of the companies resources to bring operating expenses in better harmony with margin generations and will have rightsized the company for positive EBITDA generation as of the second semester of 2017.

Fifth: We refocused the company strategically on 'just' its core competencies related to IOT communication platforms as well as some important contract engineering programs for the automotive and smart lighting sector.

Sixth: We will continue to reduce operating costs by eliminating/postponing all activities that bring no rapid topline growth while installing rigor and accountability in the organization thru a more empowered but responsible senior management team and a culture of making tough choices and executing on our promises.

Last and 7th: As soon as we can 'demonstrate' restored viability thru operational profitability we plan to secure a credit line for funding of additional 'working capital' needs and cope with the remaining outstanding liabilities so that the company could enter 2018 leaner than ever before but with a clean bill of health and financial stability. Only then will we begin to contemplate making further investments into adjacent markets and emerging IOT opportunities. Hence for 2017 our entire focus will be on restoring 'credibility' as a basis for shareholder value creation. The Board remains cautiously optimistic to bring the above plan to a positive conclusion and successful completion for the benefit of all stakeholders.

Eric Van Zele  
Non-Executive Chairman

## 2. CONSOLIDATED AND STATUTORY REPORT 2016 OF THE BOARD OF DIRECTORS OF OPTION NV

Ladies and gentlemen,  
Dear shareholders,

We hereby present to you our report relating to the statutory and consolidated results of Option NV (also referred to as the "**Company**") for the financial year that ended on 31 December 2016.

The consolidated results include the financial statements of the parent company Option NV and all of its subsidiaries as per the end of the financial period, i.e.: Option Wireless Ltd. (Cork, Ireland), Option Germany GmbH (Augsburg, Germany), Option Inc. (Carol Stream, IL, United States of America), Option Wireless Japan KK (Tokyo, Japan), Option Wireless Hong Kong Limited (Hong Kong, PR China), Option Wireless Technology Co. Ltd. (Suzhou, PR China), Option Wireless Hong Kong Limited Taiwan Branch (Taipei, Taiwan) (jointly "**Option**" or the "**Group**"). Intra-group trading has been eliminated upon consolidation.

Innolumis Public Lighting BV and Public Lighting BV are not consolidated in Option's financial statements. The sale is reported in discontinued operations (note 27).

### **OVERVIEW OF RESULTS AND ALLOCATION OF RESULTS OF THE COMPANY**

#### **Consolidated results**

For a detailed report on the consolidated Income Statement and Balance Sheet, we refer to the financial report below.

The highlights of the consolidated results include the following (in thousands EUR):

	2016	2015
Full year revenues:	4 210	4 698
Gross profit:	2 165	1 328
Operating expenses:	(7 754)	(13 082)
EBIT:	(5 589)	(11 754)
EBITDA:	(4 273)	(7 927)
Result before taxes:	(8 262)	(14 066)
Result of discontinued operations	340	0
Net result:	(7 921)	(14 084)

Total revenues for the year 2016 were EUR 4.2 million compared with EUR 4.7 million realized in 2015. CloudGate realized an increase of 69% in the second half of the year compared to the first half of the year and an increase of 69% compared to the second half of 2015. This as a result of a change in strategy, redirecting the CloudGate go-to-market from an indirect sales to a direct sales model. Revenues from embedded modules and devices are fading out and therefore decreased with EUR (0.9) million. Revenues from engineering services increased with EUR 0.5 million.

Gross margin for the year 2016 was 51.4 % on total revenues compared with a gross margin of 28.3 % in 2015. Excluding the write-off on inventories of EUR 440 thousand, the normalized gross margin would have reached 61.9 % in 2016 compared with a normalized gross margin of 46.1% in 2015 (Note 4).

Thanks to continuous cost reductions, the operating expenses decreased with EUR 5.3 million from EUR 13.1 million in 2015 to EUR 7.8 million in 2016. The 2016 operating expenses include an impairment on other financial assets (Note 11) of EUR 0.3 million (2015: EUR 0.7 million) and a profit resulting from clearing old payables and receivables in Option Wireless Ltd of EUR 0.3 million (2015: EUR 0 million).

In 2016 EBITDA or Profit from operations plus depreciation and amortization amounted to EUR (4.3) million compared to EUR (7.9) million in 2015.

In 2016 EBIT amounted to EUR (5.6) million compared to EUR (11.8) million in 2015.

The financial result decreased from EUR (2.3) million in 2015 to EUR (2.6) million in 2016, mainly as a result of interests due on the convertible bonds and the bridge funding.

The cash position decreased from EUR 4.1 million at the end of 2015 to EUR 0.8 million at the end of 2016. During 2016, the company received a bridge funding of EUR 2 million.

The purchase and sale of Innolumis Public Lighting BV and Public Lighting BV resulted in a gain of discontinued operations of EUR 0.3 million.

The net result for the full year 2016 amounted to EUR (7.9) million or EUR (0.08) per basic and diluted share. This compares to a net result of EUR (14.1) million or EUR (0.15) per basic and diluted share during 2015.

During 2016, 1,546,492 new shares were created as the result of the conversion of convertible bonds.

### **Statutory results**

Full year statutory operating income was EUR 4.7 million (based on EUR 4.2 million turnover, EUR 0.4 million capitalized development costs, decrease in stocks in finished goods, work and contracts in progress EUR (0.6) million and EUR 0.8 million other operating intercompany income and recovery of expenses). This operating income decreased compared to 2015 revenues of EUR 5.6 million (based on EUR 4.5 million turnover, EUR 0.8 million capitalized development cost, decrease in stocks in finished goods, work and contracts in progress EUR (0.9) million and EUR 1.2 million other operating intercompany income).

The operating charges decreased from EUR 16.8 million to EUR 10.2 million resulting in a negative operational result or EBIT of EUR 5.5 million compared to a negative EBIT of 11.2 million in 2015.

The financial income improved from EUR 0.1 million in 2015 to EUR 0.4 million in 2016. The financial costs decreased from EUR 3.0 million in 2015 to EUR 2.8 million in 2016. This is mainly due to the interests to be paid on the convertible bonds, the impairments on the financial assets and currency translation differences.

Due to the above, the net result changed from a net loss of EUR 14.1 million in 2015 to a net loss of EUR 7.9 million in 2016.

The intangible assets decreased from EUR 0.9 million to EUR 0.4 million, mainly due to a lower capitalization of development projects in 2016. The tangible assets decreased from EUR 0.1 million to EUR 20k due to general depreciations. The financial fixed assets decreased from EUR 0.6 million in 2015 to EUR 0.2 million in 2016, due to an impairment of EUR 0.3 million on the participation in Autonet Mobile, Inc.

The inventory position decreased from EUR 1.5 million to EUR 0.6 million, mainly due a tighter management of the working capital.

The trade and other receivables increased from EUR 6.7 million in 2015 to EUR 7.4 million in 2016. This increase was attributable to the trade receivables which increased due to open receivables from customers with longer payment terms than in 2015.

Cash and cash equivalents decreased over the year from EUR 3.9 million in 2015 to EUR 0.7 million at the end of 2016, which taking into account the additional financing of EUR 2.0 million represents a further cash burn of EUR 5.2 million.

The long term debts increased from EUR 27.2 million in 2015 to EUR 28 million in 2016, mainly due to the capitalization of the interests of the existing convertible bond.

The amounts payable within one year increased from EUR 14.6 million in 2015 to EUR 16.6 million at the end of 2016, mainly due to the new bridge of EUR 2.0 million.

On a balance sheet total of EUR 9.5 million, the total equity as of 31 December 2016 amounted to EUR (36.6) million.

***Allocation of the statutory result***

The statutory accounts of the Company (Belgian GAAP) reported a net loss for the year 2016 of EUR 7.9 million, compared with a net loss of EUR 14.1 million in 2015.

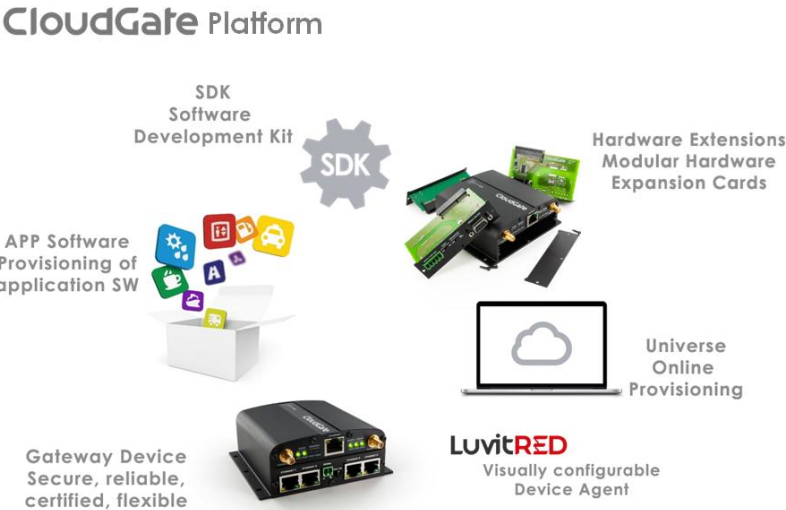
The Board of Directors proposes to add the non-consolidated net loss of EUR 7.9 million of 2016 to the loss carried forward from the previous years.

<b>Abridged allocation account (According to Belgian Accounting Standards)</b>		
December 31- in Thousands EUR	2016	2015
Profit/(loss) carried forward from previous year	( 38 020)	( 23 953)
Profit/(loss) for the period available for appropriation	( 7 894)	( 14 067)
Profit/(loss) to be appropriated	( 45 914)	( 38 020)

**ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT AND THE POSITION OF THE COMPANY AND THE GROUP**

Option connects Things to the Cloud. With 30 years of experience and many industry's firsts in the wireless industry, the Company is ideally positioned to bring the most efficient, reliable and secure wireless solutions to business markets (B2B) and industrial markets (M2M). The Company partners with industrial companies, system integrators, value added resellers, application platform providers, value add distributors and network operators to bring tailor made solutions. The Company's core expertises are: Wireless Connectivity and Wireless Engineering Services. Option is headquartered in Belgium and maintains offices in Europe and the US. Option's CloudGate gateway is an intelligent gateway for Internet of Things (IoT) Connected Applications & Services in a fast growing niche market. Option's CloudGate supports advanced and secure computing pushed from the Cloud to the Edge.

CloudGate is UNIQUE in its hardware and software architecture. No other intelligent gateway manufacturer offers the flexibility of a wide variety of wired and wireless interfaces connecting to industrial and consumer equipment. No other intelligent gateway offers the possibility to the customer to custom design its interface. The Cloudgate Software Development Kit (SDK) allows experienced customers to code their own IoT applications using their proprietary software (eg Grundfos, KoneCranes, Honeywell Elster, Honeywell Building Solutions, Dubai Electricity & Water Authority (DEWA))... Less experienced customer can use Option LuvitRed toolbox, a visually configurable agent for the design and deployment of smart IoT Solutions. With LuvitRed, stable and reliable IoT applications can be built and up and running within minutes or hours instead of days or months. Cloudgate has a unique provisioning system through its CloudGate Universe portal enabling massive deployment and provision and in addition allowing user groups to run only authorized applications. In summary, the Cloudgate architecture has been proven to be robust and reliable, ONE PRODUCT suitable for minimal as well as feature rich configurations.

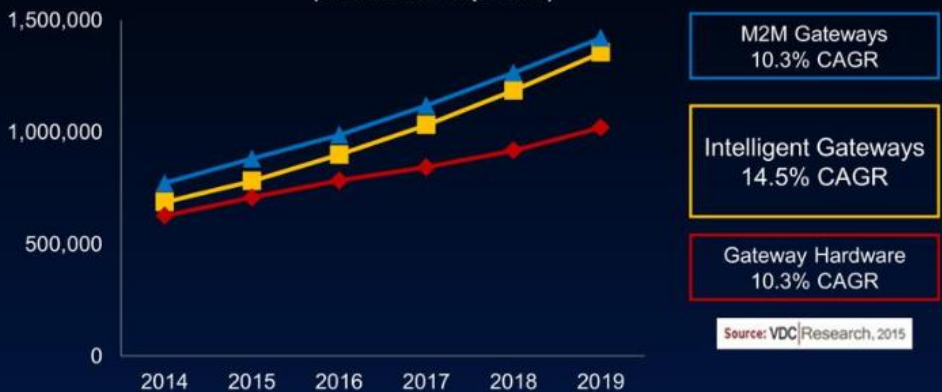


As simple or full featured as you need it



## IoT Gateway Market is Evolving

Forecasted Global Shipments of IoT & Intelligent Gateway Hardware  
(Global Unit Shipments)



Development of CloudGate and CloudGate expansion cards continued over the year. This was driven mostly by a number of vertical applications such as smart city and energy measurement, but also because of updates to the WWAN modems to increase the product lifecycle. CloudGate's on-board application platform, LuvitRED, has also been under continued development to offer a broader set of functionality, allowing the product to be easily integrated into a multitude of applications.

Next to development of products sold under Option brand name, the company offers its wireless expertise in the form of an engineering consultancy service. We work with organisations across all stages of product development - from architecture over implementation down to verification and troubleshooting. The consultancy service is mostly aimed at RF and EMC engineering.



## **SIGNIFICANT EVENTS THAT TOOK PLACE AFTER THE END OF THE FINANCIAL YEAR**

On March 8, 2017 the Company announced that an agreement has been reached among Option and its major financial creditors to enable the Company to execute its business plan in 2017.

### **1. Restructuring**

Within the context of said business plan, Option developed a restructuring plan focusing on three areas:

- Significant restructuring of the debt on Option's balance sheet through conversion into the capital, with regard to the existing bonds for an amount of EUR 11,721,000 of out of a total nominal amount of EUR 22,500,000 and with regard to the existing bridge loans for an amount of EUR 432,600.
- Changes in the Board of Directors and the management of the company; including the appointment of Mr. Eric Van Zele as chairman of the Board and the start of the search for a new CEO.
- New financing for the Company through a bridge loan of EUR 2,6 million by most of the existing bondholders contributing 12% of the outstanding value of their existing bonds.

### **2. Bond loans**

Option issued a total of EUR 27,000,000 of convertible bonds, as follows:

- On 28 March 2013, Option issued 90 convertible bonds, each one at EUR 100,000, totalling EUR 9,000,000 (the 2013 Convertible Bonds) of which EUR 5,000,000 is still outstanding .
- On 11 April 2014, Option issued 120 convertible bonds, each one at EUR 100,000, totalling EUR 12,000,000 (the 2014 Convertible Bonds) of which EUR 11,500,000 is still outstanding .
- On 6 November 2015, Option issued 60 convertible bonds, each one at EUR 100,000, totalling EUR 6,000,000 (the 2015 Convertible Bonds) of which EUR 6,000,000 is still outstanding .

Most bondholders, covering over 95% of the outstanding nominal value of the bond loans of the Company prior to transaction, have agreed to restructure the bond loans subject to approval on the Shareholders' Meeting.

As part of the agreement a total of EUR 11,721,000 of receivables under the convertible bond loans have been converted into shares by means of a capital increase in kind within the authorized capital by a Board decision of 6 March 2017, , details of which have been published on Option's website ([www.option.com/about](http://www.option.com/about)) under the financial information/prospectus.

The bondholders have been offered the possibility to contribute the remaining part of their bonds into the capital of the Company on a next Extraordinary Shareholders' Meeting.

Based on the subscription agreements with bondholders and lenders, the Company will propose the shareholders on the next extraordinary shareholders' meeting to increase the capital by contribution of the receivables valued EUR 12,146,400.

The balance of receivables under all existing bond loans is EUR 10,779,000 out of which EUR 10,279,000 is confirmed to be converted in June 2017 at the date of publishing of this report.

Details of subscribers and amounts are published on Option's website.

### **3. Bridge loans**

Option issued a total of EUR 4,650,000 in bridge loans during the period 2015-2016.

Most lenders of bridge loans, covering over 95% of the value of bridge loans, have agreed to extend their bridge loans to expire on 28 February 2019 and to reduce the interest rates.

As part of the agreement a total of EUR 432,600 of receivables under the bridge loans have been converted into shares by means of a capital increase in kind within the authorized capital by a Board decision of 6 March 2017.

The lenders have been offered the possibility to contribute their remaining receivables in share capital of the Company on a next Extraordinary Shareholders' Meeting.

Based on the subscription agreements with bondholders and lenders, the Company will propose the shareholders on the next extraordinary shareholders' meeting to increase the capital by

contribution of the receivables valued EUR 12,146,400. Details of subscribers and amounts are published on Option's website.

#### 4. Warrants

On 6 March 2017 the Board of Directors Meeting of the Company approved the issuance of 10,00,000 warrants "2017" within the framework of the authorized capital, to be offered to members of the Executive Management Team, employees and certain independent contractors designated by name. No warrants "2017" have been offered nor accepted by its beneficiaries on the date of publication of this report.

#### 5. Shares and equity

The contribution of a total of EUR 12,153,600 receivables under bridge and bond loans was executed at EUR 0.147 per share, which equals the 30 days average closing stock price before the day of the transaction. For each new share, EUR 0.05 was accounted as new capital and EUR 0.097 was booked as issue premium.

As a result of the capital increase, 82,677,545 new shares were created, bringing the total number of shares from 98,442,546 before capital increase to 181,120,091 shares after transaction.

The capital of the Company has been increased with EUR 4,133,877.25 bringing the share capital of EUR 4,922,127.30 before capital increase to EUR 9,056,004.55 after capital increase. A total of EUR 8,019,722.75 is booked as premium issue.

#### 6. New funding

As part of the agreement, most bondholders, covering over 95% of the outstanding nominal value of the bond loans before transaction, have agreed to participate in EUR 2.6 million of new funding for the Company.

These funds are structured as a new 2 years loan at 1% interest during the first year and 2% in the second year.

#### 7. Changes to the Board and management

Finally Option announced changes to the Board and management team as follows:

Qunova BVBA, represented by Jan Vorstermans, has been replaced by Crescemus BVBA, represented by Mr. Pieter Bourgeois. Option thanks Jan Vorstermans for the years of commitment he showed to Option, its Board and management.

Mr Eric Van Zele joins the Board as new Chairman as from 7 March 2017.

As from 7 March 2017 the Board of directors of Option consists of following the 6 directors:

- Mr Eric Van Zele, non-executive Chairman of the Board
- FVDH Beheer BVBA, represented by Mr Francis Vanderhoydonck, non-executive director
- Mr Jan Callewaert, executive director
- Mr Raju Dandu, non-executive director
- Vermec NV, represented by Mr Peter Cauwels, non-executive director
- Crescemus BVBA, represented by Mr Pieter Bourgeois, non-executive director

Mr Jan Callewaert remains managing director ad interim until a new CEO has been appointed. Within Option executive management team, Option regrets the departure of Jan Luyckx as CFO. Edwin Bex, former CFO at Telindus NV, has been appointed as new CFO as from 7 March 2017.

On 26 April 2017 the Board takes notice of the willingness of Jan Callewaert to step down as CEO per 31 May 2017 and his willingness to agree on an assignment focusing on sales and business development. The Company is organizing the delegation of specific daily matters to the management team, until a new CEO has been appointed. The managers will convene on regular basis within the management committee under temporary supervision of the Chairman until a new CEO has been found.

On 23 May 2017 the Board takes notice of the willingness of Francis Vanderhoydonck to step down as a member of the board starting per 27 May 2017. The board of 26 May 2017 accepts his resignation.

## **CRITICAL JUDGEMENTS**

Going concern

At the date of this report, the company has very limited financial means.

To cope with this very pressing liquidity issue and to alleviate the debt burden of years of substantial investments in technology platforms that have as yet not generated significant operating profits, the board, in collaboration with its key investors/bondholders, has re-assessed the 'viability' of Option and has decided to act swiftly and decisively to steer the company away from failure to meet its obligations through a 7 step restructuring/rescue plan, the highlights of which have been summarized below. Some of these actions have already been executed or put in place, whilst others have been decided but are still in progress or to be initiated.

- First, in December 2016, we decided to cope with the most immediate cash needs of the company through the sale of its LED lighting division better known as Innolumis BV in the Netherlands. The cash from this sales transaction has been fully received per 31 December 2016 and has been consumed today.
- Second, we secured EUR 2.6 million of new bridge loans from key investors/bondholders to address the financial needs of the first semester of 2017. Of this amount, EUR 1.6 million has already been received and was used for general company purposes, including the payment of some restructuring charges and liabilities in arrears. The remaining EUR 1 million is expected to be received in the coming weeks and is crucial to the alleviation of the company's short term liquidity needs over the coming weeks.
- Third, we embarked on a multiple step program to convert most of the historic debts of the company into share capital in order to alleviate the balance sheet (EUR 12 million of bond and debt conversions have been completed at the date of this report and another EUR 12 million is foreseen by the end of June 2017).
- Fourth, we implemented a 'reorganization' of the company's resources to bring operating expenses in better harmony with margin generation (on the basis of an accelerated growth in topline revenues in the following quarters) and will have rightsized the company for positive EBITDA generation as of the second semester of 2017.
- Fifth, we refocused the company strategically on 'just' its core competencies related to IOT communication platforms as well as some important contract engineering programs for the automotive and smart lighting sector.
- Sixth, we will continue to reduce operating costs by eliminating/postponing all activities that bring no rapid topline growth while installing rigor and accountability in the organization through a more empowered but responsible senior management team and a culture of making tough choices and executing on our promises.
- Last and 7th, as soon as we can 'demonstrate' restored viability through operational profitability we plan to secure a credit line for funding of additional 'working capital' needs and cope with the remaining outstanding liabilities so that the company could enter 2018 leaner than ever before but with a clean bill of health and financial stability. Until that date, and even after having received the EUR 1 million bridge loan referred to above, the company will have to re-enter into negotiations with its suppliers and other creditors in order to maintain a positive cash balance in the following months. These negotiations are yet to be started.

Hence for 2017 our entire focus will be on restoring 'credibility' as a basis for shareholder value creation. We remain cautiously optimistic that we can bring this journey to a positive conclusion and successful completion for the greater benefit of all.

Based on the above action plan and the business plan supporting this, the board is of the opinion that the going concern of the company is ensured, at least until the next shareholders' meeting in May 2018. The stand-alone and consolidated financial statements per 31 December 2016 have accordingly been drafted using the going concern assumption.

## CORPORATE GOVERNANCE STATEMENT

### The Belgian Corporate Governance Code

The main aspects of the company's corporate governance policy are set out in the corporate Governance Charter of Option NV (the 'Charter', which is published at [www.option.com](http://www.option.com)).

