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## **MESSAGE TO OUR SHAREHOLDERS**

### **SUMMARY**

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## **A. INDICATION OF SIGNIFICANT EVENTS THAT HAVE OCCURRED DURING THE FIRST SIX MONTHS OF THE FINANCIAL YEAR, AND THEIR IMPACT ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

At the Option group (the “**Group**” or “**Option**”) level, a number of significant events took place and were communicated via press releases on Option NV’s – hereinafter referred to as the “**Company**” - website. Below you will find a summary of the most significant non-financial highlights during the first six months of the financial year 2013:

### **Overview**

Option started a new business model focused on the M2M market which is expected to grow in the coming years as the vision of the ‘Internet of Things’ gradually becomes reality.

With CloudGate Option targets niche and specialised markets that are less volume driven and more focused on added value, local presence, services and product related features, both soft- and hardware, that allow it to be better adapted for the targeted segment or application.

In contrast to competing products, CloudGate can be easily adapted or expanded to specific use cases and this both on hard- and software level. To this extent Option has, using the experience it has gained in developing previous products, developed an end to end M2M application development and deployment system. The CloudGate solution includes a Cloud based application and configuration provisioning system and a stable, reliable routing platform with a sophisticated software development kit. The routing platform is based on an open source platform with proprietary extensions and a full automated test suite that allows Option to quickly extend the platform to meet customer needs while maintaining a very high level of quality; indispensable in a market where devices are deployed to remote, inaccessible locations. The CloudGate hardware incorporates flexible hardware expansion card bays which allow the CloudGate hardware to adapt to multiple different M2M segments.

From a hardware perspective CloudGate offers an important expansion possibility to its users. This allows users to transform the product into a more versatile solution that can be used for digital signage applications (when combined with the Ethernet expansion card), for different telematics use cases (when combined with the telematics expansion card), in a WiFi environment (when combined with the WiFi expansion card), etc...

The software and hardware expandability allows the user to transform and adapt the basic product very easily and to tailor-make a truly optimised solution.

Furthermore, the product differentiates by its ease of deployment particularly in environments where custom software needs to run on the CloudGate. These types of solutions are becoming more and more prevalent as M2M applications generate large amounts of data which requires pre-processing before being sent to remote systems. Because of its high degree of adaptability, CloudGate is sold through various channels and in collaboration with different partners including; network operators, system integrators, value added resellers, value add distributors, equipment manufacturers and others.

CloudGate was first introduced in the US market. Since the product launch, Option has announced partnerships with distributors (e.g. GetWireless), leading US System Integrators and developers (such as ILS, ClearConnex, Exosite, Hilton Development Group, and many others). Via this partner network CloudGate has been introduced as a part of a number of M2M partner solutions and sales of CloudGate have continued to increase. Option has received positive feedback on the product and it continues to work on further expanding the ecosystem to secure a good market coverage and presence in the different M2M segments. With Cloud Gate Option is competing for some of the existing and new projects in the U.S. M2M market.

Leveraging its in-depth technical and telecom market knowledge, Option has been able to have CloudGate certified with the leading carriers in North America, including AT&T, Verizon, Sprint, T-Mobile, Telus and Bell Mobility. The product is also compliant with FCC, PTCRB, IC, RoHS and REACH standards.

As Option is a new name in the M2M market, the sales cycle has been longer than anticipated with long pilot programs before final acceptance. While the length of the sales cycle is a challenge it also shows the importance that customers place on reliability and product quality when selecting an M2M gateway and this plays directly to Option's strengths as a company.

Following demand of different European parties Option started to investigate and develop a European introduction plan for CloudGate in the first half of 2013. The implementation of this plan has started at the beginning of the third quarter. As of now CloudGate is also available in Europe via a number of partners.

These developments demonstrate that the Group has shifted from commodity hardware devices for mobile operators, towards end-to-end solutions for both business and consumer markets. The product portfolio is focused on vertical markets such as automotive, financial services, security and surveillance.

In addition to CloudGate, the Company continues to offer other products such as the robust GS3.5 gateway, the XYFI 3G routers with accessories and a variety of embedded modules integrated in laptops, tablets, and different M2M applications.