Option adopts the "comply or explain" system with regards the following topics:

- The combination Nomination Committee – Remuneration Committee: given the size of the Group, the Board of Directors decided to combine the two so that the Remuneration Committee is also exercising the function of a nomination committee (principle 5.4 of the 2009 Code).
- Executive Chairman: Since the termination of the mandate of FDVV CONSULT BVBA, represented by Mr. Frank Deschuytere as director and CEO of the Company on March 9, 2016 the Board decided to entrust the Chairman with the daily management of the Company given his experience as previous CEO which the Board values as beneficial to guide the Company through the difficult period of the Company today . Given the size of the Group and the experience of the Chairman as previous CEO, the Board has decided that the Chairman is capable of combining both roles and thus executing the daily management until a new CEO has been nominated (principles 1.5 and 4.7). Since 18 November 2016, the Board has decided to appoint FVDH Beheer BVBA, represented by Mr Francis Vanderhoydonck as new independent Chairman ad interim of the Company. Mr Vanderhoydonck assumed this role until 7 March 2017 when he was replaced as Chairman by Mr Eric Van Zele, current Chairman of the Board.
- Mr. Raju Dandu is appointed as director for the maximum period of 6 years, in deviation of the principles of the Code that directors are appointed for a maximum duration of four years. This decision is part of an overall investment whereby Danlaw Inc has invested in Option as part of a long term strategy. (principle 4.6 of the 2009 Code).

### Composition of the Board of Directors

The articles of association stipulate that the Board of Directors is composed of a minimum of three and a maximum of nine members, who are appointed by the general shareholders meeting for a maximum period of six years. In accordance with the principles of the Code the Company's directors are appointed for a maximum duration of four years, except for Mr. Raju Dandu who is appointed for a period of 6 years. The Board of Directors must include at least three independent directors.

As of 31 December 2016, the Board was composed of five members, namely:

Mr. Jan Callewaert, executive Chairman
Raju Dandu, non-executive director
FVDH Beheer BVBA, represented by Mr. Francis Vanderhoydonck (permanent representative), non-executive independent director
Qunova BVBA, represented by Mr. Jan Vorstermans (permanent representative), non-executive independent director
Vermec NV, represented by Mr. Peter Cauwels (permanent representative), non-executive independent director

As of 7 March 2017, the Board was composed of 6 members, namely:

- Mr Eric Van Zele, non-executive Chairman of the Board, by cooptation decision of 7 March 2017 for 4 years subject to approval by the Shareholders' Meeting of 30 June 2017
- FVDH Beheer BVBA, represented by Mr Francis Vanderhoydonck, non-executive director ad interim for 4 years, by decision of the Shareholders Meeting of 29 May 2015
- Mr Jan Callewaert, executive director, appointed as director by decision of the Shareholders Meeting of 31 May 2013 for 4 years ending 31 May 2017.
- Mr Raju Dandu, non-executive director, by decision of the Extraordinary Shareholders Meeting of January 26, 2016 for a period of 6 years
- Vermec NV, represented by Mr Peter Cauwels, non-executive director, for a period of 4 years as from 1 July 2016, by cooptation decision of 3 June 2016 and subject to approval by the Shareholders' Meeting of 30 June 2017

- Crescemus BVBA, represented by Mr Pieter Bourgeois, non-executive director by cooptation decision of 7 March 2017 subject to approval by the Shareholders' Meeting of 30 June 2017

The Board proposes the Shareholders' Meeting to confirm and approve the qualification as non-independent director :

- Mr Jan Callewaert, executive director, for the reasons mentioned in Article 526ter, 2°
- Mr Raju Dandu, non-executive director, for the reasons mentioned in Article 526ter, 5° And 6°
- Mr Eric Van Zele and Crescemus BVBA because of their connections to important bondholders and shareholders of the Company.

The Board informs the Shareholders' Meeting that FVDH Beheer BVBA communicated to the board its request to end its mandate per 27 May 2017. The board accepted this termination and the board thanks FVFDH Beheer BVBA for the years of commitment shown to Option, its Board and management.

The Board proposes the Shareholders' Meeting to confirm and approve the termination of mandate of Sabine Everaet as director per 12 July 2016, Qunova BVBA per 7 March 2017, FVDH Beheer BVBA per 27 May 2017 and the appointment of Vermec NV for a period of 4 years as from 1 July 2016 and Mr Eric Van Zele and Crescemus BVBA as new directors for a period of 4 years as from 7 March 2017.

Finally, the Board of Directors refers to the Belgian Act of 28 July 2011 prescribing that any listed company needs to take appropriate measures in order to assure that within the legal timeframe, the Board of Directors has to be composed of one third of female directors. In light of the gender diversity, it is the intention of the Company to appoint two female director in due time time (i.e. by 2019). Various stakeholders of the Company have been contacted to send potential female candidate directors for Option to be able to meet these criteria.

### **Functioning of Board of Directors**

In 2016, the Board of Directors met 18 times.

Name	Board meetings attended	
	Attendance	%
Jan Callewaert	18/18	100%
FDVV Consult BVBA	4/4	100%
FVDH Beheer BVBA	16/18	88.89%
Vermec NV	8/11	72.73%
Qunova BVBA	17/18	94.44%
Sabine Everaet	2/8	25%
Raju Dandu	16/18	88.89%

In the course of 2016 the non-executive directors met on a regular basis in order to discuss and permanently evaluate the relationship with the CEO as well as the executive management of the Company as a whole. This evaluation process comprised different topics such as the operation of the Board and the committees, the contribution of each director, the interaction with the executive management and the Board's or committee's composition.

### **Activity Report**

The board of Directors exercised its powers during financial year 2016 in line with the principles as described in the Corporate Governance Charter.

In addition to its usual activities, the Board of Directors has intensively worked on a further reinforcement of the strategy and various financing options, developed by way of an interactive process between the Board and Option's management.

### **Related parties transactions – Conflict of interest procedure**

During 2016, the conflict of interest procedure foreseen in Article 523 of the Belgian Code of Companies was applied by the Board of Directors on January 7, 2016 (issue of financing by Mr. Callewaert in relation of a transaction). It was stated as follows:

*Before further discussion on this item, Mr Jan Callewaert informs the Board in accordance with the provisions of Article 523 of the Code of Companies that as prospective lender he may have a conflicting interest of a monetary nature with the Company in respect of the decisions that the Board may take in relation hereto. Therefore, in accordance with the provisions of the aforementioned Article 523 of the Code of Companies, Jan Callewaert leaves the call and does not take part in the further discussion, deliberation and voting.*

The Board discusses the terms and conditions of the loan agreement (all substantially in the format as previously discussed and agreed). The bridge financing agreement foresees inter alia in an immediate payment of EUR 1 million to the Company and has a fixed term of 12 months, and an interest rate of 7% per annum (to be paid on quarterly basis). The loan agreement will allow a pledge on the shares of IPL as a security for the Mr Callewaert and the bank for the repayment of the loan.

The Board considers these conditions to be very beneficial for the Company taking into account the current market conditions. Furthermore, the Board is of the opinion that entering into the loan agreements will provide the Company with the liquidity requested to approve the transaction.

Therefore, after discussion, the Board RESOLVES to approve the transaction and the short term funding structure as discussed above.

During 2016, the conflict of interest procedure foreseen in Article 523 of the Belgian Code of Companies was applied by the Board of Directors on February 24, 2016 (issue of financing update and status on the IPL transaction)). It was stated as follows:

*Before further discussion on this item, Mr Jan Callewaert informs the Board in accordance with the provisions of Article 523 of the Code of Companies that as prospective lender he may have a conflicting interest of a monetary nature with the Company in respect of the decisions that the Board may take in relation hereto. Therefore, in accordance with the provisions of the aforementioned Article 523 of the Code of Companies, Jan Callewaert leaves the call and does not take part in the further discussion, deliberation and voting.*

The Board discusses and approves these updates e.g. the guarantee on blocked account of 300k EUR given by Option and the monthly pay-back commitment to the bank instead of the previously agreed fixed term of 12 months.

The Board considers these conditions to be still beneficial for the Company taking into account the better than expected sales in 2016 for IPL and the prospect of profitability of the IPL business in the course of 2016.

During 2016, the conflict of interest procedure foreseen in Article 523 of the Belgian Code of Companies was applied by the Board of Directors on April 28, 2016 (in relation to a short term funding by the Chairman). It was stated as follows:

*Before further discussion on this item, Mr Jan Callewaert informs the Board in accordance with the provisions of Article 523 of the Code of Companies that he may have a conflicting interest of a monetary nature with the Company in respect of the decisions that the Board may take in relation to the financial commitments he made towards the Auditor on behalf of the Company to support the reporting under going concern. Therefore, in accordance with the provisions of the aforementioned Article 523 of the Code of Companies, Mr Jan Callewaert leaves the call and does not take part in the further discussion, deliberation and voting.*

*The Board is informed about a financial commitment granted by the Chairman on behalf of the Company for a maximum amount of EUR 2 million, to be called off in installments according to the financial needs of the Company.*

*The Board has now secured new financial commitments which together with the latest sales outlook should allow the company to fund the next 6 months and secure the short term going concern. The latest sales outlook incorporates a growth compared to actual sales realized in the first months. The Board is confident it will be able to realize the outlook as it was based on concrete discussions with customers. After this period of six months, new financing will be required. The Board will continue to explore means of capital increase or partnering on group or subsidiary level.*

*The Board considers the commitment of the Chairman to financially support the Company to be very beneficial for the Company. Therefore, after discussion, the Board RESOLVES to approve this commitment of the Chairman and to mandate management to do what is necessary or useful for the execution and further implementation of the above commitment.*

*Therefore the Board RESOLVES to prepare the annual accounts under the going concern principle.*

During 2016, the conflict of interest procedure foreseen in Article 523 of the Belgian Code of Companies was applied by the Board of Directors on April 28, 2016 (in relation to the issue of warrant to Danlaw Inc.). It was stated as follows:

*Before further discussion on this item, Mr Raju Dandu informs the Board in accordance with the provisions of Article 523 of the Code of Companies that as beneficiary of the warrants, he may have a conflicting interest of a monetary nature with the Company in respect of the decisions that the Board may take in relation hereto. Therefore, in accordance with the provisions of the aforementioned Article 523 of the Code of Companies, Raju Dandu leaves the call and does not take part in the further discussion, deliberation and voting.*

*On request of the legal counsel of Danlaw Inc., the Board confirms the issue of warrants by the Extraordinary Shareholders' Meeting of January 26, 2016 and the granting of warrants to Danlaw in execution thereof.*

During 2016, the conflict of interest procedure foreseen in Article 523 of the Belgian Code of Companies was applied by the Board of Directors on June 3, 2016 (in relation to a short term funding by the Chairman). It was stated as follows:

*Before further discussion on this item, Mr Jan Callewaert informs the Board in accordance with the provisions of Article 523 of the Code of Companies that he may have a conflicting interest of a monetary nature with the Company in respect of the decisions that the Board may take in relation to the financial commitments he made towards the Auditor on behalf of the Company to support the reporting under going concern. Therefore, in accordance with the provisions of the aforementioned Article 523 of the Code of Companies, Mr Jan Callewaert leaves the call and does not take part in the further discussion, deliberation and voting.*

*In accordance with the decision of the Board of April 28, 2016, to accept the financial commitment granted by the Chairman on behalf of the Company for a maximum amount of EUR 2 million, to be called off in installments according to the financial needs of the Company, the Board, after discussion, RESOLVES to accept said payments in current account at 7% interest per year repayable ultimately in March 2017. In case of discussion, the same terms and conditions of last bridge loan will apply.*

*The Board RESOLVES to mandate management to do what is necessary or useful for the execution and further implementation of the above commitment.*

The policy with regard to transactions between the Company or any of its affiliated companies on the one hand and members of the Board of Directors or the Executive Management Team (or members of their immediate families) on the other hand that could give rise to conflicts of interest (other than those defined in the Belgian Companies Act) has been defined in the Corporate Governance Charter.

## **Audit Committee**

As per 31 December 2016 the Audit Committee of the Company was composed of three independent directors, FVDH Beheer BVBA, Qunova BVBA and Vermec NV.

The Audit Committee met three times in 2016; on March 8 2016, on August 31 2016, and on December 8 2016. The AC reported to the Board of Directors on its activities and findings. The individual attendance rate figures (i.e. the attendance of the individual Committee member during the time he was member of the Committee) were as follows:

<b>Name</b>	<b>Audit Committees attended</b>	<b>%</b>
FVDH Beheer BVBA	3/3	100 %
Vermec NV	2/2	100%
Qunova BVBA	2/2	100%
Sabine Everaet	1/1	100 %

Jinvest BVBA was replaced by Qunova BVBA, represented by Mr. Jan Vostermans as member of the Audit Committee as from January 26, 2016.

Sabine Everaet was replaced by Vermec NV, represented by Mr. Peter Cauwels as member of the Audit Committee as from August 31, 2016.

On 26 April 2017 Qunova BVBA was replaced by Crescemus BVBA as member of the Audit Committee.

## *Activity Report*

The Audit Committee gives guidance and controls the financial reporting of the Company. It ensures the presence of sufficient internal control mechanisms and, in co-operation with the statutory auditor of the Company, investigates questions relating to bookkeeping and valuation. The main role of the audit committee is to direct and supervise the financial reporting, the accounting process and the administrative records. Each half year, the financial reports are discussed, with special attention to valuation decisions regarding portfolio participations and funds. The audit committee also monitors the efficiency of internal control and risk management within Option.

## **Remuneration and Nomination Committee**

As per 31 December 2016, the Remuneration and Nomination Committee was composed of three independent directors, FVDH Beheer BVBA, Qunova BVBA and Vermec NV.

The Remuneration and Nomination Committee's role is to provide for a fair policy of remuneration for the employees and to ensure best international practices are respected when determining the remuneration and incentives of Directors, Officers and Executive Management Team, and the appointment of the latter. Furthermore, The Remuneration and Nomination Committee advises the CEO of the Company regarding the compensation for the Executive Management Team. Given the size of the Group, the Remuneration Committee is therefore also combining the function of a Nomination Committee. The Remuneration and Nomination Committee met one time on May 24, 2016 in relation to the issue of warrants and reported to the Board of Directors on its activities and findings.

The individual attendance rate figures (i.e. the attendance of the individual Committee member during the time he/she was member of the Committee) were as follows:



<b>Name</b>	<b>Remuneration Committees attended</b>	<b>%</b>
Sabine Everaet	0/1	0 %
FVDH Beheer BVBA	1/1	100 %
Qunova BVBA	1/1	100 %

Sabine Everaet was replaced by Vermec NV, represented by Mr. Peter Cauwels as member of the Remuneration and Nomination Committee as from August 31, 2016.

On 26 April 2017 Qunova BVBA was replaced by Crescemus BVBA as member of the Remuneration and Nomination Committee.

#### *Activity Report*

During the financial year 2016, the Remuneration and Nomination Committee has further examined and monitored a number of recurrent activities such as the remuneration policy for the executive management and various scenarios to ameliorate the retention of the staff. In addition, the Committee has discussed, advised and decided upon the implementation of a new warrant plan, as well as the remuneration policy for newly appointed executive management members.

#### **REMUNERATION REPORT**

The remuneration of non-executive directors is decided by the General Shareholder Meeting based on a proposal that the Board formulates after an advice of the Remuneration Committee. The remuneration of the CEO is decided by the Board upon advice of the Remuneration Committee. The remuneration of executive management members is decided by the CEO or the managing director after consultation of the Remuneration Committee. No individual can decide on his/her own remuneration. This procedure is applied both in determining the remuneration policy and in determining the individual remuneration of directors and executive managers, and will, in the opinion of the Board of Directors, not be altered in the upcoming two financial years.

As far as the level of remuneration for the non-executive directors is concerned, the Company can offer a competitive package in line with their roles in the Board and Committees that is composed of a fixed base compensation plus attendance fees.

In setting the level of remuneration for the executive managers the Company offers a competitive total compensation based on a combination of base salary, variable salary, extra legal benefits and warrants. The methodology for setting the targets for and evaluating the performance and the variable salary of executive managers is reviewed by the Remuneration Committee.

The Remuneration Committee is assisted by remuneration specialists when needed and investigates market best practices and market reference data from time to time in order to advice on competitive remuneration levels.

#### **Remuneration of the directors**

The directors are remunerated for the execution of their mandate in accordance with the decision made by the general meeting of shareholders. The remuneration can include both a fixed amount for Board membership and an attendance fee for the meetings of the Board of Directors and the meetings of the Committees of the Board.

For 2016, the remuneration per director is limited to a maximum of EUR 30,000 (2015: EUR 30k) with an exception for the Chairman of the Audit Committee where the maximum remuneration is fixed at EUR 32,000 (2015: EUR 32k).

The remuneration is composed of the following elements:

- an annual retainer of EUR 6,600 and EUR 8,600 for the Chairman;
- an attendance fee of EUR 2,000 per Board meeting in person, provided the above maximum amount of director's annual remuneration is not exceeded;
- an attendance fee of EUR 500 per Board meeting via conference call, provided the above maximum amount of director's annual remuneration is not exceeded;
- an attendance fee of EUR 500 per Committee meeting, provided the above maximum amount of director's annual remuneration is not exceeded.

The remuneration of the Board members for 2016 was as follows.

<b>Name</b>	<b>Total Remuneration (EUR)</b>
Jan Callewaert	N/A (2015: N/A)
FDVV Consult BVBA	N/A (2015: N/A)
FVDH Beheer BVBA	24 600 (2015: 0k)
Qunova BVBA	22 600 (2015: 0k)
Sabine Everaet	4 800 (2015: 21 600)
Raju Dandu	N/A (2015: N/A)
Vermec NV	N/A (2015: N/A)

In addition to the aforementioned remuneration directors are also entitled to out-of-pocket expenses in line with the Company policies (especially travel policy) and provided such expenses are reasonable and required for the performance of their duties as director of the Company.

In 2016, the global compensation for the Board of Directors amounted to EUR 52k (2015: EUR 58k).

<b>Name</b>	<b>Board meetings attended</b>	<b>Audit Committees attended</b>	<b>Remuneration Committees attended</b>	<b>Total remuneration Thousands EUR</b>
Jan Callewaert	18/18	N/A	N/A	N/A (2015: N/A)
FDVV Consult BVBA	4/4	N/A	N/A	N/A (2015: N/A)
FVDH Beheer BVBA	16/18	3/3	1/1	24 600 (2015: 0k)
Vermec NV	8/11	2/2	N/A	N/A (2015: N/A)
Qunova BVBA	17/18	2/2	1/1	22 600 (2015: 0k)
Sabine Everaet	2/8	1/1	0/1	4 800 (2015: 21.6k)
Raju Dandu	16/18	N/A	N/A	N/A (2015: N/A)

At year end 2016 the following "Warrants 2014 and 2015" were held by the executive members of the Board of Directors.

Jan Callewaert (via Mondo NV)  
800,000 warrants (under warrant plan 2014)  
300,000 warrants (under warrant plan 2015)

Although Danlaw is not an executive member of the Board, Danlaw is connected to Raju Dandu who is a non-executive member of the Board. Danlaw received 17,391,304 warrants "warrants Danlaw" on 26 January 2016.

## Executive Management Team

The Corporate Governance Charter determines the composition of the Executive Management Team. As per 31 December 2016, the Executive Management Team was composed of the following members:

Mondo NV represented by Mr. Jan Callewaert, Chief Executive Officer (CEO)  
Finance Incorporated com.v, represented by Mr. Jan Luyckx, Chief Financial Officer (CFO)  
ST Consult BVBA, represented by Mr. Steve Theunissen, General Counsel and Secretary to the Board

### Executive officers compensation (Executive Management Team)

The management company of Mr. Frank Deschuytere (FDVV Consult BVBA) was acting as CEO of the Group until March 9, 2016 and received EUR 49k fixed compensation and additional benefits for an amount of EUR 3k covering car, fuel and lump sum allowance costs. The CEO is not entitled to nor is he a beneficiary of any pension scheme which is paid for by the Company.

In 2016, Jan Callewaert received via his management company Mondo NV, a fixed remuneration of EUR 310k for advisory and other services rendered to the Company in his capacity as executive Chairman of the Board of Directors and acting CEO of the company as of March 9, 2016.

The management company of Mr. Jan Luyckx (Finance Incorporated com.v) joined the company in July 2015 and was acting as CFO of the Group since September 30, 2015. He received EUR 157k fixed compensation without additional benefits in 2016.

The management company of Mr. Steve Theunissen (ST Consult BVBA) was acting as General Counsel of the Group since June 1, 2015 and received EUR 141k fixed compensation without additional benefits in 2016.

The management company of Mr. Jörg Palm (JP Consulting GmbH) was acting as Chief Marketing Officer of the Group until October 13, 2016 and received EUR 176k fixed compensation without additional benefits.

The executive managers have received warrants under the 2015 Warrant Plan:

Mondo NV : 300,000 warrants

Finance Incorporated com.v : 300,000 warrants of which 25% is vested and 75% is forfeited because of termination of contract.

ST Consult BVBA: 300,000 warrants

The executive managers are not entitled to any special termination compensation, nor are they beneficiary of any pension scheme which is paid for by the Company.

No member of the Management Team is entitled to specific severance payments that would be in surplus of existing legal regulations. There exist no special rights of recovery, in addition to existing legal provisions, that would grant special powers to the Company for recovery of variable compensation granted or paid on the basis of incorrect financial data.

## **SHAREHOLDER STRUCTURE**

For a detailed overview of the shareholder structure, reference is made to note 18 of the Financial Report - IFRS hereafter.

### **RELEVANT INFORMATION IN THE EVENT OF A PUBLIC TAKE-OVER BID**

#### ***Transfer restrictions imposed by the law or the bylaws***

Except as stated hereafter, none of the capital shares issued by the Company is subjected to any legal or statutory transfer restrictions.

#### ***Holders with special rights***

Pursuant to Article 14 of the bylaws of the Company Mr Jan Callewaert has a binding proposition right for the nomination of one director for each tranche of 3% (three percent) of the total amount of issued shares of the Company he holds directly or indirectly, with a maximum proposition right for the nomination of five (5) directors. He has this right on the condition that and as long as he holds at least 15% (fifteen percent) of the total amount of shares issued by the Company. This clause is subject to review on the next Extraordinary Shareholders Meeting to be held in June 2017.

#### ***Systems of control of any employee share scheme where the control rights are not exercised directly by the employees***

There are no such employee share schemes relating to the Company.

#### ***Restrictions on voting rights***

None of the capital shares of the Company is subject to any legal or statutory voting power restrictions. Each capital share entitles its holder to one vote.

The voting rights attached to the capital shares issued by the Company are however suspended in the events outlined in the Belgian Code of Companies.

Furthermore, no one may, as a general rule, cast votes at a general meeting of shareholders of the Company attached to securities that he/she has not disclosed at least twenty (20) days prior to a general meeting in accordance with the legislation on important participations (Article 545 of the Code of Companies).

The voting rights attached to shares encumbered with a life tenancy ("vruchtgebruik") are exercised by the life tenant. As far as pledged shares are concerned, the voting rights are exercised by the owner-pledgee.

Holders of subscription rights (warrants and convertible bonds) only have an advisory voting right at general meetings.

#### ***Shareholders' agreements***

To the best knowledge of the Board of Directors of the Company there are no shareholders' agreements, which may result in restrictions on the transfer of securities and/or the exercise of voting rights.

#### ***Rules governing the appointment and replacement of the members of the Board of Directors of the Company***

The directors of the Company are appointed by the general meeting of shareholders, deciding by a simple majority of votes. There are no attendance requirements for the appointment of directors.

If a legal entity is appointed director, it must appoint a permanent representative from amongst its shareholders, directors or employees, who is to be charged with the execution of the task in the name of and for the account of the legal personality-director.

At least three (3) members of the Board of Directors must be appointed as "independent director" who must meet the criteria specified in Article 524§4 of the Belgian Code of Companies. Currently the Company only has 2 independent directors but is in the process of engaging a third director to meet this criteria.

Directors can at all times be dismissed by the general meeting of shareholders, by a simple majority of votes. There are no attendance requirements for the dismissal of directors.

The bylaws of the Company provide the possibility for the Board of Directors to appoint directors in the event of a vacancy. In that case the Board of Directors has the right to provide a temporary replacement. The next general meeting of shareholders is to decide on the definitive appointment. The new director completes the term of office of his/her predecessor.

#### ***Rules governing the amendments to the bylaws of the Company***

Save for capital increases decided by the Board of Directors within the limits of the authorized capital, only the (extraordinary) general meeting of shareholders is entitled to amend the Company's bylaws.

The general meeting of shareholders may only deliberate on amendments to the bylaws – including mergers, de-mergers and a winding-up – if fifty percent (50%) of the share capital is represented. If that attendance quorum is not reached, a new extraordinary general meeting of shareholders must be convened, which may deliberate regardless of the portion of the share capital represented.

Amendments to the bylaws are only adopted, if approved by seventy-five percent (75%) of the votes cast.

The following amendments to the bylaws require however a special majority approval of eighty percent (80%) of the votes cast:

- Amendments to the provisions regarding the appointment and the dismissal of directors (Article 14 of the bylaws);
- Amendments to the corporate purpose (Article 559 of the Belgian Code of Companies);
- Modification of the legal form (Article 781 of the Code of Companies).

#### ***Powers of the Board of Directors relating to the issuance or buy-back of shares of the Company***

The share capital of the Company may be increased following a decision of the Board of Directors, within the limits of the "authorized capital". The authorization thereto must be granted by an extraordinary general meeting of shareholders; it is limited in time and amount and is subject to specific justification and purpose requirements.

#### ***Agreements between the Company and its directors or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a take-over bid***

None of the agreements entered with the directors of the Company or any of its subsidiaries contains a provision providing for compensation (on top of the normal notice period) if they resign or are made redundant without valid reason or if their mandate is terminated because of a take-over bid.

## EVENTS THAT COULD INFLUENCE THE DEVELOPMENT OF THE GROUP: OVERVIEW OF RISKS AND UNCERTAINTIES

In accordance with Article 96 of the Belgian Company Code, the annual report must describe the main risks and uncertainties that Option is confronted with in the market.

The most of such risks and uncertainties are related to the evolution of the market in which the Group is active. In general, this market is characterized by fast, successive introductions of new technologies. As a result the market is very dynamic and the Group must respond to important and successive changes. In particular, the following risks and uncertainties are specifically mentioned:

(1) Going concern.

At the date of this report, the company has very limited financial means.

To cope with this very pressing liquidity issue and to alleviate the debt burden of years of substantial investments in technology platforms that have as yet not generated significant operating profits, the board, in collaboration with its key investors/bondholders, has re-assessed the 'viability' of Option and has decided to act swiftly and decisively to steer the company away from failure to meet its obligations through a 7 step restructuring/rescue plan, the highlights of which have been summarized below. Some of these actions have already been executed or put in place, whilst others have been decided but are still in progress or to be initiated.

- First, in December 2016, we decided to cope with the most immediate cash needs of the company through the sale of its LED lighting division better known as Innolumis BV in the Netherlands. The cash from this sales transaction has been fully received per 31 December 2016 and has been consumed today.
- Second, we secured EUR 2.6 million of new bridge loans from key investors/bondholders to address the financial needs of the first semester of 2017. Of this amount, EUR 1.6 million has already been received and was used for general company purposes, including the payment of some restructuring charges and liabilities in arrears. The remaining EUR 1 million is expected to be received in the coming weeks and is crucial to the alleviation of the company's short term liquidity needs over the coming weeks.
- Third, we embarked on a multiple step program to convert most of the historic debts of the company into share capital in order to alleviate the balance sheet (EUR 12 million of bond and debt conversions have been completed at the date of this report and another EUR 12 million is foreseen by the end of June 2017).
- Fourth, we implemented a 'reorganization' of the company's resources to bring operating expenses in better harmony with margin generation (on the basis of an accelerated growth in topline revenues in the following quarters) and will have rightsized the company for positive EBITDA generation as of the second semester of 2017.
- Fifth, we refocused the company strategically on 'just' its core competencies related to IOT communication platforms as well as some important contract engineering programs for the automotive and smart lighting sector.
- Sixth, we will continue to reduce operating costs by eliminating/postponing all activities that bring no rapid topline growth while installing rigor and accountability in the organization through a more empowered but responsible senior management team and a culture of making tough choices and executing on our promises.
- Last and 7th, as soon as we can 'demonstrate' restored viability through operational profitability we plan to secure a credit line for funding of additional 'working capital' needs and cope with the remaining outstanding liabilities so that the company could enter 2018 leaner than ever before but with a clean bill of health and financial stability. Until that date, and even after having received the EUR 1 million bridge loan referred to above, the company will have to re-enter into negotiations with its suppliers and other creditors in order to maintain a positive cash balance in the following months. These negotiations are yet to be started.

Hence for 2017 our entire focus will be on restoring 'credibility' as a basis for shareholder value creation. We remain cautiously optimistic that we can bring this journey to a positive conclusion and successful completion for the greater benefit of all.

Based on the above action plan and the business plan supporting this, the board is of the opinion that the going concern of the company is ensured, at least until the next shareholders' meeting in May 2018. The stand-alone and consolidated financial statements per 31 December 2016 have accordingly been drafted using the going concern assumption.

- (2) The brittle financial position of the group and its negative own equity could be in the disadvantage in establishing commercial deals in case an indepth financial analysis by existing or potential vendors and customers is executed.
- (3) The Group depends on third parties to offer wireless data communications services and hosting services. If these services are not offered as anticipated, consumers would be unable to use the Group's innovative products and revenues could decline. The marketability of the Company's products may suffer if wireless telecommunications operators do not deliver acceptable wireless services or if the price of such services would become too high for mass market adoption. In addition, the future growth depends on the successful deployment of next generation wireless data networks provided by those third parties, including those networks for which the Group is currently developing products. If these next generation networks are not deployed, delayed or not widely accepted, there will be no market for the products the Group is developing to operate on those networks. If the Group does not properly manage the development of its business, the Group may experience significant strains on its management and operations.
- (4) Option is outsourcing manufacturing of its products to third parties and can be dependent upon the development and deployment of these third parties' manufacturing abilities and the overall quality of their work. The inability of any supplier or manufacturer to fulfill Option's supply requirement, demands and production schedules could impact future results. Option has short term supply commitments to its outsource manufacturers based on its estimation of customer and market demand. Where actual results vary from those estimates, whether due to execution on Option's parts or market conditions, Option could be at commercial risk. Suppliers may not continue to supply products to the Company on commercially acceptable terms, or at all.
- (5) The Group may have difficulty managing its strategic repositioning, which may damage its ability to retain key personnel and to compete effectively. On the other hand, the Group may not be able to maintain and expand its business if the Group is not able to hire, retain and manage additional qualified personnel.
- (6) The Group's increasingly complex products may contain errors or defects, which could prevent or decrease their market acceptance and lead to unanticipated costs or other adverse business consequences. The increasing product complexity multiplies the risk of undetected errors and defects.
- (7) In the event the Group would be unable to develop new innovative products that gain sufficient commercial acceptance, the Group may be unable to recover its research and development expenses and the Group may not be able to maintain its market share and the revenues could decline. The transition from pure hardware product sales to complex, wireless solution sales may further impact this as the typical sales cycle for a hardware product are shorter than those for a complex end to end solution. The ability to design and develop new products depends on a number of factors, including, but not limited to the following:
  - o the ability of the Group to attract and retain skilled technical employees;
  - o the availability of critical components from third parties;
  - o the ability of the Group to successfully complete the development of products in a timely manner;

- o the ability of the Group to manufacture products at competitive price and quality.

A failure by the Group or its suppliers in any of these areas, or a failure of these products to obtain commercial acceptance, could result in the Group being unable to recover its research and development expenses and could result in a decrease in bottom line result. If the Group fails to develop and introduce new products successfully, the Group may lose key customers or product orders and its business could be harmed.

- (8) If the Group fails to develop and maintain strategic relationships, the Company may not be able to penetrate new markets. A key element of the Group's business strategy is to penetrate new markets by developing new products through strategic relationships with industry leaders in wireless communications and related industry sectors (open innovation). The Group is currently investing, and plans to continue to invest, significant resources to develop these relationships. The Group believes that its success in penetrating new markets for its products will depend, in part, on its ability to develop and maintain these relationships and to cultivate additional or alternative relationships. There can be no assurance, however, that the Group will be able to develop additional strategic relationships, that existing relationships will survive and successfully achieve their purposes or that the companies with whom the Group has strategic relationships will not form competing arrangements with others or determine to compete unilaterally with the Group.

The Group may fail effectively to identify or execute certain strategic partnerships and if it does pursue such partnerships it may fail to realise anticipated benefits to the business in a timely manner.

- (9) The Group may not be able to develop products that comply with applicable government regulations. The Group's products must comply with government regulations. For example, in many countries many aspects of communications devices are regulated, including radiation of electromagnetic energy, biological safety and rules for devices to be connected to telephone networks. Additionally, the Group cannot anticipate the effect that changes in domestic or foreign government regulations may have on its ability to develop and sell products in the future. Failure to comply with existing or evolving government regulations or to obtain timely regulatory approvals or certificates for its products could materially adversely affect its business, financial condition and results of operations or cash flows.

- (10) The Group might forecast customer demand incorrectly and order the manufacture of excess or insufficient quantities of particular products. Furthermore for its entire product line the Group depends on sole source suppliers for supplying some components used in its products. The availability and sale of those finished products would be harmed if any of these suppliers is not able to meet the Group's demand and production schedule.

- (11) The Group's business depends on its continued ability to license necessary third-party technology, which the Group may not be able to do or it may be expensive to do so. The Group licenses technology from third parties for the development of its products. Certain licenses do not have a specified term and may be terminated by the Group or by the licensor for cause or upon the occurrence of other specified events. There can be no assurance that the Group will be able to maintain its third-party licenses or that these licenses or the technologies that are the subject of these licenses will not be the subject of dispute or litigation, or that additional third-party licenses will be available to the Group on commercially reasonable terms, if at all.

The inability to maintain or obtain third-party licenses required for its products or to develop new products and product enhancements could require the Group to seek to obtain alternative technology of lower quality or performance standards, if such exists, or at greater cost, which could seriously harm its competitive position, revenue and prospects.



- (12) The Group may infringe on the intellectual property rights of others. Third parties could claim that the Group's products, or components within its products, infringe on their intellectual property rights. These claims may result in substantial costs, diversion of resources and management attention; harm the Group's reputation or interference with its current or prospective customer or supplier relation. The industry in which the Group operates has many participants that own, or claim to own, proprietary intellectual property. In the past we have received, and in the future may receive assertions or claims from third parties alleging that our products violate or infringe their intellectual property rights. The Group may be subject to these claims directly or through indemnities against these claims which the Group has provided to certain customers. Regardless of whether these infringement claims have merit or not, we may be subject to the following:
- We may be liable for potentially substantial direct, indirect or consequential damages, liabilities and litigation costs, including attorneys' fees and any other legal and court fees;
  - We may be prohibited from further use of the intellectual property and may be required to cease selling our products that are subject to the claim;
  - We may have to license the third party intellectual property, incurring royalty fees that may or may not be on commercially reasonable terms. In addition, there is no assurance that we will be able to successfully negotiate and obtain such a license from the third party;
  - We may have to develop a non-infringing alternative, which could be costly and delay or result in the loss of sales. In addition, there is no assurance that we will be able to develop such a non-infringing alternative;
  - The diversion of management's attention and resources;
  - We may be required to indemnify our customers for certain costs and damages they incur in such a claim.

## **FINANCIAL INSTRUMENTS AND RISKS**

- (1) Derivative financial instruments can be used to reduce the exposure to fluctuations in foreign exchange rates. These instruments are subject to the risk of market rates changing subsequent to acquisition. The risks of these changes are generally offset by the opposite effects of hedging, however not all financial risks can be fully hedged. To the extent the Group enters into contracts that are denominated in foreign currencies and does not adequate hedge that exposure, fluctuations in exchange rates between the Euro and the foreign currencies may affect the Group's operating results.
- (2) Credit evaluations are performed on all customers requiring credit over a certain amount. The credit risk is monitored on a continuous basis.
- (3) Any changes to existing accounting pronouncements or taxation rules may cause adverse fluctuations in the Group's reported results of operations or negatively affect how the Group conducts its business.
- (4) The Group may not be able to obtain the financing needed to fulfill its future capital and refinancing needs. There is no guarantee that the financing, if needed, will be available or will be available at attractive conditions. Furthermore each debt financing, if available, may contain covenants limiting the Group's freedom to do business and/or the Group could become in breach under such covenants.
- (5) The Group is likely to continue to be further negatively affected by the impact that the recent economic downturn. The uncertainty about the further evolution of this crisis, as well as its impact on the global economic situation, limits visibility on the evolution of the results of operations. The continuing global financial crisis and current uncertainty in global economic

conditions could have a material adverse effect on the results of operations and financial condition of the Group.

- (6) The Group is subject to material currency risk, as the larger part of its purchase transactions are in US dollars. The Group aims to match foreign currency cash inflows with foreign cash outflows.
- (7) Any acquisitions the Group makes or any sale of its divisions could disrupt its business and harm its financial condition and results of operations.
- (8) The Group may require additional capital in the future, which may not be available to it. Future financings to provide this capital may dilute investor's ownership in the Group. Any additional capital raised through the sale of additional shares may dilute Shareholder's percentage ownership interest in the Group and may have an effect on the market price of the shares.
- (9) The Group's quarterly operating results may vary significantly from quarter to quarter and may cause its stock price to fluctuate. The Group's future quarterly operating results may fluctuate significantly and may fall short of or not exceed the expectations of security analysts, investors or management.

## **CONFLICTS OF INTERESTS**

The conflict of interest procedure as set forth in Article 523 of the Belgian Code of Companies was applied in 2016 as detailed in the corporate governance statement of this annual report.

## **REPORT ON RISK MANAGEMENT AND INTERNAL CONTROLS**

Option's Board of Directors is responsible for assessing risks inherent to the Group and the effectiveness of Internal controls. The Belgian Corporate Governance Code 2009 recommends highlighting risk factors and the measures the Board has taken to keep these risks at an acceptable level. The Group's internal control organization is based on the 5 pillars of the COSO<sup>1</sup> 2013 Framework:

- o Control environment;
- o Risk assessment;
- o Control activities;
- o Information and communication;
- o Monitoring activities.

### **Control environment**

The Board of Directors set up an Audit Committee and a Remuneration Committee. The Audit Committee gives guidance and controls the financial reporting of the Group. It ensures the presence of sufficient internal control mechanisms and, in co-operation with the statutory auditor of the Group, investigates questions which are in relation to accounting and valuation rules. The Remuneration Committee's role is to provide for a fair policy of remuneration for the employees and Management and to ensure best international practices are respected when determining remunerations and incentives. Management defines the management style and values as well as the skills and job descriptions needed for all functions and tasks within the organization.

The Group has adopted the Corporate Governance Charter and the Board of Directors introduced a Code of Dealing, which explains the prohibition of using inside information for dealing in Option's financial instruments.

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<sup>1</sup> COSO (Committee of Sponsoring Organizations) is a private non-governmental international body recognized on matters of governance, internal control, risk management and Financial reporting.

The Group has a clear organization chart, covering the different entities belonging to the Group. For all functions, areas of responsibilities are defined.

### **Risk assessment**

We refer to the section "overview of risks and uncertainties" and "financial instruments" of this report which describes the risks related to the evolution of the market and business, the Group is operating in.

The Board of Directors and management determines the strategy, the budget and mid- to long term business plan for the Group. During this process, risks and uncertainties are discussed and taken into account to further finalize the Groups strategy and budgets.

The most important risk categories were identified:

#### Physical risks

In order to avoid a disruption in production, the Group has outsourced a part of its production to different third party manufacturers (hereafter also called "production partners"). However, this exposes the Group to a number of risks and uncertainties outside of its control. If one of these third-party manufacturers were to experience delays, disruptions, capacity constraints or quality control problems in its manufacturing operations, product shipments to customers of the Group could be delayed or rejected or its customers could consequently elect to cancel the underlying product purchase order or choose to claim late delivery penalty. The cost, quality and availability of manufacturing partners are essential to the successful production and sale of the Group's products. Force majeure risks, at any point in the production/supply chain, could lead to property and material damage, cyber risks and business interruption.

#### Financial risks

A detailed description of the financial risk management, being the credit, liquidity and market risk is disclosed below.

#### Customer risks

Product recalls is an identified risk the Group could be confronted with. The Company's products are technologically complex, consist of various components acquired from diverse parties and include a major hardware component and complex software component, and must meet stringent industry, regulatory and customer requirements. The products produced by the Group may contain undetected errors or defects, especially when first introduced or when new models or versions are released. The increasing product complexity multiplies the risk of such errors. This could lead to a rejection or recall of this particular product.

#### Supplier risks

Quality issues and sole dependency on one supplier for the delivery of one specific product has been identified as a risk. The availability and sale of finished products would be jeopardized if any of these suppliers is not able to meet the Group's demand and production schedule and if alternative suitable components are not available on acceptable terms.

#### Organizational risks

Since the Group is operating in a fast moving and competitive technology sector, strategic pillars needs to be identified, and revised where necessary. The Group embarked on an industrial transformation that is continuing since the Group moved away from the highly commoditized segments of the market.

If the Group fails to develop and introduce successfully new products in its product portfolio, the Group could lose key customers or product orders and as a result, the Groups business could be harmed. In addition, as the Groups introduces new products or new versions of its existing products, its current customers may not require or desire the technological innovations of these products and may not purchase them or might purchase them in smaller quantities than the Company had expected. This, as well as fast changing technologies, could lead to shortened life cycles.

The Group has an ERP system which is used in its major entities (SAP). A failure could lead to a major impact with respect to financial data, master data, monitoring production, procurement and sales flows.

### **Control activities**

The control activities include the measures taken by the Group to ensure that the most important risks, which were identified, are controlled or mitigated.

The Group manages its force majeure risks, being property and material damage, business interruption, cyber risk by entering into insurance contracts covering such risks.

Before commercializing its products, the Group performs the necessary tests to reach the level of technical acceptance. In order to try to assure the best possible quality standards during production, the Company has developed in-house test and calibration systems. These systems are used in the production of most of the Company's products. The in-house developed systems allow the Company to monitor the quality parameters used during production process that takes place in the factory of the Company's subcontractors. The test results are automatically uploaded in a database of the Company allowing it to check and verify the production history of those products. Furthermore, the Group has entered into a specific insurance contract to cover all external costs resulting from a potential recall risk.

The Group has changed its procurement process which is now processed by the third party manufacturer and supervised by the Group.

The Group has identified its strategic pillars. In order to cope with changing market conditions the Board and management have a number of strategic meetings in order to determine the further strategy of the Group. Product life cycles are monitored closely.

To guarantee the continuity of ERP system (SAP), back-ups are made on a daily basis and the maintenance is performed by an experienced third party. During 2009 and 2010 the current SAP security setup and access rights have been reviewed during an "SAP security project" under which new roles were developed. The driving factors of this project were based on control of integrity (segregation of duties) and completeness of figures / data.

An important element to control activities is the annual budget exercise in which strategy, risk, business plans and intended results are tested. The performance towards the targets is monitored monthly by the Finance team and discussed in management meetings.

### **Information and communication**

In order to transmit reliable financial information a standardized information flow process has been defined, which is consistent for all entities belonging to the Group. This process flow includes the specific tasks to be completed by all entities for each monthly closing as well as specific deadlines. The Group has an accounting manual and works with a uniform reporting format, used by all its entities, to ensure the consistency of data as well as to detect potential anomalies.

The financial information is presented to the Audit Committee and to the Board of Directors on a quarterly basis. When approved, a financial press release or business update is sent in due time to the market. Following such release, the whole organization of the Group is informed. The information shared on a regular basis with the staff is not limited to a financial

update, but includes as well business updates and in case this is required, strategically updates.

### **Monitoring activities**

Supervision is done by the Board of Directors through the Audit Committee's activities and responsibilities. The Audit Committee reviews and discusses the quarterly closings based on a presentation of the Group's financial management. Minutes of the meeting are prepared including the follow up action points. Given the structure and current size of the Group, there is no internal auditor's function.

## **STATEMENT**

The Board, to the best of their knowledge, declares the following:

- a. the annual financial statements were prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the undertakings included in the consolidation taken as a whole;
- b. the annual report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Leuven, May 31<sup>st</sup> , 2017

The Board of Directors

### **3. FINANCIAL REVIEW**

The Capital of the Company amounts to EUR 4,922,127 and is represented by 98,442,546 shares. The shares are listed on the "NYSE Euronext Brussels" stock exchange under the code BE0003836534.

At year-end 2016, all shares, except 1 (one) which existed in registered form, were dematerialized.

At year-end 2016, the Company had the following significant shareholders in accordance with the received transparency declarations:

<b>Identity of the person, entity or group of persons or entities</b>	<b>Number of shares</b>	<b>Percentage of financial instruments held</b>
Jan Callewaert	14 809 008	15.04%
Free float	83 633 538	84.96%
Total outstanding shares (*)	98 442 546	100%

(\*) Following the recent restructuring of debt in the beginning of March 2017, the updated shareholders information can be consulted at our website.

#### **DISCUSSION OF THE CONSOLIDATED ANNUAL ACCOUNTS**

The consolidated accounts include the following subsidiaries:

- o Option Wireless Ltd, Cork (Ireland)
- o Option Germany GmbH, Augsburg (Germany)
- o Option Japan KK (Japan)
- o Option Wireless Hong Kong Limited (China)
- o Option Wireless Technology (Suzhou) Co. Ltd. (China)
- o Option Wireless Hong Kong Limited Taiwan Branch (Taiwan)
- o Option Wireless USA Inc. (United States of America)

Due to cost reduction measures, activities in the sites Augsburg, France and Cork were transferred or ceased in the past years. The entities in France, in Japan and in Augsburg were put into liquidation, however these liquidations were not yet finalized at the end of 2016.

The cork site is dormant now, the Paris site is under "liquidation judiciaire"<sup>1</sup> as of 30 December 2014. Option France has been deconsolidated as from December 2014 due to the loss of control.

#### **REVENUES**

Total revenues for 2016 decreased by 10% to EUR 4,210k, compared with EUR 4,698k in 2015.

#### **GEOGRAPHICAL SPREAD OF SALES**

We refer to the note 3 Operating segments and entity-wide disclosures of the financial statements in this annual report for additional information about the geographical spread of sales.

#### **GROSS MARGIN**

Gross profit for 2016 is EUR 2,165k or 51% on total revenues, compared with gross margin of 28% in 2015. Excluding the write-off on inventory, the normalized gross margin would have reached 62% in 2016.

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<sup>1</sup> It concerns a judicial liquidation where a liquidator was appointed.

## **OPERATING EXPENSES**

The operating expenses for the full year 2016, including depreciation, amortization and impairment charges were EUR 7,754k compared to EUR 13,082k for the previous year. This represents a decrease of 41% and is mainly related to decrease in personnel.

## **RESULT FROM OPERATIONS (EBIT)**

During 2016, EBIT was EUR (5,589k) compared to EUR (11,754k) in 2015, which implies an improvement of 52%.

## **EBITDA**

EBITDA amounted to EUR (4,273k) for the full year 2016, compared to EUR (7,927k) for 2015.

## **FINANCE RESULT**

The Group carried a negative financial result of EUR 2,875k (2015: negative of EUR 2,312k) and mainly related to interests on the convertible bond loans and the bridge loan (EUR 2,200k). The 2016 net exchange rate result amounted to EUR (40k) and was mainly related to the USD. Compared with 2015, interests increased with around EUR 390k and exchange results increased with around EUR 168k.

## **TAX RESULT**

Following the IFRS guidance related to deferred tax assets, the Group determined in financial year 2010 that it was prudent to reverse the deferred tax asset in full. No Deferred Tax Asset is recognized in 2016.

Tax expenses in 2016 amounted to EUR (1k) (2015: EUR 18k).

## **NET RESULT AND EARNINGS PER SHARE**

The earnings per share were as follows in 2016:

Net result, for the full year 2016, amounted to EUR (7,812k) or EUR (0.08) per basic and diluted share. This compares to a net result of EUR (14,084k) or EUR (0.15) per basic and diluted share during 2015.

## **BALANCE SHEET**

At year-end 2016, total assets amounted to EUR 3,108k compared to EUR 7,831k at the end of the previous year.

Cash and cash equivalents decreased over the year from EUR 4,068k to EUR 774k at the end of 2016.

Trade and other receivables increased from EUR 732k to EUR 1,103k at the end of 2016. This increase was attributable to the trade receivables which increased due to higher revenues in the second half of 2016. The trade receivable portfolio is sound. Most sales in non-OECD countries are covered by letters of credit or by credit insurance.

Inventories decreased from EUR 1,501k to EUR 619k at the end of 2016. This lower inventory position is explained by decreased positions of the work in progress and raw materials. The total amortization related to the inventory amounted to EUR 440k compared to EUR 2,844k in 2015.

The net book value of intangible fixed assets was EUR 427k at the end of 2016, compared with EUR 893k as at 31 December 2015. The value of the R&D projects is determined based on an estimate of the projected contributions from the development projects in the coming quarters.

The net book value of tangible fixed assets was EUR 20k at the end of 2016, compared with EUR 120k as at 31 December 2015.

Total current liabilities increased during the year to EUR 11,130k in 2016, compared with EUR 9,428k in 2015. This increase relates to the new bridge of EUR 1,975k.

Non-current liabilities increased from EUR 26,105k to EUR 27,076k in 2016, mainly due to capitalization of interests.



On a balance sheet total of EUR 3,108k, the total shareholders' equity represented EUR (35,098k). Therefore, at the end of 2016, the Group solvency ratio was (1,129%), compared to (354%) in 2015.

The cash flow generated from operating activities during 2016 represented EUR (4,860k) compared to EUR (5,438k) in the previous year.

For more detailed information, we refer to the notes.

#### **APPROPRIATION OF THE NON-CONSOLIDATED RESULT**

The statutory accounts of the Company (Belgian GAAP) reported a net loss for the year 2016 of EUR 7.9 million, compared with a net loss of EUR 14.1 million in 2015.

The Board of Directors proposes to add the non-consolidated net loss of EUR 7.9 million of 2016 to the loss carried forward from the previous years.

<b>Abridged allocation account (According to Belgian Accounting Standards)</b>		
December 31- in Thousands EUR	2016	2015
Profit/(loss) carried forward from previous year	( 38 020)	( 23 953)
Profit/(loss) for the period available for appropriation	( 7 894)	( 14 067)
Profit/(loss) to be appropriated	( 45 914)	( 38 020)

## 4. FINANCIAL REPORT – IFRS

### 4.1. Consolidated Financial Statements

#### 4.1.1. Consolidated Income Statement

Year ended 31 December Thousands EUR	Note	2016	2015
<b>Revenues</b>	3	<b>4 210</b>	<b>4 698</b>
Cost of products sold	4	( 2 045)	( 3 370)
<b>Gross Margin</b>		<b>2 165</b>	<b>1 328</b>
Research and Development expenses	4-5	( 2 925)	( 4 956)
Sales, marketing and royalties expenses	4-5	( 1 394)	( 3 336)
General and administrative expenses	4-5	( 3 435)	( 4 790)
<b>Total Operating expenses</b>		<b>( 7 754)</b>	<b>( 13 082)</b>
<b>Result from operations</b>		<b>( 5 589)</b>	<b>( 11 754)</b>
Finance costs	6	( 3 013)	( 2 534)
Finance income	6	340	222
<b>Finance result-net</b>		<b>( 2 673)</b>	<b>( 2 312)</b>
<b>Profit / (loss) before income taxes</b>		<b>( 8 262)</b>	<b>( 14 066)</b>
Income tax benefits / (expenses)	7	1	( 18)
<b>Net Result of the period</b>		<b>( 8 261)</b>	<b>( 14 084)</b>
<b>Result of discontinued operations</b>	27	<b>340</b>	-
<b>Net Result of the period attributable to the owners of the Company</b>		<b>( 7 921)</b>	<b>( 14 084)</b>
<b>Earnings per share</b>			
Basic weighted average number of ordinary shares		97 880 569	95 964 132
Diluted weighted average number of ordinary shares		97 880 569	95 964 132
Basic earnings / (loss) per share before discontinued operations	19	(0.08)	(0.15)
Diluted earnings / (loss) per share before discontinued operations	19	(0.08)	(0.15)
Basic earnings / (loss) per share	19	(0.08)	(0.15)
Diluted earnings / (loss) per share	19	(0.08)	(0.15)

## 4.1.2. Consolidated statement of comprehensive income

Year ended December 31		2016	2015
Thousands EUR	Note		
Profit / (Loss) for the period		( 7 921)	( 14 084)
<b><u>Other comprehensive income</u></b>			
Items that might be reclassified subsequently to profit or loss			
Exchange difference arising on translation on foreign operations		-	126
Other comprehensive income / (loss) for the period (net of tax)		-	126
<b>Total comprehensive income / (loss) for the period attributable to the owners of the parent</b>		<b>( 7 921)</b>	<b>( 13 958)</b>

### 4.1.3. Consolidated statement of financial position

Year ended December 31		2016	2015
Thousands EUR	Note		
<b>Assets</b>			
Intangible assets	8	427	893
Property, plant and equipment	9	20	120
Other financial assets	11	137	490
Other non-current assets	10	9	15
<b>Total non-current assets</b>		<b>593</b>	<b>1 518</b>
Inventories	12	619	1 501
Trade and other receivables	10	1 103	732
Cash and cash equivalents	13	774	4 068
Income tax receivable		19	12
<b>Total current assets</b>		<b>2 515</b>	<b>6 313</b>
<b>Total assets</b>		<b>3 108</b>	<b>7 831</b>
<b>Liabilities and shareholders' equity</b>			
Issued capital	18	4 922	4 845
Share premium	18	5 466	5 076
Reserves and CTA	18	( 45 486)	( 37 623)
<b>Total shareholders' equity attributable to the owners of the Company</b>		<b>( 35 098)</b>	<b>( 27 702)</b>
Financial debt	14	27 076	26 105
<b>Total non-current liabilities</b>		<b>27 076</b>	<b>26 105</b>
Financial debt	14	1 984	-
Trade and other payables	15	8 554	9 124
Provisions	16	422	295
Income tax payable	7	170	9
<b>Total current liabilities</b>		<b>11 130</b>	<b>9 428</b>
<b>Total liabilities and shareholders' equity</b>		<b>3 108</b>	<b>7 831</b>

## 4.1.4. Consolidated statement of cash flows

Year ended December 31		2016	2015
Thousands EUR	Note		
<b>OPERATING ACTIVITIES</b>			
<b>Net Result (A)</b>		<b>( 7 921)</b>	<b>( 14 084)</b>
Amortisation of intangible assets	8	904	2 533
Depreciation of property, plant and equipment	9	100	135
Impairment of financial assets	11	311	746
Loss/(gains) on sale of property, plant and equipment		( 19)	( 65)
Loss/(gains) on financial fixed assets	27	( 378)	-
(Reversal of) write-offs on current and non current assets		375	916
Impairment losses on intangible assets	8	-	413
Increase / (decrease) in provisions	16	122	36
Unrealized foreign exchange losses/(gains)		49	42
Interest (income)	6	( 3)	( 4)
Interest expense	6	2 633	2 129
Equity settled share based payment expense	18	57	104
Tax expense / (benefit)	7	( 1)	18
<b>Total (B)</b>		<b>4 150</b>	<b>7 003</b>
<b>Cash flow from operating activities before changes in working capital (C)=(A)+(B)</b>		<b>( 3 771)</b>	<b>( 7 081)</b>
Decrease / (increase) in inventories	12	622	835
Decrease / (increase) in trade and other receivables	10	( 445)	67
Increase / (decrease) in trade and other payables	15	( 409)	1 450
Increase / (decrease) in deferred revenue		-	-
Use of provisions	16	5	-
<b>Total changes in working capital (D)</b>		<b>( 227)</b>	<b>2 352</b>
<b>Cash generated from operation (E)=(C) + (D)</b>		<b>( 3 998)</b>	<b>( 4 729)</b>
Interests (paid) (F)		( 862)	( 705)
Interests received (G)		-	4
Income tax (paid)/received (H)		-	( 8)
<b>CASH FLOW FROM OPERATING ACTIVITIES (i)=(e)+(f)+(g)+(h)</b>		<b>( 4 860)</b>	<b>( 5 438)</b>

**INVESTING ACTIVITIES**

Expenditures on product development, net of grants received	8	( 438)	( 788)
Acquisition of property, plant and equipment	9	-	-
Proceeds from sale of property, plant and equipment	9	19	65

**CASH FLOW USED IN INVESTING ACTIVITIES (j)****( 419) ( 723)****FINANCING ACTIVITIES**

Proceeds from borrowings	14	2 485	8 675
Finance lease liabilities	15	-	-
Repayment of borrowings	14	( 500)	-

**CASH FLOW PROVIDED BY/(USED I) FINANCING ACTIVITIES (k)****1 985 8 675****Net increase / (decrease) of cash and cash equivalents = (I)+(J)+(K)****( 3 294) 2 514**

Cash and cash equivalents at beginning of year	13	4 068	1 554
Effect of foreign exchange difference		-	-
Cash and cash equivalents at end of year	13	774	4 068

**Difference****( 3 294) 2 514**

## 4.1.5. Consolidated statement of changes in equity

Thousands EUR	Issued capital	Share premium	Share-based payment reserve	Foreign currency translation reserves	Share Issue costs	Retained earnings / (losses)	Total
<b>At 1 January 2015</b>	<b>4 739</b>	<b>3 763</b>	<b>26</b>	<b>73</b>	<b>(2 617)</b>	<b>(21 251)</b>	<b>(15 267)</b>
Net result for the year	-	-	-	-	-	(14 084)	(14 084)
Other comprehensive loss for the year, net of income tax	-	-	-	126	-	-	126
<i>Total comprehensive loss for the year</i>	-	-	-	126	-	(14 084)	(13 958)
Equity component of the convertible loan	-	812	-	-	-	-	812
Transfer from/to	-	-	-	-	-	-	-
Capital Increase	106	501	-	-	-	-	607
Capital decrease	-	-	-	-	-	-	-
Share based payments	-	-	104	-	-	-	104
<b>At 31 December 2015</b>	<b>4 845</b>	<b>5 076</b>	<b>130</b>	<b>199</b>	<b>(2 617)</b>	<b>(35 335)</b>	<b>(27 702)</b>
Net result for the year	-	-	-	-	-	(7 921)	(7 921)
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-	-
<i>Total comprehensive loss for the year</i>	-	-	-	-	-	(7 921)	(7 921)
Equity component of the convertible loan	-	11	-	-	-	-	11
Transfer from/to	-	-	-	-	-	-	-
Capital Increase	77	379	-	-	-	-	456
Capital decrease	-	-	-	-	-	-	-
Share based payments	-	-	57	-	-	-	57
<b>At 31 December 2016</b>	<b>4 922</b>	<b>5 466</b>	<b>187</b>	<b>199</b>	<b>(2 617)</b>	<b>(43 256)</b>	<b>(35 098)</b>

## 4.2. Notes to the consolidated financial statements

### NOTE 1: Corporate information

Option NV (hereafter the Company) was incorporated on 3 July 1986 and has been publicly listed since November 1997, first on the European stock exchange ("Easdaq" later "Nasdaq Europe") and since 2003 on the Eurolist of Euronext Brussels Continuumarkt, Trading group A1 (Ticker: OPTI - code BE0003836534).

Option NV has the legal form of a public limited company (Naamloze Vennootschap (NV) whose shares were offered for sale to the public and is incorporated under Belgian law. Its headquarters are located in Belgium (Gaston Geenslaan 14, 3001 Leuven). Option NV is present in different continents around the world. The main company is the headquarter located in Leuven. A complete list of all the subsidiaries of the Company can be found at the end of this annual report (see Note 25 Option companies).

The consolidated financial statements of the Company for the year ended 31 December 2016 comprise the Company and its subsidiaries (hereinafter jointly referred to as "Option" or the "Group"). The annual report was authorized for issue by the board of directors.

#### **BASIS OF PREPARATION**

The consolidated financial statements have been prepared under the historical cost convention. The consolidated financial statements are presented in Euros and all values are rounded to the nearest thousand (EUR 000) except otherwise stated.

#### **STATEMENT OF COMPLIANCE**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

#### **BASIS OF CONSOLIDATION**

The consolidated financial statements include the financial statements of the Company and all the subsidiaries controlled by the Company. Control exists when the Group has the power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

Option NV has a 100% stake in all its subsidiaries (cfr Note 25).

The results of subsidiaries acquired or disposed of during the year are consolidated from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated in full in preparing the consolidated financial statements. Unrealized losses are also eliminated in the same way as unrealized gains unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### **CHANGES IN ACCOUNTING POLICY AND DISCLOSURES**

No changes were made on the presentation, nor classification and disclosures in the accounting policies.



### **Standards and Interpretations effective in the current period**

The Group issued the same standards as previous years with exemption of some new standards and amendments applied for the first time in 2016.

- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception, effective 1 January 2016;
- Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations, effective 1 January 2016;
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative, effective 1 January 2016;
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation, effective 1 January 2016;
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Bearer Plants, effective 1 January 2016;
- Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions, effective 1 February 2015;
- Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements, effective 1 January 2016;
- Annual Improvements to IFRS 2010-2012 Cycle (issued December 2013), effective 1 February 2015;
- Annual Improvements to IFRS 2012-2014 Cycle (issued September 2014), effective 1 January 2016.

### **Early adoption of Standards and Interpretations**

List of standards and interpretations issued not yet effective in the current year to be included, as well as a comment on impact at initial adoption.

List of standards not yet effective at 31 December 2016:

- Amendments to IFRS 2 Share-based Payment – Classification and Measurement of Share-based Payment Transactions 1, effective 1 January 2018;
- Amendments to IFRS 4 Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 41, effective 1 January 2018;
- IFRS 9 Financial Instruments, effective 1 January 2018;
- IFRS 15 and Clarifications to IFRS 15 Revenue from Contracts with Customers, effective 1 January 2018;
- IFRS 16 Leases, effective 1 January 2019;
- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative, effective 1 January 2017;
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses, effective 1 January 2017;
- Amendments to IAS 40 Investment Property – Transfers of Investment Property, effective 1 January 2018;

- IFRIC 22 Foreign Currency Transactions and Advance Consideration, effective 1 January 2018;
- Annual Improvements to IFRS 2014-2016 Cycle (issued December 2016), effective 1 January 2017 and 1 January 2018;

The Group has elected not to adopt any Standards or Interpretations in advance of their effective dates and did not yet assess the potential impact of any.

## **ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts in the financial statements and related notes. It concerns mainly the recoverability of fixed assets, deferred taxes, intangible assets, warranty obligations and other probable liabilities on the closing date of the financial statements and the reported amounts of revenues and expenses during the reported period.

The Group uses estimates in its normal course of business to evaluate the warranty, excess and obsolete inventory, the doubtful debtors, the useful life of R&D projects, the valuation of intellectual properties, the derivative financial instruments and other reserves. Actual results could differ from these estimates.

**Judgments** made by management in the application of IFRS that have significant effect on the amounts recognized in the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes hereafter.

### *Going concern*

At the date of this report, the company has very limited financial means.

To cope with this very pressing liquidity issue and to alleviate the debt burden of years of substantial investments in technology platforms that have as yet not generated significant operating profits, the board, in collaboration with its key investors/bondholders, has re-assessed the 'viability' of Option and has decided to act swiftly and decisively to steer the company away from failure to meet its obligations through a 7 step restructuring/rescue plan, the highlights of which have been summarized below. Some of these actions have already been executed or put in place, whilst others have been decided but are still in progress or to be initiated.

- First, in December 2016, we decided to cope with the most immediate cash needs of the company through the sale of its LED lighting division better known as Innolumis BV in the Netherlands. The cash from this sales transaction has been fully received per 31 December 2016 and has been consumed today.
- Second, we secured EUR 2.6 million of new bridge loans from key investors/bondholders to address the financial needs of the first semester of 2017. Of this amount, EUR 1.6 million has already been received and was used for general company purposes, including the payment of some restructuring charges and liabilities in arrears. The remaining EUR 1 million is expected to be received in the coming weeks and is crucial to the alleviation of the company's short term liquidity needs over the coming weeks.
- Third, we embarked on a multiple step program to convert most of the historic debts of the company into share capital in order to alleviate the balance sheet (EUR 12 million of bond and debt conversions have been completed at the date of this report and another EUR 12 million is foreseen by the end of June 2017).
- Fourth, we implemented a 'reorganization' of the company's resources to bring operating expenses in better harmony with margin generation (on the basis of an accelerated growth in topline revenues in the following quarters) and will have rightsized the company for positive EBITDA generation as of the second semester of 2017.
- Fifth, we refocused the company strategically on 'just' its core competencies related to IOT communication platforms as well as some important contract engineering programs for the automotive and smart lighting sector.
- Sixth, we will continue to reduce operating costs by eliminating/postponing all activities that bring no rapid topline growth while installing rigor and accountability in the organization through a more empowered but responsible senior management team and a culture of making tough choices and executing on our promises.

- Last and 7th, as soon as we can 'demonstrate' restored viability through operational profitability we plan to secure a credit line for funding of additional 'working capital' needs and cope with the remaining outstanding liabilities so that the company could enter 2018 leaner than ever before but with a clean bill of health and financial stability. Until that date, and even after having received the EUR 1 million bridge loan referred to above, the company will have to re-enter into negotiations with its suppliers and other creditors in order to maintain a positive cash balance in the following months. These negotiations are yet to be started.

Hence for 2017 our entire focus will be on restoring 'credibility' as a basis for shareholder value creation. We remain cautiously optimistic that we can bring this journey to a positive conclusion and successful completion for the greater benefit of all.

Based on the above action plan and the business plan supporting this, the board is of the opinion that the going concern of the company is ensured, at least until the next shareholders' meeting in May 2018. The stand-alone and consolidated financial statements per 31 December 2016 have accordingly been drafted using the going concern assumption.

**The estimates and underlying assumptions** are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if there is a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within next financial year.

#### *Defined contribution pension plans*

By law, defined contribution pension plans in Belgium are subject to minimum guaranteed rates of return. As a consequence of the law of 18 December 2015, minimum returns are guaranteed by the employer as follows:

- for the contribution paid as from 1 January 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75% and a maximum of 3.75%. In view of the low rates of the OLO in the last years, the return has been initially set to 1.75%;
- for the contribution paid until end December 2015, the previously applicable legal returns (3.25% and 3.75% respectively on the employer and employee contributions) continue to apply until retirement date of the participants;

In view of the minimum returns guarantees, those plans qualify as Defined Benefit Plans.

A net liability of EUR 42k (2015: EUR 42k) was recognized in the statement of financial position at December 31, 2016, based on the sum of the positive differences, determined by individual plan participant, between the minimum guaranteed reserves and the accumulated contributions based on the actual rates of return at the closing date. Based on supporting documents of the insurance companies the amount would be EUR 54k.

#### *Development costs*

Development costs are capitalized in accordance with the accounting policy in Note 2. Initial capitalization of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized management makes assumptions regarding the expected future cash generation of the assets. At 31 December 2016, the carrying amount of capitalized development costs was EUR 427k (2015: EUR 893k), see Note 8 for further details.

#### *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. At 31 December 2016, the company has recognized no impairment losses on the capitalized development projects (2015: EUR 413k), Further details are given in Note 8.

At 31 December 2016, the company has recognized an additional write off of EUR 440k on the inventories. This analysis was based on the forecasted volumes and prices in the company's budget for 2017.

### *Financial assets*

The Company is since 2H, 2011 shareholder of Autonet Mobile, a California (US) based company active in the automotive sector. The valuation of the participation in Autonet Mobile which is measured at acquisition value, is reviewed by the management and the Board on a regular basis in function of the progress (both commercially and financially) made by Autonet Mobile and the general evolution witnessed in the automotive market. The stocks are not tradable in an open market and are therefore measured at cost. Autonet Mobile went to a transitioning process in 2015 given that the start up was lower than expected. The company has recognized impairment losses of EUR 311k (2015: EUR 746k) on this participation at 31 December 2016 based on the share value of a recent bid received from Autonet Mobile. Option holds less than 5% in Autonet Mobile.

### *Deferred Tax Assets*

Deferred tax assets are recognized for all unused tax losses and other timing differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The deferred tax losses are not recorded on the balance sheet as they cannot be offset with taxable profits in the near future. Although these tax losses are not recorded on the balance sheet, they do not expire nor may be used to offset taxable income elsewhere in the Group. Further details are contained in Note 7.

### *Warranty provision*

The Group estimates the cost for the warranty coverage by applying statistical techniques on the sales recorded.

The warranty period is between 12 and 24 months determined by the location of the customer.

At 31 December 2016, there was no provision for warranty (2015: EUR 0k), since hardly any product was send back over the last year and each sale has extra free of charge products standard incorporated to cover this.

### *Restructuring provision*

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring as explained in the accounting policy in Note 2.

### *Intellectual Property Rights*

In 2013 the Group revised its royalty provisions for essential patents which had been made in the past in accordance with common practice but before FRAND requirements for essential patent licenses (Fair Reasonable and Non-Discriminatory terms) became well established and not yet challenged on their validity before the courts and antitrust authorities. In order to bring the royalty provisions in line with these new developments the Group revisited these provisions and refers to the following reasons:

- The essential patent context has substantially changed. There are now external and objective criteria in order to justify a change in the position towards essential patents and the royalty burden that essential patent holders may impose for the use of their essential patents.
- The elements evidencing substantial changes in the legal framework and in the market are amongst others:
  1. The requirement that the terms and conditions of essential patent license agreements must be FRAND (Fair reasonable and non-discriminatory) compliant;
  2. The possibility to challenge the FRAND requirement before the Courts and Antitrust Authorities;
  3. The possibility for Option to require to be treated in a non-discriminatory way vis-à-vis its competitors (Chinese and other) as well for past as future royalty payments;
  4. The overall reduction of prices and margins following the mass market commoditization of virtually all 3G products.

The group concluded that no reliable estimate could be made for these and therefore the Group decided to revise its provisions, following IAS 37 § 14. In 2016 no new contracts were signed.

## NOTE 2: Significant accounting policies

### 1. FOREIGN CURRENCY TRANSLATION

#### Functional and presentation currency

The individual financial statements of each of the Group's entities are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in euro, which is the Company's functional and presentation currency. All companies within the Group have the Euro as their functional currency, except for:

- o the Japanese subsidiary for which its functional currency is the Japanese Yen; and
- o the Hong Kong, US and Taiwanese subsidiaries for which the functional currency is respectively the US Dollar and New Taiwan Dollar.

#### Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than euro are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the balance sheet date rate. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the foreign exchange rate prevailing at the date when the fair value was determined. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement of the period.

#### Translation of the results and financial position of foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (US, Japanese, Hong Kong and Taiwanese subsidiaries) are translated to euro at foreign exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. The components of shareholders' equity are translated at historical rates. Exchange differences arising, if any, are classified as equity and recognized in the Group's foreign currency translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

### 2. REVENUE RECOGNITION

The Group generates its revenue mainly from the sales of its products, such as intelligent M2M gateways, routers, USB devices, embedded wireless modules and to a lesser extent from services such as software licenses and engineering services.

Customers of the Group are distributors, Value Added Resellers, system integrators, Original Equipment Manufacturers, wireless service providers, global operators and end-users.

Revenue from products is recognized by the Group when

- o persuasive evidence of an arrangement exists,
- o the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the products sold;
- o the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- o the amount of revenue (the price) can be measured reliably,
- o collection of the price is reasonably assured (it is probable that the economic benefits associated with the transaction will flow to the entity), and
- o the costs incurred or to be incurred in respect of the transaction can be measured reliably.

If any of these criteria are not met, recognition of revenues is deferred until such time as all of the criteria are met.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty.

The Company's product sales are generally not sold with a right of return unless the product is defective and covered by the warranty clause (See also Note 16).

The Company's sales typically include multiple product and/or service elements such as technical support for its products. In that case the total revenue is allocated to the fair value of the individual elements, each of which is then recognized in accordance with the accounting principle applicable to that element. Where the fair value of one or more of the elements cannot be determined, the revenue is spread over the expected remaining contractual lifetime. Although the products sold have embedded software, the Group believes that software is incidental to the products they provide.

Revenues from services are recognized when the services are performed, when there is no material continuing performance and payment is reasonably assured. Revenues on service arrangements contingent on final customer acceptance are deferred until such acceptance has been received, and all other criteria for revenue recognition have been met. The costs associated with these arrangements are recognized as incurred.

A part of the company's revenues have been derived from collaboration agreements. Pursuant to such collaborations, the group agrees to conduct research and test projects, as defined in the contract.

Most of these agreements provide for upfront fees for technology access, license fees and significant milestone fees. Agreements specifically related to license and software income are recognized as revenue over the period of the license.

Upfront non-refundable fees are only recognized as revenue at fair value when products are delivered and/or services are rendered in a separate transaction and the Group has fulfilled all conditions and obligations under the related agreement. In case of continuing involvement of the Group, the upfront fee would not be regarded as a separate transaction and the upfront non refundable fees will be deferred at fair value over the period of the collaboration.

Research milestone earnings are recognized as revenues when irrevocably earned, unless the Group has continuing involvement in the program. In such case the milestone revenue is only recognized in full to the extent cost has been incurred in light of the overall estimated project revenues and expenses.

Deferred revenue is recorded when cash in advance is received before the above revenue recognition criteria are met.

A limited number of sales contracts entitle customers to a subsequent credit note in case of price erosion during a specific period after the initial sale. Subsequently granted discounts resulting from this type of contract clauses are estimated at the time of the initial sale and netted against revenue.

Any commercial discount is netted against revenue.

### **3. ROYALTIES BASED ON THE SALE OF PRODUCTS**

Under license agreements, the Group is committed to make royalty payments for the use of certain patented technologies in wireless data communication, taking into account fair market conditions.

Royalty obligations are recognized in the income statement in the caption "sales, marketing and royalties' expenses".

### **4. TAXES**

Income tax charge on the profit or loss for the year comprises current and deferred taxation. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

### **Current income tax**

Current tax is the expected tax payable on the taxable income for the year. Taxable base differs from net base as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates enacted, or substantively enacted, at the balance sheet date. For further details see Note 7.

### **Deferred income tax**

Deferred income tax is provided in full, using the balance sheet liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Enacted or substantially enacted tax rates are used to determine deferred income tax.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all taxable temporary differences only to the extent that it is probable for management that future taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. For further details see Note 7.

## **5. INVENTORIES**

Raw materials (mainly electronic components) and work in progress are stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis.

Finished goods inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the FIFO method.

Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

The Group recognizes consignment stock in its balance sheet unless there has been a substantial transfer of the risks and rewards of ownership to the consignee.

The Group reviews inventories of slow-moving or obsolete items on an ongoing basis and creates allowances if needed.

## **6. PROPERTY PLANT AND EQUIPMENT**

The Group's property, plant and equipment, including dedicated production equipment, is recorded at historical cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are charged to the income statement as incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

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

Machinery and computer equipment	2 to 10 years
Furniture and Vehicles	5 years
Leasehold improvements	3 to 9 years

The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

Assets under construction are stated at cost. This includes cost of construction, plant and equipment and other direct costs. Assets under construction are not depreciated until such time as the relevant assets are available for their intended use, at which stage the assets are also reclassified towards the relevant category within property, plant and equipment.

## 7. LEASES

Lease operations can be divided into two types of lease:

### Finance lease

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. They are measured at the lower of fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses.

Each lease payment is apportioned between reduction of the lease obligation and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in short and long-term payables. The interest element is charged to the income statement over the lease period. Assets under finance lease are depreciated over the useful life of the assets according to the rules set out by the Group. In case where it is not certain that the Group will acquire the ownership of the asset at the end of the lease term, depreciation is spread over the shorter of the lease term and the useful life of the asset.

### Operating lease

Leases under which a substantial part of risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating lease are charged to the income statement on a straight-line basis over the term of the lease. For further details see Note 17.

## 8. INTANGIBLE ASSETS

Intangible assets acquired separately are measured upon initial recognition at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

### (A) Research and Development costs and related government development funding

Research expenditure is recognized as an expense as incurred.

The Group follows the cost reduction method of accounting for government research funding whereby the benefit of the funding is recognized as a reduction in the cost of the related expenditure when certain criteria stipulated under the terms of those funding agreements have been met, and there is reasonable assurance the grants will be received.



Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets pursuant IAS 38 *Intangible Assets* if following criteria of compliance are met and the Group can demonstrate:

- o the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- o its intention to complete the intangible asset;
- o its ability to use or sell the intangible asset;
- o how the intangible asset will generate probable future economic benefits (e.g. existence of a market or, if it is to be used internally, the usefulness of the intangible asset);
- o the availability of adequate technical, financial and other resource to complete the development and to use or sell the intangible asset; and
- o its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible assets can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, these internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately. The amortization of capitalized development costs is recognized in the income statement under the caption "Research and Development costs".

Other development expenditures are recognized as an expense as incurred. Research and Development costs recognized in the previous accounting year as an expense cannot be recognized as an asset in a subsequent period. Development costs that have a finite useful life that have been capitalized are amortized from the commencement of the commercial shipment of the certified product on a straight-line basis over the period of its expected benefit, not exceeding two years.

#### **(B) Other intangible assets**

The Group's other intangible assets include

- Concessions, patents and licenses, and
- Software for Material Requirements Planning (MRP) and consolidation purposes.

These are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is computed using the straight-line method over the estimated useful lives of the assets, which are from 1.5 to 5 years depending to the specific license or software. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

### **9. IMPAIRMENT OF ASSETS**

The Group assesses at each reporting date whenever events or changes in circumstances occur to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

For intangible assets initially recognized that no longer meet the criteria described for research and development costs (Accounting policy 8A) an impairment loss is recognized. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized in the income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized in the income statement.

## 10. PROVISIONS

A provision is recognized when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision is recognized.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### Warranty provision

The Group provides warranty coverage on its products from date of shipment and/or date of sale to the end customer. The warranty period is in line with the applicable legislation and ranges from 12 to 24 months, determined by the location of the customer. The Group's policy is to accrue the estimated cost of warranty coverage at the time the sale is recorded. The warranty on sales from the Group outside the European Union is limited to one year only.

### Restructuring provision

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

## 11. EMPLOYEE BENEFIT PLANS

The Group operates a number of defined contribution plans, the assets of which are held in separate trustee-administered funds or group insurances. Payments for these defined contribution plans are recognized as a current year charge. The Group adopted a retrospective approach whereby the net liability recognized in the statement of financial position is based on the sum of the positive differences, determined by individual plan participant, between the minimum guaranteed reserves and the accumulated contributions based on the actual rates of return at the closing date.

As a consequence of the law of 18 December 2015, minimum returns are guaranteed by the employer as follows:

- for the contribution paid as from 1 January 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75% and a maximum of 3.75%. In view of the low rates of the OLO in the last years, the return has been initially set to 1.75%;
- for the contribution paid until end December 2015, the previously applicable legal returns (3.25% and 3.75% respectively on the employer and employee contributions) continue to apply until retirement date of the participants;

In view of the minimum returns guarantees, those plans qualify as Defined Benefit Plans.

## **12. SHARE-BASED PAYMENT TRANSACTIONS**

The Group operates equity-settled share-based compensation plans through which it grants share options (here after referred to as "warrants") to employees, contractors and directors. The cost of equity-settled transactions with employees for awards granted is measured by reference to the fair value at the grant date. The equity-settled share-based payments are expensed over the vesting period, with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the warrants granted, measured using the Black & Scholes model, taking into account the terms and conditions at which the warrants were granted. At each balance sheet date, the entity revises its estimates of the number of warrants that are expected to become exercisable except where forfeiture is only due to shares not achieving the threshold for vesting. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the warrants are exercised.

Further details are given in Note 18.

## **13. FINANCIAL ASSETS AND LIABILITIES**

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

### *Trade and other receivables*

Trade debtors and other amounts receivable are shown on the balance sheet at nominal value (in general, the original amount invoiced) less an allowance for doubtful debts. Such an allowance is recorded in the income statement when it is probable that the Group will not be able to collect all amounts due.

For customers for which overdue amounts rise from commercial discussions, discounts are provided against revenue. In those cases, where the credit risk arises from the possibility that individual customers may not be able to settle their obligations as agreed, are provided against an allowance for doubtful debtors.

Other receivables are stated at their nominal value (in general, the original amount invoiced) less an allowance for doubtful debts if deemed necessary.

### *Trade and other payables*

Trade payables and other payables are stated at amortized cost. This is computed using the effective interest method less any allowance for impairment.

### *Cash and cash equivalents*

Cash includes cash and term deposits. Highly liquid investments with maturity of three months or less at date of purchase are considered cash equivalents. Cash equivalents consist primarily of term deposits with a number of commercial banks with high credit ratings.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above.

## **14. BORROWING COSTS**

Borrowing costs are recognized as an expense when incurred.

## **15. DERIVATIVE FINANCIAL INSTRUMENTS**

In the event the Group should use derivative financial instruments such as forward currency contracts to hedge its foreign market risk, then these will initially be recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value through the income statement.

For financial instruments where there is no active market, an appropriate valuation technique is used to determine the fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

## **16. EARNINGS PER SHARE**

Basic net earnings per share are computed based on the weighted average number of ordinary shares outstanding during the period.

Diluted net earnings per share are computed based on the weighted average number of ordinary shares outstanding including the dilutive effect of warrants and conversion of the convertible bond.

## **17. SEGMENT REPORTING**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (operating segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of revenue and expenses that can be allocated on a reasonable basis to a segment.

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

## NOTE 3: Operating segments and entity-wide disclosures

Segment information is presented in respect of the Group's business and geographical segments. The Group is following up on its activities on a project-by-project basis, whereby each project includes one or more products with similar technologies.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the management of the Group in order to allocate resources to the segments and to assess their performance.

The primary segment reporting format is determined to be the business segment; each segment is a distinguishable component of the Group that is engaged in either providing products or services. Compared to prior year and slimmed down operations, the group has decided to combine Devices and Embedded into one operating segment:

- The "Devices & Embedded Solutions" operating segment produces USB devices, routers, embedded devices or module offerings as well as the new end to end service offerings and associated integration and certification services;
- The "IOT Solutions" operating segment is related to revenues generated by Option's newest device, called CloudGate;
- The "Engineering Services" operating segment is related to revenues generated to engineering service deals, closed with third parties;

The following is an analysis of the Group's revenue and results from operations by reportable segment:

Thousands EUR	Revenues from external customers		Operating segment result	
	2016	2015	2016	2015
Devices & Embedded Solutions	626	1 559	( 202)	( 2 140)
IOT solutions	2 212	2 291	( 1 824)	( 4 083)
Engineering Services	1 372	848	897	381
<b>Totals</b>	<b>4 210</b>	<b>4 698</b>	<b>( 1 129)</b>	<b>( 5 842)</b>

Unallocated Operating Expenses		( 4 150)	( 5 912)
Finance (costs) / income		( 2 982)	( 2 312)
Result of discontinued operations		340	-
Income taxes / (expenses)		1	( 18)
<b>Net result</b>		<b>( 7 921)</b>	<b>( 14 084)</b>

The segment result represents the result for each segment including the operating expenses which could be allocated to the operating segment. The operating expenses which can be allocated are mainly amortizations, royalty expenses and staff related expenses, dedicated to the operating segment. The remaining operating expenses, mainly including the general and administrative, depreciations and staff related expenses not dedicated to a specific segment, have been reported under the "unallocated operating expenses".

The top 2 of customers represents 27% and 11% of total sales. The top customer is reported in Engineering Services and the 2<sup>nd</sup> in IoT Solutions. The top 10 represents 69% of total sales.

Given the limited number of customers, the Group is following up on its sales efforts on a global basis, rather than on a regional basis.

In 2016, the top 3 countries are: US 58%, Belgium 10% and Germany 9%.  
(In 2015, the top 3 countries are: US 50%, Belgium 8% and Germany 8%.)

Revenues	2016	2015
Europe	34%	28%
Americas	62%	55%
Asia-Pacific	3%	11%
Other	2%	6%

Since the Group does not report segments to the management of the Group on a balance sheet level, no information on assets and liabilities per segment can be disclosed. All non-current assets are located in Belgium.

## NOTE 4: Additional information on operating expenses by nature

Depreciation, amortization and impairment loss are included in the following line items in the income statement:

Thousands EUR	Depreciation on property, plant and equipment		Depreciation / Amortization on intangible assets		Impairment loss on intangible and financial assets		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Cost of products sold	-	-	-	-	-	-	-	-
Operating Expenses including :								
- Research and development expenses	92	94	905	2 533	-	413	997	3 040
- Sales, marketing and royalties expenses	7	5	-	-	-	-	7	5
- General and administrative expenses	1	37	-	-	311	746	312	783
<b>Total</b>	<b>99</b>	<b>135</b>	<b>905</b>	<b>2 533</b>	<b>311</b>	<b>1 159</b>	<b>1 316</b>	<b>3 827</b>

In 2016, the Group reviewed the existing capitalized development projects which resulted in no impairment EUR 0k (2015: EUR 413k).

The research and development expenses that were expensed as incurred amounted to EUR 1,928k (2015 EUR 1,916k).

In 2016 there is an impairment booked on financial assets for an amount of EUR 311k.

Payroll and related benefits are included in the following line items in the income statement:

Thousands EUR	2016	2015
Cost of products sold	342	467
Research and development expenses	1 811	2 100
Sales, marketing and royalties expenses	872	1 869
General and administrative expenses	733	1 091
<b>Total</b>	<b>3 758</b>	<b>5 526</b>

### Cost of products sold

At year-end 93.5%, or EUR 1,912k of the cost of product sold relates to materials (2015: 90.3% or EUR 3,044k). In 2016, the Group incurred some in-house production payroll expenses at the Leuven offices relating to customization and rework.

In 2016, write-off on inventories amounted to EUR 440k compared to EUR 837k in 2015. The majority, EUR 342k is related to slow moving and end of life products within The Devices & Embedded Solutions operating segment.

## NOTE 5: Payroll and related benefits

Thousands EUR	2016	2015
Wages and salaries	2 333	3 510
Social security contributions	950	1 363
Other personnel expenses	336	408
Contributions to pension plan	138	245
Payroll related restructuring charges	-	-
	<b>3 758</b>	<b>5 526</b>
a) Total number of people registered at year-end	52	61
b) Average number of people registered in full time equivalent	57	67
Employees	53	63
Management	4	4

As from 2003, the Company and two of its subsidiaries contribute to local pension funds, which are managed by high rated insurance companies, Delta Lloyd and Vivium. The employee contributions paid to the Delta Lloyd and Vivium is based on a fixed percentage of the salary. The contributions to the pension funds amounted to EUR 116k (2015: EUR 219k).

By law, defined contribution pension plans in Belgium are subject to minimum guaranteed rates of return. As a consequence of the law of 18 December 2015, minimum returns are guaranteed by the employer as follows:

- for the contribution paid as from 1 January 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75% and a maximum of 3.75%. In view of the low rates of the OLO in the last years, the return has been initially set to 1.75%;
- for the contribution paid until end December 2015, the previously applicable legal returns (3.25% and 3.75% respectively on the employer and employee contributions) continue to apply until retirement date of the participants;

In view of the minimum returns guarantees, those plans qualify as Defined Benefit Plans.

A net liability of EUR 42k was kept in the statement of financial position at December 31, 2016 (2015: EUR 42k), based on the sum of the positive differences, determined by individual plan participant, between the minimum guaranteed reserves and the accumulated contributions based on the actual rates of return at the closing date. Based on supporting documents of the insurance companies the amount would be EUR 54k.

## NOTE 6: Finance result

Thousands EUR	2016	2015
Interest income	1	4
Net foreign exchange gains	339	194
Other	-	24
<b>Finance income</b>	<b>340</b>	<b>222</b>
Interest expense	( 2 626)	( 2 130)
Net foreign exchange losses	( 379)	( 402)
Other, mainly bank charges and payment differences	( 8)	( 2)
<b>Finance costs</b>	<b>( 3 013)</b>	<b>( 2 534)</b>
<b>Finance net result</b>	<b>( 2 673)</b>	<b>( 2 312)</b>



## NOTE 7: Income tax

Thousands EUR	2016	2015
<b>Tax benefit/(expense) comprises:</b>		
Current tax benefit/(expense)	1	( 18)
Deferred tax benefit/(expense)	-	-
<b>Total tax income/(expense)</b>	<b>1</b>	<b>( 18)</b>
Result before tax	( 7 922)	( 14 066)
Tax benefit / (expense) calculated at 33.99%	( 2 693)	( 4 781)
Effect of non-taxable income	-	( 71)
Effect of expenses that are not deductible in determining taxable profit	142	325
Effect of concessions and other tax credits	( 396)	( 88)
Effect of unused tax losses not recognized during the year	3 017	4 332
Effect of previously recognized unused tax losses and deductible temporary differences written off in the current year	( 57)	109
Effect of different tax rates of subsidiaries operating in other jurisdictions	( 14)	192
<b>Tax income/(expense) recognized in the income statement</b>	<b>1</b>	<b>18</b>

The tax rate used for the 2016 and 2015 reconciliations above is the corporate tax of 33.99% payable by companies in Belgium under Belgian tax law.

Following the IFRS guidance related to deferred tax assets, the Group determined that it was prudent to reverse the deferred tax asset in full in 2010. Although the deferred tax assets are not recorded on the balance sheet of the Group, the use of those tax losses and deductible temporary differences are still valid and unlimited in time, except for the part which relates to the notional interest deduction of 2012 and before, which is limited to a 7 year period.

In 2016 there is a decrease in depreciation excess of EUR 1.1 million.

Total unrecognized tax assets amounted to EUR 211 million (2015: EUR 203 million), which are all transferable for an unlimited period of time, except for the notional interest deduction, for which the EUR 935k expires in 2017 and EUR 22k in 2018.

At 31<sup>st</sup> December 2016, EUR 150k overdue withholding taxes are reported in income tax payable.

## NOTE 8: Intangible assets

Thousands EUR	Capitalized development	Concessions, patents, licenses	Software	Total 2016
<b>Acquisition cost</b>				
<b>Balance at 1 January 2016</b>	<b>99 151</b>	<b>6 853</b>	<b>2 686</b>	<b>108 690</b>
Effect of movements in foreign exchange	-	-	-	-
Additions	-	-	-	-
Expenditures on product development, net of grants received	438	-	-	438
Transfer to other asset categories	-	-	-	-
Disposals	-	-	-	-
Other movements	-	-	-	-
<b>Balance at 31 December 2016</b>	<b>99 589</b>	<b>6 853</b>	<b>2 686</b>	<b>109 128</b>
<b>Amortization and impairment loss</b>				
<b>Balance at 1 January 2016</b>	<b>( 98 258)</b>	<b>( 6 853)</b>	<b>( 2 686)</b>	<b>( 107 797)</b>
Effect of movements in foreign exchange	-	-	-	-
Amortization	-	-	-	-
Amortization for expenditures on product development	( 904)	-	-	( 904)
Impairment loss	-	-	-	-
Disposals	-	-	-	-
Transfer to other asset categories	-	-	-	-
<b>Balance 31 December 2016</b>	<b>( 99 162)</b>	<b>( 6 853)</b>	<b>( 2 686)</b>	<b>( 108 701)</b>
<b>Carrying amount</b>				
<b>at 1 January 2016</b>	<b>893</b>	<b>-</b>	<b>-</b>	<b>893</b>
<b>at 31 December 2016</b>	<b>427</b>	<b>-</b>	<b>-</b>	<b>427</b>
<b>Acquisition cost</b>				
<b>Balance at 1 January 2015</b>	<b>98 363</b>	<b>6 853</b>	<b>2 686</b>	<b>107 902</b>
Effect of movements in foreign exchange	-	-	-	-
Additions	-	-	-	-
Expenditures on product development, net of grants received	788	-	-	788
Transfer to other asset categories	-	-	-	-
Disposals	-	-	-	-
Other movements	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>99 151</b>	<b>6 853</b>	<b>2 686</b>	<b>108 690</b>
<b>Amortization and impairment loss</b>				
<b>Balance at 1 January 2015</b>	<b>( 95 312)</b>	<b>( 6 853)</b>	<b>( 2 686)</b>	<b>( 104 851)</b>
Effect of movements in foreign exchange	-	-	-	-
Amortization	-	-	-	-
Amortization for expenditures on product development	( 2 533)	-	-	( 2 533)
Impairment loss	( 413)	-	-	( 413)
Disposals	-	-	-	-
Transfer to other asset categories	-	-	-	-
<b>Balance 31 December 2015</b>	<b>( 98 258)</b>	<b>( 6 853)</b>	<b>( 2 686)</b>	<b>( 107 797)</b>
<b>Carrying amount</b>				
<b>at 1 January 2015</b>	<b>3 051</b>	<b>-</b>	<b>-</b>	<b>3 051</b>
<b>at 31 December 2015</b>	<b>893</b>	<b>-</b>	<b>-</b>	<b>893</b>

### Impairment of intangible assets with definite useful life

On a yearly basis, the Group reviews the existing capitalized development projects which resulted in no impairment in 2016 (2015: EUR 413k). This analysis was based on "platform related projects" with a faster than anticipated end-of-life, projects with reduced contributions and projects with no visibility on sales beyond end of 2016. The value was determined based on an estimate of the projected contributions from these development projects in the coming quarters.

This was recognized in the income statement in the line item "Research and development expenses".

Capitalized development only includes the IOT Solutions. The Group reports no Carrying amounts for server licenses and software.

## NOTE 9: Property, plant and equipment

Thousands EUR	Machinery and computer equipment	Furniture and Vehicles	Leasehold improvements	Total 2016
<b>Acquisition cost</b>				
<b>Balance at 1 January 2016</b>	<b>22 112</b>	<b>1 609</b>	<b>1 012</b>	<b>24 733</b>
Effect of movements in foreign exchange	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Other movements	-	-	-	-
<b>Balance at 31 December 2016</b>	<b>22 112</b>	<b>1 609</b>	<b>1 012</b>	<b>24 733</b>
<b>Depreciation</b>				
<b>Balance at 1 January 2016</b>	<b>( 21 999)</b>	<b>( 1 602)</b>	<b>( 1 012)</b>	<b>( 24 613)</b>
Effect of movements in foreign exchange	-	-	-	-
Depreciation	( 92)	( 7)	( 1)	( 100)
Impairment loss	-	-	-	-
Disposals and cancellation	-	-	-	-
Other movements	-	-	-	-
<b>Balance at 31 December 2016</b>	<b>( 22 091)</b>	<b>( 1 609)</b>	<b>( 1 013)</b>	<b>( 24 713)</b>
<b>Carrying amount</b>				
<b>at 1 January 2016</b>	<b>112</b>	<b>7</b>	<b>1</b>	<b>120</b>
<b>at 31 December 2016</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>20</b>
<b>Acquisition cost</b>				
<b>Balance at 1 January 2015</b>	<b>22 112</b>	<b>1 609</b>	<b>1 012</b>	<b>24 733</b>
Effect of movements in foreign exchange	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Transfer to other asset categories	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>22 112</b>	<b>1 609</b>	<b>1 012</b>	<b>24 733</b>
<b>Depreciation</b>				
<b>Balance at 1 January 2015</b>	<b>( 21 896)</b>	<b>( 1 572)</b>	<b>( 1 010)</b>	<b>( 24 478)</b>
Effect of movements in foreign exchange	-	-	-	-
Depreciation	( 103)	( 30)	( 2)	( 135)
Impairment loss	-	-	-	-
Disposals and cancellation	-	-	-	-
Transfer to other asset categories	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>( 21 999)</b>	<b>( 1 602)</b>	<b>( 1 012)</b>	<b>( 24 613)</b>
<b>Carrying amount</b>				
<b>at 1 January 2015</b>	<b>216</b>	<b>37</b>	<b>2</b>	<b>255</b>
<b>at 31 December 2015</b>	<b>112</b>	<b>7</b>	<b>1</b>	<b>120</b>

## NOTE 10: Trade and other receivables

### CURRENT TRADE AND RECEIVABLES

Thousands EUR	2016	2015
Trade receivables	1 701	1 269
Allowance for doubtful accounts	( 764)	( 656)
<i>Subtotal</i>	937	613
Recoverable VAT	48	73
Other receivables	118	46
<i>Subtotal</i>	166	119
<b>Total</b>	<b>1 103</b>	<b>732</b>

For terms and conditions relating to related party receivables, refer to Note 23. Trade receivables are non-interest bearing and are generally on 30-40 days' terms.

The other receivables consist mainly of recoverable taxes and deferred costs.

#### Aging of trade receivables:

Thousands EUR	Gross Amounts		Allowance for doubtful accounts	
	2016	2015	2016	2015
< 60 days	1 095	613	-	-
60 - 90 days	( 65)	-	-	-
90 - 120 days	( 68)	9	-	( 9)
> 120 days	739	647	( 764)	( 647)
	<b>1 701</b>	<b>1 269</b>	<b>( 764)</b>	<b>( 656)</b>

See also Note 21 for further information about credit risk.

### OTHER NON-CURRENT ASSETS

Thousands EUR	2016	2015
Cash guarantees	9	15
	<b>9</b>	<b>15</b>

Other non-current assets are cash guarantees that are mainly related to rent guarantees in the major facilities.

## NOTE 11: Other financial assets

Thousands EUR	2016	2015
Other financial assets	137	490
	<b>137</b>	<b>490</b>

In September 2011, Option invested EUR 1,043k (representing 6.67%) in Autonet Mobile, Inc. to deliver the 1<sup>st</sup> Mobile IP based Telematics Control Unit (TCU) for the Automotive market. By entering this strategic partnership, Option will combine the knowledge of the automotive market with designing and developing wireless solutions.

In 2012 and 2013, the Group participated in two capital increases of Autonet for a total of EUR 193K, but diluted subsequently to less than 5% having not followed recent capital increases. Furthermore, in December 2016, Autonet Mobile, Inc purchased back 59,970 shares at USD 0.74 per share.

The company has recognized impairment losses of EUR 311k on this participation at 31 December 2016 (2015: EUR 746k) based on a share price bid received from Autonet.

## NOTE 12: Inventories

Thousands EUR	2016	%	2015	%
Raw materials	657	106,1%	569	37,9%
Work in progress	570	92,1%	663	44,2%
Finished goods	2 373	383,4%	2 990	199,2%
Provision for inventories	(2 981)	(481,6%)	(2 721)	(181,3%)
	<b>619</b>		<b>1 501</b>	

Raw materials consist of chipsets and components. Work in progress concern assembled printed circuit boards and finished goods are the products ready to be shipped to customers.

Inventories decreased from EUR 1,501k to EUR 619k at the end of 2016. At the end of 2016, the total provision for inventories amounted to EUR 2,981 (2015: EUR 2,721k). This increase is mainly explained by setting stock value to net realizable value. The provision for inventories is set-up mainly to cover excess positions and to lower the stock value to net realizable value for certain products.

A write off amounting to EUR 440k was taken in cost of goods sold in 2016. This represents an impact of EUR 260k on inhouse inventory and EUR 180k on liability at subcontractors.

There are no inventories pledged for security.

## NOTE 13: Cash and cash equivalents

Thousands EUR	2016	2015
Short Term deposits	-	-
Bank current accounts	766	4 061
Cash	8	7
	<b>774</b>	<b>4 068</b>

At the end of 2015 and 2016 there are no short term deposits within the Group

## NOTE 14: Financial Liabilities

### OTHER FINANCIAL LIABILITIES

In 2013 a convertible bond was granted for a total amount of EUR 9 million. The five year convertible bond has an annual interest rate of 5%. The market interest rate used to calculate the fair value of the bond was 8%. In 2014 EUR 3.5 million of the loan was converted into equity. In 2015 EUR 0.5 million of the loan was converted into equity.

On 11 April 2014 the Board of Directors secured EUR 12 million via the issue of a convertible bond that has been subscribed by 16 parties. The 5-year convertible bond matures in April 2019. The convertible bond has an annual interest rate of 9% with an initial conversion price of EUR 0.295 which is the average share price during the 30 days prior to the issuing of the convertible bond. The initial conversion price will be adjusted for dilutive corporate actions. Conversion may occur for the first time between 15 April 2015 and 30 April 2015, from then on there will be conversion periods from 15 April to 30 April and 15 October to 31 October. In the period of 15 April 2015 and 30 April 2015, the company "P.M.V.", situated at 1000 Brussel, Oude Graanmarkt 63 with identificationnumber 0455.777.660, converted one bond for an amount of EUR 100,000 nominal value and EUR 6,901 intrests. This conversion results in the issue of 362,379 new shares. In the period of 15 April 2016 and 30 April 2016, the company "Alychlo", situated at 8570 Vichte (Anzegem), Waregemstraat 26, RPR Kortrijk with identificationnumber 0895.140.645, converted four bonds for an amount of EUR 400,000 nominal value and EUR 56,215 intrests. This conversion results in the issue of 1,546,492 new shares.

The interests are capitalized with the outstanding principle amount of the bond on a half yearly basis. This resulted in a long-term debt interest of EUR 2,822k and a short-term debt interest of EUR 289k at the end of 2016 (Months October, November and December 2016).

At the end of 2016 EUR 0.5 million of the loan of 12 million was converted into equity.

On 6 November 2015 the Board of Directors decided to issue a convertible bond for a total amount of EUR 6 million, indicated as "COL Option – 2015", represented by sixty bonds with a nominal value of each EUR 100,000. The exclusive rights of the stockholders will be abrogated for the benefit of the foreign company in accordance to the rights of the State Michigan (United States of America) "DANLAW Inc", situated at Novi, Michigan 48375 (United States of America), 41131 Vincenti Court, with identificationnumber 089-014. By conversion of these bonds the capital will increase within the framework of the authorized capital. The convertible bond has an annual interest rate of 5%. The conversion rate is EUR 0.228.

The convertible bonds were treated in line with the IFRS treatment as described in IAS 39. IAS requires the issuer of a compound financial instrument to present the liability component and the equity component separately in the statement of financial position, as follows:

The issuer's obligation to make scheduled payments of interest and principal is a financial liability that exists as long as the instrument is not converted and on which interest will be recognized using the initial market interest rate as the effective interest rate. On initial recognition, the fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option.

#### Loan EUR 9 million

Thousands EUR	2016	2015
Proceeds of issue/at end December	5 000	5 000
Liability component at the date of issue/at end December	( 4 196)	( 4 207)
<b>Equity component</b>	<b>804</b>	<b>793</b>
Liability component at the date of issue/at end December	4 196	4 207
Interest charged calculated at an effective interest rate of 8%	1 897	1 524
Interest charged	( 1 227)	( 977)
<b>Liability component at 31 December</b>	<b>4 866</b>	<b>4 755</b>

#### Loan EUR 12 million

Thousands EUR	2016	2015
Proceeds of issue/at end December	11 500	11 900
Liability component at the date of issue/at end December	( 11 500)	( 11 900)
<b>Equity component</b>	<b>-</b>	<b>-</b>
Liability component at the date of issue/at end December	11 500	11 900
Interest charged calculated at an effective interest rate of 8%	2 822	1 671
Interest charged	-	-
<b>Liability component at 31 December</b>	<b>14 322</b>	<b>13 571</b>

#### Loan EUR 6 million

Thousands EUR	2016	2015
Proceeds of issue/at end December	6 000	6 000
Liability component at the date of issue/at end December	( 5 104)	( 5 104)
<b>Equity component</b>	<b>896</b>	<b>896</b>
Liability component at the date of issue/at end December	5 104	5 104
Interest charged calculated at an effective interest rate of 8%	408	-
Interest charged	( 300)	-
<b>Liability component at 31 December</b>	<b>5 212</b>	<b>5 104</b>

Option issued a total of EUR 4,650k in bridge loans during the period 2015-2016. Most lenders of bridge loans, covering over 95% of the value of bridge loans, have agreed to extend their bridge loans to expire on 28 February 2019 and to reduce the interest rates.

As part of the agreement a total of EUR 432k of receivables under the bridge loans have been converted into shares by means of a capital increase in kind within the authorized capital by a Board decision of 6 March 2017.

**Bridge EUR 2.675 million**

Thousands EUR	2016	2015
Proceeds of issue/at end December	2 675	2 675
<b>Liability component at 31 December</b>	<b>2 675</b>	<b>2 675</b>

**Total financial debt in non-current Liabilities at 31<sup>st</sup> December 2016 amount to EUR 27,076k compared to EUR 26,105k in 2015**

**Bridge EUR 1.975 million**

Thousands EUR	2016	2015
Proceeds of issue/at end December	1 975	-
<b>Liability component at 31 December</b>	<b>1 975</b>	<b>-</b>

In 2016 the interests for the bridge loan of EUR 2,675k is EUR 209k.

In 2016 the interests for the bridge loan of EUR 1,975k is EUR 96k.

**Other financial debt of EUR 9k reported in Option Wireless Japan KK.**

**Total financial debt in current Liabilities at 31<sup>st</sup> December 2016 amount to EUR 1,984k.**

In 2014, 2015 and 2016 the Company had neither facilities nor pledges on the Company's business.

The bondholders have been offered the possibility to contribute the remaining part of their bonds into the capital of the Company on a next Extraordinary Shareholders' Meeting.

Based on the subscription agreements with bondholders and lenders, the Company will propose the shareholders on the next extraordinary shareholders' meeting to increase the capital by contribution of the receivables valued EUR 12,146,400.

The balance of receivables under all existing bond loans is EUR 10,779,000 out of which EUR 10,279,000 is confirmed to be converted in June 2017 at the date of publishing of this report.

Details of subscribers and amounts are published on Option's website.



## NOTE 15: Trade and other payables – deferred revenues

### TRADE AND OTHER PAYABLES

Thousands EUR	2016	2015
Trade payables	5 498	5 680
Salaries, tax and payroll related liabilities	1 828	2 601
Other payables and accrued expenses	1 228	843
	<b>8 554</b>	<b>9 124</b>

Trade payables & Social liabilities: approximately 87% is overdue, mainly covered by repayment plans.

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on a 60 to 90 days terms.
- Other payables are non-interest bearing and have an average term of six months.
- Interest payable is normally settled quarterly throughout the financial year. For the 2013 bond loan the settlement is yearly, for the 2014 bond loan interest is capitalized half yearly, for the 2015 bond loan the settlement is yearly. These interests are reported in Other payables and accrued expenses, refer to Note 14.
- For terms and conditions relating to related parties, refer to Note 23.

## NOTE 16: Provisions

Thousands EUR	2015	Additions	(Use)	(Reversal)	2016
Loss on supply agreements	213	393	-	( 213)	393
Legal and other claims	82		( 58)	-	24
	<b>295</b>	<b>393</b>	<b>( 58)</b>	<b>( 213)</b>	<b>417</b>

There is a loss on supply agreement with Jabil. Every quarter, Jabil gives information about obsolete materials to Option. If necessary a provision is set up.

## NOTE 17: Operating leases

### OPERATING LEASES

#### Leases as lessee

Non-cancelable operating lease rentals are payable as follows:

Thousands EUR	2016	2015
Less than one year	386	441
Between one and five years	1 397	1 463
More than five years	819	1 176
	<b>2 602</b>	<b>3 080</b>

The Group leases a number of office locations, car rentals and office equipment under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are increased annually to reflect indexations. None of the leases include contingent rentals.

In 2016, EUR 557k was recognized as an expense in the income statement in respect of operating leases (2015: EUR 800k). EUR 384k was related to building rent and EUR 173k was related to rental cars.

#### Leases as lessor

There are no non-cancelable operating sublease rentals as receivable.

## NOTE 18: Shareholders' equity

### CAPITAL STRUCTURE – ISSUED CAPITAL

As per year-end 2016, the Company has been notified of the following significant shareholders:

Identity of the person, entity or group of persons or entities	Number of shares	Percentage of financial instruments held
Jan Callewaert	14 809 008	15.04%
Free float	83 633 538	84.96%
Total outstanding shares	98 442 546	100%

The issued share capital, at the end of 2016 comprises 98,442,546 ordinary shares, for a total amount of EUR 4,922,127. The shares have no nominal value and have been fully paid-up. All shares held in the Company carry the same rights.

### SHARE PREMIUM

Thousands EUR	2016	2015
At 31 December	5 358	5 076

We refer to 4.1.5 for additional information regarding the movements in equity.

### WARRANTS

On 6 November 2015 the Board of Directors Meeting of the Company approved the issuance of 5,000,000 warrants "2015" within the framework of the authorized capital, to be offered to members of the Executive Management Team, employees and certain independent contractors designated by name. A total of 200,000 offered warrants "2015" has been accepted by its beneficiaries in 2016.

The main terms and conditions of the warrants plan "2015" governing the above warrants are as follows:

- o the warrants 2015 are subject to a vesting scheme (25% vested 1 year after the grant date, 60% 2 years after the grant date, and 100% 3 years after the grant date);
- o the exercise price of the above warrants 2015 amounts to EUR 0.23 per warrant granted to the designated members of the Executive Management Team, Directors and self-employed independent contractors and employees;
- o the exercise must take place during exercise windows (i.e. May, September or December);
- o upon conversion of their warrants the warrant holders receive one ordinary share of the Company per warrant;
- o the plan provides for an accelerated vesting and exercise in the event of a change of control;
- o the lifetime of the warrant is 5 years.

The warrants were priced using the Black & Scholes model. Where relevant, the expected life used in the model has been adjusted on management's best estimate. Expected volatility is based on the historical share price volatility over the past 4 years. The risk free interest rate is based on the OLO Bonds as valued by the National Bank of Belgium. This valuation method is the same for directors, EMT members, self employed contractors and employees.

The following inputs into the model were performed for the accepted warrants "2015" in the course of 2016 including the average weighted fair value of the warrants "2015"

Inputs into the model	Warrants 2015 granted to and accepted by Directors and EMT members	Warrants 2015 granted and accepted by self employed contractors	Warrants 2015 granted and accepted by employees
Grant date	31/05/2016	31/05/2016	31/05/2016
Grant date share price	0.25	0.25	0.25
Exercise price	0.18	0.18	0.18
Expected volatility	58.94%	58.94%	58.94%
Expected lifetime of the warrants	5 years	5 years	5 years
Risk-free interest rate	0.20%	0.20%	0.20%
Number of warrants accepted	0	200 000	-
Number of shares outstanding	98 442 546	98 442 546	98 442 546
Average weighted fair value per warrant	0.10	0.10	0.10

The following reconciles the outstanding warrants granted and accepted under the plan at the beginning and end of the financial year 2016:

	Number of Warrants	Weighted average exercise price
<b>Balance at beginning of the financial year 2016</b>	<b>2 870 000</b>	<b>0,39</b>
Accepted during the financial year	200 000	0,18
Exercised during the financial year	-	-
Forfeited / lapsed during the financial year	( 975 000)	0,33
<b>Balance at end of the financial year 2016</b>	<b>2 095 000</b>	<b>0,39</b>

The expense of the granted warrants for the financial year 2016 was calculated at EUR 57k.

None of the warrants were exercised during the financial year 2016.

Furthermore, the Extraordinary Shareholder's Meeting of the Company of January 21, 2016 decided to grant 17,391,304 warrants to Danlaw Inc. for a total amount of EUR 4 million, if exercised, this would increase the capital of the company with eight hundred sixty-nine thousand five hundred sixty five euro and twenty cent (EUR 869,565.20). At the date of this report none of these warrants were executed by Danlaw.

On 6 March 2017 the Board of Directors Meeting of the Company approved the issuance of 10,00,000 warrants "2017" within the framework of the authorized capital, to be offered to members of the Executive Management Team, employees and certain independent contractors designated by name. No warrants "2017" have been offered nor accepted by its beneficiaries on the date of publication of this report.

## CONVERTIBLE BONDS

On 28 March 2013, Option issued a EUR 9 million convertible bond, which was subscribed by 5 partners: the Flemish investment company PMV for EUR 2 million, Athos Investments for EUR 1 million, Life Science Research Partners for EUR 0.5 million, Mondo NV for EUR 0.5 million and Jan Callewaert for EUR 5 million. The convertible bond has a term of 5 years and matures in March 2018. The bonds can be converted into 31,578,947 new shares of Option NV. The convertible bond has an annual interest rate of 5% with an initial conversion price of EUR 0.285 which equaled the average share price during the 30 days prior to the issuing of the convertible bond.

By notarial deed of 2 June 2014 and 2 December 2014, the conversion of respectively 25 and 10 convertible bonds and subsequent capital increase was ascertained by the board of directors. By notarial deed of 18 June 2015, the conversion of 5 convertible bonds and subsequent capital increase was ascertained by the board of directors.

On 11 April 2014, Option issued a second convertible bond loan for a total amount of EUR 12 million. The funding was subscribed to by Quaeroq CVBA for EUR 4 million, Alychlo NV, holding company of Marc Coucke, for EUR 2.7 million, Vermec NV for EUR 1.5 million, Jan Callewaert for EUR 0.5 million, Frank Deschuytere, CEO of Option, for EUR 0.2 million and a number of private investors and companies for EUR 3.1 million. The 5-year convertible bond matures in April 2019 and has an annual interest rate of 9% with an initial conversion price of EUR 0.295, which is the average price of the Option share 30 days prior to the issuing of the convertible bond. The interest shall be capitalized with the outstanding principal amount of the bonds on a half-yearly basis. By notaries deed of 13 May 2015, the conversion of 1 convertible bond and subsequent capital increase was ascertained by the board of directors. By notaries deed of 12 May 2016, the conversion of 4 convertible bonds and subsequent capital increase was ascertained by the board of directors.

On 6 November 2015, Option issued a third convertible bond loan for a total amount of EUR 6 million. The funding was totally subscribed to DANLAW Inc. The annual interest rate is 5%. The conversion rate is EUR 0.228.

EUR 11,721,000 of receivables under the convertible bond loans of 2013, 2014 and 2015 have been converted into shares by means of a capital increase in kind within the authorized capital by a Board decision of 6 March 2017. The balance of receivables under all existing bond loans is EUR 10,779,000 out of which EUR 10,279,000 is confirmed to be converted in June 2017 at the date of publishing of this report.

Further details of the restructuring is published on Option's website, under the section financial information/prospectus.

## NOTE 19: Earnings per share

Basic net earnings per share are computed based on the weighted average number of ordinary shares outstanding during the period. Diluted net earnings per share are computed based on the weighted average number of ordinary shares outstanding including the dilutive effect of warrants and convertible bonds.

The following is reconciliation from basic earnings per share to diluted earnings per share for each of the last two years:

<b>Earnings per common share</b>	2016	2015
Net result (in Thousands EUR)	(7 812)	(14 084)
Weighted average shares of common stock outstanding:		
Basic	97 880 569	95 964 132
Diluted	97 880 569	95 964 132
<b>Per Share (in EUR)</b>		
Basic earnings per share	(0.08)	(0.15)
Diluted earnings per share	(0.08)	(0.15)

Referring to IAS 33, warrants and the issuance of the convertible bond only have a dilutive effect when their conversion to ordinary shares would decrease the earnings per share. Taken into account the negative result of the Group in 2016, the basic and dilutive earnings per share remain equal.

## NOTE 20: Capital management

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the funding requirements.

The Group's objectives when managing capital are:

- o to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other shareholders, and
- o to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group's overall strategy and objectives remain unchanged during the years ended 31 December 2016 and 31 December 2015.

The capital structure of the Group consists of the current portion of long term debt and cash and cash equivalents, issued capital, share premium, reserves and retained earnings.

The Extraordinary Shareholders' Meeting of the Company dated 13 November 2013, decided upon the increase of the share capital with an amount of EUR 58,943,800 to bring it from EUR 12,232,134.42 to EUR 71,175,934.42 by conversion into share capital of the "Issue premium" amount and without issue of new shares, immediately followed by a subsequent decrease of the share capital by incorporation of the losses carried forward as of 31 December 2012, with an amount of EUR 67,051,004.82 to EUR 4,124,929.60, without reduction of the number of shares. From a tax point of view, given the absence of taxed reserves incorporated into the share capital, this capital decrease is completely offset from the effectively paid up share capital.

On 28 March 2013, Option issued a EUR 9 million convertible bond, which was subscribed by 5 partners: the Flemish investment company PMV for EUR 2 million, Athos Investments for EUR 1 million, Life Science Research Partners for EUR 0.5 million, Mondo for EUR 0.5 million and Jan Callewaert for EUR 5 million. The convertible bond has a term of 5 years and matures in March 2018. The bonds can be converted into 31,578,947 new shares of Option NV. The convertible bond has an annual interest rate of 5% with an initial conversion price of EUR 0.285 which equalled the average share price during the 30 days prior to the issuing of the convertible bond.

By notaries deed of 2 June 2014 and 2 December 2014, the conversion of respectively 25 and 10 convertible bonds and subsequent capital increase was ascertained by the board of directors. By notaries deed of 18 June 2015, the conversion of 5 convertible bonds and subsequent capital increase was ascertained by the board of directors.

On 11 April 2014, Option issued a second convertible bond loan for a total amount of EUR 12 million. The funding was subscribed to by Quaeroq CVBA for EUR 4 million, Alychlo NV, holding company of Marc Coucke, for EUR 2.7 million, Vermec NV for EUR 1.5 million, Jan Callewaert for EUR 0.5 million, Frank Deschuytere, CEO of Option, for EUR 0.2 million and a number of private investors and companies for EUR 3.1 million. The 5-year convertible bond matures in April 2019 and has an annual interest rate of 9% with an initial conversion price of EUR 0.295, which is the average price of the Option share 30 days prior to the issuing of the convertible bond. The interest shall be capitalized with the outstanding principal amount of the bonds on a half-yearly basis. By notarial deed of 13 May 2015, the conversion of 1 convertible bond and subsequent capital increase was ascertained by the board of directors. By notarial deed of 12 May 2016, the conversion of 4 convertible bonds and subsequent capital increase was ascertained by the board of directors.

On 6 November 2015, Option issued a third convertible bond loan for a total amount of EUR 6 million. The funding was totally subscribed to DANLAW Inc. The annual interest rate is 5%. The conversion rate is EUR 0.228.

In 2016 the debt, which is defined as long-term borrowings (excluding derivatives) has increased with EUR 971k from EUR 26,105k to EUR 27,076k, due to the conversion of the bond 2014 into equity of EUR (0.456 million), capitalized interests for EUR 1,207k and differences in interest rates for EUR 220k, giving a net increase of EUR 971k. (2015: increased with EUR 8,531k),

On January 26, 2016, the Extraordinary Shareholder's Meeting of the Company decided to renew the authorized capital of the Company for a total amount of four million eight hundred forty four thousand eight hundred two euro and seventy cent (EUR 4,844,802.70), both by means of contribution in cash or in kind, within the limits imposed by the Belgian Code of Companies as well as by conversion of reserves and issue premiums, with or without the issue of new shares, with or without voting right, or through the issue of convertible bonds, subordinated or not, or through the issue of warrants or of bonds to which warrants or other movables are linked, or of other securities, such as shares in the framework of a Stock Option Plan. Furthermore, to grant the board of directors special authority, in the event of a public takeover bid for securities issued by the Company during a period of three (3) years, running from the Extraordinary Shareholders' Meeting which has resolved on this authorization, to proceed with capital increases under the conditions foreseen by the Belgian Code of Companies. To authorize the board of directors, in the interest of the company, within the limits and in accordance with the conditions imposed by the Belgian Code of Companies, to limit or suspend the preferential rights of the shareholders, when a capital increase occurs within the limits of the authorized capital. This limitation or suspension may likewise occur for the benefit of one or more specified persons.

Furthermore, the Extraordinary Shareholder's Meeting of the Company decided to grant 17,391,304 warrants to Danlaw Inc. for a total amount of EUR 4 million, if exercised, this would increase the capital of the company with eight hundred sixty-nine thousand five hundred sixty five euro and twenty cent (EUR 869,565.20).

## Note 21: Financial risk management

The Group Corporate Treasury function monitors and manages the financial risks relating to the operations of the Group, which include credit risk, liquidity risk and market risk on an ongoing basis.

The Group primarily attempts to manage the currency risk by closing contracts in strong currencies. (USD, EUR) Such risks may be naturally covered when a monetary item at the asset side in a given currency is matched with the monetary item at the liability side.

### Categories of significant financial instruments:

Thousands EUR	Notes	2016	2015
<b>Financial assets measured at cost or amortized cost</b>			
Cash and cash equivalents	13	774	4 068
Trade receivables	10	937	613
Recoverable VAT	10	48	73
Income tax receivable	7	19	12
Other financial assets	11	137	490
<b>Financial liabilities measured at cost or amortized cost</b>			
Trade payables	15	5 498	5 680
Salaries, tax and payroll related liabilities	15	1 677	2 601
Non-Current financial liabilities	14	24 400	23 430
Income tax payable	7	170	9

### CREDIT RISK

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Before accepting any new customer, the Group uses external scoring systems to assess the potential customer's credit quality and defines credit limits by customer, this in respect of the internal "Credit Management Policy". Limits and scoring attributed to customers are reviewed on a regular basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. The credit risk is monitored on a continuous basis.

Option grants credit to customers in the normal course of business. Generally, the Group does 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 an allowance is accounted for.

Trade receivables consist of a large number of customers, spread across geographical areas. The receivables for customers who belong to the same group, in different geographical areas, are treated separately. 1 customer had balances of 31% of the net trade receivables of the Group for the year ended 31 December 2016. The balance of this customer was not due at year end.

The average credit period on sales of goods is 96 days. No interest is systematically charged on overdue payments. The group has performed a detailed analysis of its accounts receivable, which were more than 60 days overdue during 2016.

The carrying amount of financial assets recorded in the financial statements, represents the Group's maximum exposure to credit risk.

Included in the Group's trade receivable balance are debtors with a carrying amount of EUR 30k (2015: EUR 0k) which are past due for more than 60 days at the reporting date for which the



Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of past due, but not impaired:

Thousands EUR	2016	2015
60 - 90 days	-	-
90 - 120 days	-	-
> 120 days	30	-
	<b>30</b>	-

Movement in the allowance for doubtful debts:

Thousands EUR	2016	2015
Balance at the beginning of the year	656	544
New reserves	116	112
(Write-offs)	( 8)	-
(releases)	-	-
	<b>764</b>	<b>656</b>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the considerable spread in the customer base. The profit and loss impact for doubtful debts is reported in Sales & Marketing operating expenses.

Aging of impaired trade receivables:

Thousands EUR	2016	2015
Gross amounts		
60 - 90 days	-	-
90 - 120 days	-	9
> 120 days	764	647
	<b>764</b>	<b>656</b>

**LIQUIDITY RISK**

The Group manages liquidity risk by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company has no existing credit agreements apart from the convertible bonds issued in 2013, 2014 and 2015 (see note 14) and the bridge loan of 2015 and 2016. No credit lines were available for the Group.

The following table details the Group's remaining contractual maturity for its financial liabilities:

Thousands EUR

	2017	2018	2019	2020	2021
	<b>2017</b>				
Non-current financial debt	-	7 541	14 322	5 213	-
Current financial debt	1 984	-	-	-	-
Trade payables	6 726	-	-	-	-
Salaries, tax and payroll related liabilities	1 828	-	-	-	-
Income tax payable	170	-	-	-	-
Credit facilities and other loans	-	-	-	-	-
	<b>10 708</b>	<b>7 541</b>	<b>14 322</b>	<b>5 213</b>	<b>-</b>

Thousands EUR

	2016	2017	2018	2019	2020
	<b>2016</b>				
Non-current financial debt	336	3 011	5 336	18 731	7 986
Trade payables	5 680	-	-	-	-
Salaries, tax and payroll related liabilities	2 601	-	-	-	-
Income tax payable	9	-	-	-	-
Credit facilities and other loans	-	-	-	-	-
	<b>8 626</b>	<b>3 011</b>	<b>5 336</b>	<b>18 731</b>	<b>7 986</b>

Trade payables & Social liabilities: at the end of 2016, approximately 87% is overdue, mainly covered by repayment plans.

#### MARKET RISK: INTEREST RATE RISK

The Group is not subject to material interest risk since the Group has no floating rate financial assets or liabilities and no interest rate derivatives.

#### MARKET RISK: FOREIGN CURRENCY RISK

The Group is subject to material currency risk, as the larger part of its purchase transactions are in US dollars. The Group aims to match foreign currency cash inflows with foreign cash outflows. On the basis of the average volatility of the USD, the Company estimated the reasonably possible change of exchange rate of this currency against the euro as follows:

2016	Closing rate December 31, 2016	Possible volatility in %	Possible closing rate December 31, 2016
EUR/USD	1.0541	2.49	1.0279 – 1.0803
2015	Closing rate December 31, 2015	Possible volatility in %	Possible closing rate December 31, 2015
EUR/USD	1.0887	3.51	1.0505 – 1.1269

The Group's exposure in USD as of 31 December 2016 and 2015 is as follows:

Carrying amounts - Thousands USD	31/dec/16	31/dec/15
Trade payables	( 1 663)	( 1 592)
Trade receivables	922	843
Cash and cash equivalents	116	451
	<b>( 626)</b>	<b>( 298)</b>

## NOTE 22: Contingent liabilities

Via patent license agreements, the Group has committed to make royalty payments to certain companies for licensing in some of their essential patents that are used in 2.5G and 3G wireless products.

The Group has revised its royalty provisions for essential patents which had been made in the past in accordance with common practice but before FRAND requirements for essential patent licenses (Fair Reasonable and Non-Discriminatory terms) became well established and not yet challenged on their validity before the courts and antitrust authorities. In order to bring the royalty provisions in line with these new developments the Group revisited these provisions and refers to the following reasons:

- The essential patent context has substantially changed. There are now external and objective criteria in order to justify a change in the position towards essential patents and the royalty burden that essential patent holders may impose for the use of their essential patents.
- The elements evidencing substantial changes in the legal framework and in the market are amongst others:
  1. The requirement that the terms and conditions of essential patent license agreements must be FRAND (Fair reasonable and non-discriminatory) compliant;
  2. The possibility to challenge the FRAND requirement before the Courts and Antitrust Authorities;
  3. The possibility for Option to require to be treated in a non-discriminatory way vis-à-vis its competitors (Chinese and other) as well for past as future royalty payments;
  4. The overall reduction of prices and margins following the mass market commoditization of virtually all 3G products.

Taking into account the fact that a reliable estimate cannot be given for the licensing, the Group decided, based on IAS 37 § 14 to disclose this as a contingent liability and not as a provision on its balance sheet.

Some ex-employees of Option France have started litigation against the company claiming in essence that their dismissal was not based on economic grounds. The Company believes it has arguments to defend the position that it was forced to terminate its French activities on the basis of the economic and financial issues it was facing. Consequently no provision has been recognized in the balance sheet.

## NOTE 23: Related parties transactions

In the course of normal operations, related party transactions entered into by the Group have been contracted on an arms-length basis.

### Board of directors compensation

In 2016, the global compensation for the Board of Directors amounted to EUR 52k (2015: EUR 58k).

Name	Board meetings attended	Audit Committees attended	Remuneration Committees attended	Total remuneration Thousands EUR
Jan Callewaert	18/18	N/A	N/A	N/A (2015: N/A)
FDVV Consult BVBA	4/4	N/A	N/A	N/A (2015: N/A)
FVDH Beheer BVBA	16/18	3/3	1/1	24 600 (2015: 0k)
Vermec NV	8/11	2/2	N/A	N/A (2015: N/A)
Qunova BVBA	17/18	2/2	1/1	22 600 (2015: 0k)
Sabine Everaet	2/8	1/1	0/1	4 800 (2015: 21.6k)
Raju Dandu	16/18	N/A	N/A	N/A (2015: N/A)

At year end 2016 the following "Warrants 2014 and 2015" were held by the executive members of the Board of Directors.

Jan Callewaert (via Mondo NV)  
800,000 warrants (under warrant plan 2014)  
300,000 warrants (under warrant plan 2015)

Although Danlaw is not an executive member of the Board, Danlaw is connected to Raju Dandu who is a non-executive member of the Board. Danlaw received 17,391,304 warrants 'warrants Danlaw' on 26 January 2016.

### Executive management compensation

The management company of Mr. Frank Deschuytere (FDVV Consult BVBA) was acting as CEO of the Group until March 9, 2016 and received EUR 49k fixed compensation and additional benefits for an amount of EUR 3k covering car, fuel and lump sum allowance costs. The CEO is not entitled to nor is he a beneficiary of any pension scheme which is paid for by the Company.

In 2016, Jan Callewaert received via his management company Mondo NV, a fixed remuneration of EUR 310k for advisory and other services rendered to the Company in his capacity as executive Chairman of the Board of Directors and acting CEO of the company as of March 9, 2016.

The management company of Mr. Jan Luyckx (Finance Incorporated com.v) joined the company in July 2015 and was acting as CFO of the Group since September 30, 2015. He received EUR 157k fixed compensation without additional benefits in 2016.

The management company of Mr. Steve Theunissen (ST Consult BVBA) was acting as General Counsel of the Group since June 1, 2015 and received EUR 141k fixed compensation without additional benefits in 2016.

The management company of Mr. Jörg Palm (JP Consulting GmbH) was acting as Chief Marketing Officer of the Group until October 13, 2016 and received EUR 176k fixed compensation without additional benefits.

The executive managers have received warrants under the 2015 Warrant Plan:

Mondo NV : 300,000 warrants

Finance Incorporated com.v : 300,000 warrants of which 25% is vested and 75% is forfeited because of termination of contract.

ST Consult BVBA: 300,000 warrants

The executive managers are not entitled to any special termination compensation, nor are they beneficiary of any pension scheme which is paid for by the Company.

No member of the Management Team is entitled to specific severance payments that would be in surplus of existing legal regulations. There exist no special rights of recovery, in addition to existing legal provisions, that would grant special powers to the Company for recovery of variable compensation granted or paid on the basis of incorrect financial data.

## NOTE 24: Events after balance sheet date

On March 8, 2017 the Company announced that an agreement has been reached among Option and its major financial creditors to enable the Company to execute its business plan in 2017.

### 1. Restructuring

Within the context of said business plan, Option developed a restructuring plan focusing on three areas:

- Significant restructuring of the debt on Option's balance sheet through conversion into the capital, with regard to the existing bonds for an amount of EUR 11,721,000 of out of a total nominal amount of EUR 22,500,000 and with regard to the existing bridge loans for an amount of EUR 432,600.
- Changes in the Board of Directors and the management of the company; including the appointment of Mr. Eric Van Zele as chairman of the Board and the start of the search for a new CEO.
- New financing for the Company through a bridge loan of EUR 2,6 million by most of the existing bondholders contributing 12% of the outstanding value of their existing bonds.

### 2. Bond loans

Option issued a total of EUR 27,000,000 of convertible bonds, as follows:

- On 28 March 2013, Option issued 90 convertible bonds, each one at EUR 100,000, totalling EUR 9,000,000 (the 2013 Convertible Bonds) of which EUR 5,000,000 is still outstanding .
- On 11 April 2014, Option issued 120 convertible bonds, each one at EUR 100,000, totalling EUR 12,000,000 (the 2014 Convertible Bonds) of which EUR 11,500,000 is still outstanding .
- On 6 November 2015, Option issued 60 convertible bonds, each one at EUR 100,000, totalling EUR 6,000,000 (the 2015 Convertible Bonds) of which EUR 6,000,000 is still outstanding .

Most bondholders, covering over 95% of the outstanding nominal value of the bond loans of the Company prior to transaction, have agreed to restructure the bond loans subject to approval on the Shareholders' Meeting.

As part of the agreement a total of EUR 11,721,000 of receivables under the convertible bond loans have been converted into shares by means of a capital increase in kind within the authorized capital by a Board decision of 6 March 2017, , details of which have been published on Option's website ([www.option.com/about](http://www.option.com/about)) under the financial information/prospectus.

The bondholders have been offered the possibility to contribute the remaining part of their bonds into the capital of the Company on a next Extraordinary Shareholders' Meeting.

Based on the subscription agreements with bondholders and lenders, the Company will propose the shareholders on the next extraordinary shareholders' meeting to increase the capital by contribution of the receivables valued EUR 12,146,400. Details of subscribers and amounts are published on Option's website.

### 3. Bridge loans

Option issued a total of EUR 4,650,000 in bridge loans during the period 2015-2016.

Most lenders of bridge loans, covering over 95% of the value of bridge loans, have agreed to extend their bridge loans to expire on 28 February 2019 and to reduce the interest rates.

As part of the agreement a total of EUR 432,600 of receivables under the bridge loans have been converted into shares by means of a capital increase in kind within the authorized capital by a Board decision of 6 March 2017.

The lenders have been offered the possibility to contribute their remaining receivables in share capital of the Company on a next Extraordinary Shareholders' Meeting.

Based on the subscription agreements with bondholders and lenders, the Company will propose the shareholders on the next extraordinary shareholders' meeting to increase the capital by contribution of the receivables valued EUR 12,146,400. Details of subscribers and amounts are published on Option's website.

#### 4. Warrants

On 6 March 2017 the Board of Directors Meeting of the Company approved the issuance of 10,00,000 warrants "2017" within the framework of the authorized capital, to be offered to members of the Executive Management Team, employees and certain independent contractors designated by name. No warrants "2017" have been offered nor accepted by its beneficiaries on the date of publication of this report.

#### 5. Shares and equity

The contribution of a total of EUR 12,153,600 receivables under bridge and bond loans was executed at EUR 0.147 per share, which equals the 30 days average closing stock price before the day of the transaction. For each new share, EUR 0.05 was accounted as new capital and EUR 0.097 was booked as issue premium.

As a result of the capital increase, 82,677,545 new shares were created, bringing the total number of shares from 98,442,546 before capital increase to 181,120,091 shares after transaction.

The capital of the Company has been increased with EUR 4,133,877.25 bringing the share capital of EUR 4,922,127.30 before capital increase to EUR 9,056,004.55 after capital increase. A total of EUR 8,019,722.75 is booked as premium issue.

#### 6. New funding

As part of the agreement, most bondholders, covering over 95% of the outstanding nominal value of the bond loans before transaction, have agreed to participate in EUR 2.6 million of new funding for the Company.

These funds are structured as a new 2 years loan at 1% interest during the first year and 2% in the second year.

#### 7. Changes to the Board and management

Finally Option announced changes to the Board and management team as follows:

Qunova BVBA, represented by Jan Vorstermans, has been replaced by Crescemus BVBA, represented by Mr. Pieter Bourgeois. Option thanks Jan Vorstermans for the years of commitment he showed to Option, its Board and management.

Mr Eric Van Zele joins the Board as new Chairman as from 7 March 2017.

As from 7 March 2017 the Board of directors of Option consists of following the 6 directors:

- Mr Eric Van Zele, non-executive Chairman of the Board
- FVDH Beheer BVBA, represented by Mr Francis Vanderhoydonck, non-executive director
- Mr Jan Callewaert, executive director
- Mr Raju Dandu, non-executive director
- Vermec NV, represented by Mr Peter Cauwels, non-executive director
- Crescemus BVBA, represented by Mr Pieter Bourgeois, non-executive director

Mr Jan Callewaert remains managing director ad interim until a new CEO has been appointed. Within Option executive management team, Option regrets the departure of Jan Luyckx as CFO. Edwin Bex, former CFO at Telindus NV, has been appointed as new CFO as from 7 March 2017.

On 26 April 2017 the Board takes notice of the willingness of Jan Callewaert to step down as CEO per 31 May 2017 and his willingness to agree on an assignment focusing on sales and business development. The Company is organizing the delegation of specific daily matters to the management team, until a new CEO has been appointed. The managers will convene on regular basis within the management committee under temporary supervision of the Chairman until a new CEO has been found.

## NOTE 25: Interests in Subsidiaries

### List of companies, integrally consolidated in the financial statements

Name of the subsidiary	Registered office	% of shareholding
<b>BELGIUM</b>		
OPTION NV	Gaston Geenslaan 14 3001 Leuven, België	Consolidating company
<b>IRELAND</b>		
OPTION WIRELESS Ltd, Cork	Kilbarry Industrial Park Dublin Hill, Cork	100%
<b>GERMANY</b>		
OPTION GERMANY GmbH	Beim Glaspalast 1 D-86153 Augsburg - Germany	100%
<b>UNITED STATES</b>		
OPTION WIRELESS USA INC.	W Army Trail Road 780 Unit 192 Carol Stream, IL 60188 Illinois, USA	100%
<b>JAPAN</b>		
OPTION WIRELESS JAPAN KK	5-1, Shinbashi 5-chome Minato-ku Tokyo 105-0004, Japan	100%
<b>CHINA</b>		
OPTION WIRELESS HONG KONG LIMITED	35/F Central Plaza 18 Harbour Road Wanchai Hong Kong, China	100%
<b>CHINA</b>		
OPTION WIRELESS TECHNOLOGY CO. LIMITED	909-1 Genway Building 188 Wangdun Road Suzhou Industrial Park (SIP) Suzhou 215123, Jiangsu Province, China	100%
<b>TAIWAN</b>		
OPTION WIRELESS HONG KONG LIMITED, TAIWAN BRANCH	4F Theta Building 10, Lane 360, Ne-Hu Road, Sec 1, Taipei City, TAIWAN	100%

On the 25 October 2012 the Group announced that, with respect to a cost reduction plan, the core activities of the software facility at Augsburg (Germany) would be transferred to the Leuven (Belgium) site and announced its intention to close the German subsidiary. This liquidation has started in 2012 and has not yet been finalized. On 25 April 2013 the Group announced its intention to also close the site in Paris (France), the liquidation has not been finalized yet. Option France has been deconsolidated as from December 2014 due to the loss of control. In September 2015 the Group announced its intention to close the site in Japan, the liquidation has not been finalized yet.

There are no restrictions on the company's ability to access or use assets, and settle liabilities.

## NOTE 26: Information on the auditor's assignments and related fees

The following auditor's fees were recognized as an expense in the reporting period:

Thousands EUR	2016	2015	2014
Worldwide audit services for the annual financial statements	72	100	109
Worldwide tax and legal services	6	14	15
Other worldwide services	11	15	-
	<b>89</b>	<b>129</b>	<b>124</b>

## NOTE 27: Discontinued Operations

In January 2016, the company acquired (asset deal) two Dutch businesses specialized in Public Lighting (outdoor LED) with the intention to develop a Smart Lighting segment. The two businesses, Innolumis Public Lighting BV and Lemnis Public Lighting BV, have been consolidated into one organization, Innolumis Public Lighting BV based in Amersfoort.

In November 2016 Option announced the sale of Innolumis Public Lighting BV and Public Lighting BV.

The transaction strengthened the Company's cash position and enabled the company to operate in going concern mode moving into 2017.

As part of the agreement Option will continue to bring its engineering expertise to Innolumis on a contractual basis, e.g. the further development of the Smart Lighting solutions with sensors and camera's, which is based on Option's CloudGate technology.

Therefore, Innolumis Public Lighting BV and Public Lighting BV are not consolidated in Option's financial statements. The sale is reported in discontinued operations.

The sale has a positive net effect of EUR 340k on an initial investment of EUR 1,622k.



## 5. AUDITOR'S REPORT

**Deloitte.**



### **Option NV**

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2016

The original text of this report is in Dutch



## Statutory auditor's report to the shareholders' meeting of Option NV on the consolidated financial statements for the year ended 31 December 2016

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

### Report on the consolidated financial statements – Disclaimer of opinion

We were mandated to audit the consolidated financial statements of Option NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated statement of financial position shows total assets of 3,108 (000) EUR and the consolidated income statement shows a consolidated loss (group share) for the year then ended of 7,921 (000) EUR.

### Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Because of the matters described below in the "Basis for disclaimer of opinion" section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. As such, we were unable to obtain the explanations and information necessary for performing our audit from the company's officials and the board of directors.

### Basis for disclaimer of opinion

During 2016, the company and its subsidiaries (together "the group") again did not realize the objectives it had initially set under the business plan of the board in terms of turnover and gross margin. As a result, the group has continued to incur significant negative cash flows which impacted severely its financial position per 31 December 2016. The group has not been able to stop the cash burn in the first months of 2017. As such and despite securing an additional bridge financing for 2.6 million EUR in March 2017, of which 1.6 million EUR has already been received, the financial means of the group are very limited at the date of our report. As a consequence, there exists an important uncertainty with respect to the continuation of the group's activities. As disclosed in the notes to the consolidated financial statements, the group's ability to continue as a going concern on the short term depends on the extent to which the group is able to timely and simultaneously realize the following assumptions:

- Achieve the assumptions used in the group's cash forecast for the next 12 months, including the receipt of the remaining 1 million EUR of the March 2017 bridge financing in the next weeks;
- Generate the budgeted positive EBITDA as of the second semester of 2017 as included in the business plan 2017, which assumes an accelerated growth in revenues in the next quarters;

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises  
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /  
Société civile sous forme d'une société coopérative à responsabilité limitée  
Registered Office: Gateway building, Luchthaven Nationaal 1 J, B-1930 Zaventem  
VAT BE 0429.053.863 - RPR Brussel/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GEBABEBB

Member of Deloitte Touche Tohmatsu Limited

**Option NV**

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2017

- Successfully (re)negotiate payment plans with existing suppliers and other creditors to ensure a positive cash position in the coming months; and
- Secure a credit line of sufficient size for funding of additional working capital resulting from the budgeted sales ramp up for the second half of 2017 and thereafter.

The accumulation of conditions that need to be timely and simultaneously fulfilled present a fundamental uncertainty about the going concern of the group and about the relevance of the consolidated financial statements. No adjustments have been recorded herein with respect to the valuation or the classification of certain balance sheet items, which would be required, should the group no longer be able to continue its operations. In particular, the group's balance sheet includes capitalized development expenses amounting to 427 (000) EUR and inventories amounting to 619 (000) EUR, which could be subject to impairments in case the group would not be able to continue as a going concern.

Additionally we observed the following:

- Early 2016, the group acquired Innolumis Public lighting BV and Lemnis Public lighting BV and subsequently disposed these entities in December 2016. As disclosed in note 27 to the consolidated financial statements, the company has not consolidated the results of these entities in the consolidated financial statements during the period they had control despite the consolidation principles as outlined in note 1 to the consolidated financial statements. The board of directors and management were unable to provide us with sufficient evidence to determine the resulting impact thereof on the group's cash flow statement. The consolidated financial statements also do not include the required disclosures under IFRS 3 "Business combinations" and IFRS 5 "Assets for held for sale".
- The company has 3 defined contribution plans which qualify as defined benefit plans due to the minimum return guarantees in the Belgian regulation. The financial statements include a provision for the underfunding in the plan as of 31 December 2016. However, the board of directors and management were unable to provide us with sufficient evidence to determine whether any adjustments were required in relation to the company's full pension liability determined in accordance with the valuation methods defined in IAS19 "Employee benefits" as well as the required related disclosures; and
- The group issued three convertible bonds over the course of the past years. The disclosures with respect to these convertible bonds as included in note 14 to the consolidated financial statements are not in compliance with the disclosure requirements for financial instruments under IFRS.

**Disclaimer of opinion**

Because of the importance of the matters referred to in the "Basis for disclaimer of opinion" section, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and cannot assess the positive cumulative effect of those matters on the consolidated financial statements. Accordingly, we do not express an opinion on the consolidated financial statements.

**Option NV**

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2017

**Report on other legal and regulatory requirements**

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and, except for the effect on the director's report of the matters described in the "Basis for disclaimer of opinion" section, is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Zaventem, 1 June 2017

**The statutory auditor**



**DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises**

BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by Nico Houthaève

## **6. ABBREVIATED STATUTORY ACCOUNTS OF OPTION NV AND EXPLANATORY NOTES**

The following documents are extracts of the statutory annual accounts of Option NV prepared under Belgian GAAP in accordance with article 105 of the Company Code.

Only the consolidated annual financial statements as set forth in the preceding pages present a true and fair view of the financial position and performance of the Option Group.

The statutory auditor's report is a "disclaimer of opinion" on the non consolidated financial statements of Option NV for the year ended 31 December 2016.

### **Basis for disclaimer of opinion**

During 2016, the company and its subsidiaries (together "the group") again did not realize the objectives it had initially set under the business plan of the board in terms of turnover and gross margin. As a result, the group has continued to incur significant negative cash flows which impacted severely its financial position per 31 December 2016. The group has not been able to stop the cash burn in the first months of 2017. As such and despite securing an additional bridge financing for 2,6 million EUR in March 2017, of which 1,6 million EUR has already been received, the financial means of the group are very limited at the date of our report. As a consequence, there exists an important uncertainty with respect to the continuation of the group's activities. As disclosed in the note on going concern in the annual accounts, the group's ability to continue as a going concern on the short term depends on the extent to which the group is able to timely and simultaneously realize the following assumptions:

- Achieve the assumptions used in the group's cash forecast for the next 12 months, including the receipt of the remaining 1 million EUR of the March 2017 bridge financing in the next weeks;
- Generate the budgeted positive EBITDA as of the second semester of 2017 as included in the business plan 2017, which assumes an accelerated growth in revenues in the next quarters;
- Successfully (re)negotiate payment plans with existing suppliers and other creditors to ensure a positive cash position in the coming months; and
- Secure a credit line of sufficient size for funding of additional working capital resulting from the budgeted sales ramp up for the second half of 2017 and thereafter.

The accumulation of conditions that need to be timely and simultaneously fulfilled present a fundamental uncertainty about the going concern of the company and about the relevance of the financial statements. No adjustments have been recorded herein with respect to the valuation or the classification of certain balance sheet items, which would be required, should the company no longer be able to continue its operations. In particular, the company's balance sheet includes capitalized development expenses amounting to 427 (000) EUR and inventories amounting to 619 (000) EUR, which could be subject to significant impairments in case the company would not be able to continue as a going concern.

Additionally, the company has 3 defined contribution plans which qualify as defined benefit plans due to the minimum return guarantees in the Belgian regulation. The financial statements include a provision for the underfunding in the plan as of 31 December 2016. However, the board of directors and management were unable to provide us with sufficient evidence to determine whether this provision was sufficient in light of the company's entire pension liability.

### **Disclaimer of opinion**

Because of the importance of the matters referred to in the "Basis for disclaimer of opinion" section, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and cannot assess the positive cumulative effect of those matters on the annual accounts. Accordingly, we do not express an opinion on the annual accounts.

## 6.1. Abbreviated statutory balance sheet (according to Belgian Accounting Standards)

Assets			
Thousands EUR	2016	2015	2014
<b>Fixed assets</b>	<b>645</b>	<b>1 565</b>	<b>4 662</b>
Intangible assets	427	894	3 115
Tangible assets	20	120	251
Financial assets	198	551	1 297
<b>Current Assets</b>	<b>8 807</b>	<b>12 133</b>	<b>10 772</b>
Stocks and contracts in progress	619	1 498	3 137
Accounts receivable within one year	7 438	6 660	6 384
Cash & cash investments	696	3 939	1 227
Deferred charges and accrued income	53	36	24
<b>Total Assets</b>	<b>9 452</b>	<b>13 699</b>	<b>15 434</b>
<b>Liabilities</b>			
Thousands EUR	2016	2015	2014
<b>Capital and reserves</b>	<b>( 36 614)</b>	<b>( 29 176)</b>	<b>( 15 716)</b>
Capital	4 922	4 845	4 739
Share premium	3 766	3 387	2 886
Legal reserve	612	612	612
Profit/(loss) carried forward	( 45 914)	( 38 020)	( 23 953)
<b>Provisions</b>	<b>417</b>	<b>295</b>	<b>46</b>
<b>Creditors</b>	<b>45 649</b>	<b>42 580</b>	<b>31 104</b>
Long term financial liabilities	27 997	27 246	18 039
Amounts payable within one year	16 581	14 600	12 471
Accrued charges and deferred income	1 070	734	595
<b>Total liabilities</b>	<b>9 452</b>	<b>13 699</b>	<b>15 434</b>

On a balance sheet total of EUR 9.5 million, the total equity as of 31 December 2016 amounted EUR (36.6) million.

## 6.2. Abbreviated statutory income statement (according to Belgian Accounting Standards)

abbreviated profit and loss account	2016	2015	2014
Thousands EUR			
<b>Revenues</b>	<b>4 740</b>	<b>5 598</b>	<b>8 822</b>
Turnover	4 168	4 511	4 607
Increase (decrease) in stocks in finished goods, work and contracts in progress	( 641)	( 864)	-
Capitalized development costs	438	788	2 348
Other operating income (mainly intercompany transactions daughterondernemingen)	775	1 163	1 867
<b>Operating charges</b>	<b>10 282</b>	<b>16 834</b>	<b>18 418</b>
Raw materials, consumables and goods for resale	818	1 435	2 390
Services and other goods	3 864	4 775	6 344
Remuneration, social security costs and pensions	3 836	5 300	6 275
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	1 005	2 726	3 421
Increase, decrease in amounts written off stocks, contracts	-	-	-
Contracts in progress and trade debtors	624	1 919	( 76)
Provision for contingencies	122	249	46
Other operating charges	12	15	18
Non-recurring operating charges	-	415	-
<b>Operating profit/(loss)</b>	<b>( 5 541)</b>	<b>( 11 236)</b>	<b>( 9 596)</b>
<b>Financial income</b>	<b>430</b>	<b>146</b>	<b>21</b>
<b>Financial charges</b>	<b>( 2 779)</b>	<b>( 2 971)</b>	<b>( 1 497)</b>
<b>Profit/(loss) for the period before taxes</b>	<b>( 7 891)</b>	<b>( 14 061)</b>	<b>( 11 071)</b>
<b>Income tax expense</b>	<b>3</b>	<b>5</b>	<b>7</b>
<b>Profit/(loss) for the period available for appropriation</b>	<b>( 7 894)</b>	<b>( 14 067)</b>	<b>( 11 078)</b>

abbreviated appropriation account (According to belgian accounting standards)	2016	2015	2014
Thousands EUR			
Profit/(loss) carried forward from previous year	<b>( 38 020)</b>	( 23 953)	( 12 875)
Profit/(loss) for the period available for appropriation	( 7 894)	( 14 067)	( 11 078)
Capital decrease, by incorporation of reserves	-	-	-
Profit/(loss) carried forward	<b>( 45 914)</b>	( 38 020)	( 23 953)

## 6.3. Summary of most significant valuation rules - Abbreviated statutory accounts - Belgian GAAP

### *Formation expenses*

Formation expenses are charged against income except for costs capitalized.

### *Intangible assets*

Patents, licenses and software are linearly depreciated at rates of 20% to 50%.

### *Machinery and equipment*

Lab equipment, test equipment and computer equipment are linearly depreciated at rates of 20% to 50%. Test equipment (under lease) is linearly depreciated at a rate between 10% and 50%.

### *Research and development*

As from January 1<sup>st</sup> 2005:

Research expenditure is recognized as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets only if all of the following conditions are met:

- o An asset is developed that can be identified;
- o It is probable that the asset developed will generate future economic benefits; and
- o The development costs of the asset can be measured reliably.

Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have a finite useful life that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding three years.

### *Vehicles*

Vehicles are linearly depreciated at rate of 20%.

### *Office Furniture*

Office furniture and equipment are linearly depreciated at rates of 10% to 33.3%. Leased office equipment is linearly depreciated at rates between 20% and 50%.

### *Financial assets*

During the financial period investments are not revalued.

### *Stocks*

Stocks (raw materials, consumables, work in progress, finished goods and goods for resale) are valued at acquisition cost determined according to the FIFO-method or by the lower market value.

### *Products*

The products are valued at costs that only directly attribute.

### *Contracts in progress*

Contracts in progress are valued at production cost.

### *Debts*

Liabilities do not include long-term debts, bearing no interests at an unusual low interest.

### *Foreign currencies*

Debts, liabilities and commitments denominated in foreign currencies are translated using the exchange rate of 31 December 2015. Transactions are converted at the daily exchange rate.

Exchange differences have been disclosed in the annual accounts as follows:

- o Positive exchange results in caption IV. Financial income of the profit and loss account;
- o Negative exchange results in caption V. Financial charges



## 6.4. Explanatory notes - Abbreviated statutory accounts - Belgian GAAP

### PARTICIPATING INTERESTS

The following participations in subsidiaries are retained with mention of the number of registered rights and percentage of ownership:

	Shares held by company (by number)	% held by company	% held by subsidiaries
<hr/>			
31/dec/16			
Option Germany GMBH – Augsburg (D)	1	100%	0%
Option Wireless Ltd – Cork (IRL)	2 000 000	100%	0%
Option Wireless Hong Kong Limited – China	10 000	100%	0%
Option France SAS *	10 000	100%	0%

\* This company is under "liquidation judiciaire" since 31 December 2014.

### STATEMENT OF CAPITAL

Issued Capital	Amounts	Number of
31/dec/16	(in EUR)	shares
<hr/>		
At the end of the preceding period	4 844 802	96 896 054
At the end of the period	4 922 127	98 442 546
<hr/>		
Authorized capital		

On 31 December 2016 the authorized (but non-issued) capital amounted to EUR 4 845k.

## 7. INVESTOR RELATIONS AND FINANCIAL CALENDAR

### 7.1. The Option Share on Euronext

Option's ordinary shares were originally listed in USD on NASDAQ Europe (ex EASDAQ) following the Initial Public Offering of November 26, 1997. Option's shares started to be listed in EUR on the First Market of Euronext Brussels as from August 5th, 2003. Option NV's shares are quoted on the continuous trading market under the trading symbol "OPTI".

With a view to increasing the liquidity of the Option shares and their visibility to the US investors, Option has decided to implement a Level I American Depositary Receipts ("ADR") Program. An F-6 registration statement has been filed with The Securities and Exchange Commission.

This Level I ADR Program has the following characteristics:

- ADRs are U.S. securities issued by a depositary bank representing shares of a non-US company. In this case, The Bank of New York has been selected as depositary bank;
- An ADR gives investors a voting right and future dividend rights according to the terms and conditions of the deposit agreement entered into between The Bank of New York, Option and future ADR holders;
- An ADR gives US investors access to the Option shares through the over-the-counter market on which ADRs are freely negotiable in the US. The ADR ticker is OPNVY.

### 7.2. Share history in 2014-2016 on Euronext

	2016	2015	2014
Number of shares outstanding	98 442 546	96 896 054	94 779 290
Year-end share price	0.11	0.24	0.29
Market capitalization (million)	11	23	27
Share price High	0.26 (January 25, 2016)	0.35 (March 6, 2015)	0.78 (May 5, 2014)
Share price Low	0.09 (November 24, 2016)	0.20 (August 11, 2015)	0.26 (March 13, 2014)
Free float	84.96%	84.72%	84.38%

During 2016, a total of 19,210,353 shares were traded on Euronext on 256 trading days, meaning an average for the year of 75,040 shares per day.

## 7.3. Financial calendar

Option intends to release its biannual financial information in 2017 on the following date – before market hours:

- Half Year 2017 results & Interim Financial Report: Friday August 25, 2017

General Meeting of Shareholders 2017: Friday June 30, 2017 at 10 AM in Leuven

For clarification concerning the information contained in this annual report or for information about Option NV and about transparency filings regarding declaration of interests of shares, please contact:

Option  
Steve Theunissen  
Gaston Geenslaan 14  
B-3001 Leuven, Belgium  
Phone: +32 (0)16 31 74 11  
Fax: +32 (0)16 31 74 90  
E-mail: [investor@option.com](mailto:investor@option.com)

## **8. CERTIFICATION OF RESPONSIBLE PERSONS**

The undersigned, Jan Callewaert, Managing Director of Option NV, and Edwin Bex, CFO of Option NV, confirm that to the best of their knowledge:

- a) the consolidated financial statements for the year ending December 31, 2016 have been prepared in accordance with IFRS (International Financial Reporting Standards) and give, in all material respects, a true and fair view of the consolidated financial position and results of Option NV and of its subsidiaries included in the consolidation;
- b) the management report for the year ending December 31, 2016 gives, in all material respects, a true and fair view of the evolution of the business, the results and the situation of Option NV and of its subsidiaries included in the consolidation, as well as an overview of the most significant risks and uncertainties with which Option is confronted.

Leuven, May 31<sup>st</sup>, 2017

Jan Callewaert  
Managing Director  
Option NV

Edwin Bex  
CFO  
Option NV

## 9. INFORMATION SHEET BY END 2016

NAME	OPTION NV
FORM	Limited Company as per Belgian Law
ADDRESS	Gaston Geenslaan 14, B-3001 LEUVEN
PHONE	+32(0)16 31 74 11
FAX	+32(0)16 31 74 90
E-Mail	<a href="mailto:investor@option.com">investor@option.com</a>
WEBSITE	<a href="http://www.option.com">www.option.com</a>
ENTERPRISE No.	0 429 375 448
VAT	BE 429 375 448
ESTABLISHMENT DATE	July 3rd, 1986
DURATION	Indefinite duration
AUDITOR	Deloitte-Auditors represented by Mr. Nico Houthaevé
FINANCIAL YEAR CLOSING	31 December
CAPITAL	EUR 4,922,127
NUMBER OF SHARES	98,442,546
ANNUAL MEETING	Last business day of May
LISTING	Euronext – continuumarketStock – Ordinary Stock – Continuous – compartment B – ticker OPTI
DEPOSIT BANK	BNP PARIBAS FORTIS
MEMBER OF INDEX	Bel Small
OTHER LABELS	Ethibel Pioneer SRI Kempen

## **10. GLOSSARY**

### **BOOK VALUE PER SHARE**

Total Shareholders' equity divided by the number of weighted average number of ordinary shares.

### **CASH FLOW PER SHARE**

Net result plus non-cash charges such as depreciation and impairment loss divided by number of weighted average number of ordinary shares.

### **EBIT**

Earnings Before Interest and Taxes.  
Profit from operations.

### **EBITDA**

Profit from operations plus depreciation and amortization.

### **EPS**

Earnings Per Share.  
Net result divided by the weighted average number of ordinary shares.

### **NET CAPEX**

Acquisitions of property and equipment, intangible assets and the expenditures on product development, minus proceeds from sale.

### **NET FINANCIAL DEBT**

Non-current and current debts minus cash.

### **WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES**

Number of shares outstanding at the beginning of the period, adjusted by the number of shares cancelled, repurchased or issued during the period multiplied by a time-weighting factor.

### **WORKING CAPITAL**

Current assets less current liabilities.

# 11. CORPORATE SOCIAL RESPONSIBILITY

## STATEMENT OF BUSINESS ETHICS

Option is mindful of its responsibilities to behave in an ethical manner in the course of pursuing its business goals and therefore makes the following ethical statement. Option NV, including all its subsidiaries, affiliates and/or consolidated holdings adopts the following practices:

### Investment

We will not invest in any of the following areas:

- o marketing, development or production of nuclear, chemical or biological weapons
- o marketing, development or production of weapons of war or other armaments
- o marketing, development or production of products involving animal fur or animal testing
- o production of strategic parts of weapon systems of any kind.
- o marketing, development or production of pornography, the sex industry, hard drugs or tobacco

### Employment

We will not engage in any of the following activities:

- o use of children under the legal age for employment
- o use of forced, bonded or compulsory labour

### Discrimination

We will not discriminate against our employees in any of the following areas:

- o on the grounds of race, colour, sex, sexual orientation, religion, political opinion, age or nationality
- o on the grounds of pregnancy or maternity leave

### Purchasing

We will put into place checks, controls and procedures to ensure all our suppliers and sub-contractors:

- o have ethical standards that do not compromise any of the above
- o have checks, controls and procedures that ensure their suppliers or sub-contractors do not compromise any of the above

### Prevention of Corruption

We will include in our distribution and supply agreements antibribery standard clauses. Our employment policies outline measures that can and will be taken in order to prevent corruption. Option, as a public company, respects the Corporate Governance rules, as it is member of the ETHIBEL Sustainability index.

**LANGUAGE OF THIS ANNUAL REPORT**

Pursuant to Belgian Law, Option is required to prepare its Annual Report in Dutch. Option has also made an English language translation of this Annual Report. In case of differences in interpretation between the English and Dutch versions of the Annual Report, the original Dutch version shall prevail.

**AVAILABILITY OF THE ANNUAL REPORT**

The Annual Report is available to the public free of charge upon request to:

Option NV  
Attention Investor Relations  
Gaston Geenslaan 14  
3001 Leuven, Belgium  
Phone: +32(0)16 317 411  
Fax: +32(0)16 317 490  
E-mail: investor@option.com

An electronic version of the Annual Report is also available, for information purposes only, via the internet on the website of Option (address: [www.option.com](http://www.option.com)). Only the printed Annual Report, published in Belgium in accordance with the applicable rules and legislation is legally valid, and Option takes no responsibility for the accuracy or correctness of the Annual Report available via the Internet. Other information on the website of Option or on any other website does not form part of this Annual Report.

**FORWARD-LOOKING STATEMENTS**

This Annual Report contains forward-looking statements, including, without limitation, statements containing the words "believes", "anticipates", "expects", "intends", "plans", "seeks", "estimates", "may", "will", and "continue" and similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which might cause the actual results, financial condition, performance or achievements of Option, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Given these uncertainties, the public is cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements are made only as of the date of this Annual Report. Option expressly disclaims any obligation to update any such forward-looking statements in this Annual Report to reflect any change in its expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based, unless such statement is required pursuant to applicable laws and regulations.