## Corporate

- At the end of the first quarter 2013, Option secured EUR 9 million via the issue of a convertible bond. The funding 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 31,034,483 new shares of Option N.V. The convertible bond has an annual interest rate of 5% with an initial conversion price of EUR 0.285 which is the average share price during the 30 days prior to the issuing of the convertible bond.
- On May 3 2013 Option organized a special general meeting of shareholders in application of article 633 of the Belgian Code of Companies. Indeed, as the company had suffered losses in 2012, the net equity as of 31 December 2012 amounted to EUR 4.5 million, or less than half of the issued capital. As a result, the mandatory procedure set forth in Article 633 of the Company Code was complied with. At the first special general meeting of shareholders the required quorum was not reached and thus a second meeting took place on May 31, 2013. At this last meeting the report of the Board of Directors drawn up in accordance with article 633 of the Belgian Code of Companies was presented and the shareholders decided to continue the activities of the Company.
- As the Company continued to make losses in the first half of 2013 the net equity of the Company has further decreased to EUR -1.3 million. Therefore, in application of the 4<sup>th</sup> paragraph of article 633 of the Belgian Code of Companies, a new special general meeting of shareholders has to be held in order to decide on the continuation of the Company. The Board of Directors is currently preparing this meeting that will be held in the second half of October 2013 in the offices of the Company.
- At the ordinary general meeting of shareholders held on May 31 of this year, it was decided to reduce the size of the Board of Directors with one member, which means that the Board of Directors currently consists of five members. The following directors were reappointed by the

shareholders; Jan Callewaert, An Other Look To Efficiency as respectively executive Director and independent Director of the Company, and Lawrence Levy and Q-List BVBA as non-executive Directors of the Company.

## **Financial Highlights of the first half fiscal year 2013**

- Total revenues for the first half year of 2013 were EUR 5.1 million compared with EUR 23.3 million realized in the first half of 2012. Product related revenues decreased from EUR 6.0 million to EUR 4.4 million, while software and license revenue decreased from EUR 17.2 million to EUR 0.7 million. Due to the expiration of the license agreement with Huawei, there are no more revenues reported in 2013 under this agreement (2012: EUR 16.5 million of revenues for the first half year).
- Gross margin for the first half year 2013 was 34.1 % on total revenues (excluding exceptional items, gross margin was 27.3 %), compared with a gross margin of 75.6 % for the comparable period in 2012 which was positively impacted by the revenue received from license with Huawei.
- Compared to the first half year 2012, total operating expenses in the first half year 2013 decreased from EUR 14.1 million to EUR 8.7 million as a result of downsizing the group, additional savings and a correction on the incentives received from the Belgian government agency for salaries of research personnel. The normalized operating expenses amounts to EUR 9.9 million for half year 2013 compared to EUR 11.5 million comparable period 2012. The one-offs for 2013 includes recovered professional taxes (EUR 1.0 million), redundancy costs (EUR -0.6 million) and reduce of provisions and write-back on stock (EUR 0.9 million).
- The increase in provision is largely accounted for by the redundancy payment paid in July for 10 employees in Cork and totaling EUR 0.3 million.
- Financial costs increased significantly, mainly due to the interests to be paid on the convertible bond that was issued at the end of the first quarter 2013.
- The first half year 2013 EBIT and net result amounted to respectively EUR -7.0 million and EUR -7.2 million compared with EUR 3.5 million and EUR 3.7 million during the corresponding period 2012.
- The cash position increased from EUR 3.1 million at the end of 2012 to EUR 5.6 million thanks to proceeds from borrowings (convertible bond) of EUR 9.0 million, and use in operating activities of EUR 5.0 million.

## **B. DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES FOR THE REMAINING MONTHS OF THE FINANCIAL YEAR**

### **Risks and uncertainties**

With respect to the main risks and uncertainties which Option is likely to face during the remaining months of the financial year 2013, reference is made to the risk factors and uncertainties as described in detail in the Annual Report 2012 (made available on Option's website ([www.option.com](http://www.option.com)) on April 30th, 2013) which continue to be actual.

In addition hereto, the Board would like to specifically emphasize the following risks and uncertainties for the remaining months of the current financial year:

### **Going concern**

Option has generated a negative cash flow from operations during the first six months of the year, reducing the group's liquidity and overall financial position. Although the new product line CloudGate continues to be well received in the marketplace as evidenced by the ecosystem that Option has grown since the launch of the product, the sales cycle for the product are longer than expected. This is caused by a number of elements. First, the complexity of the M2M market and the different

problems that need a solution require tailor made work and thus customisations at different product and software levels. Second, the current economic climate continues to be difficult causing many companies to slow down their investments. Finally, Option is new in the M2M market and needs to convince new customers of the superior quality offered by CloudGate. Notwithstanding these difficulties, the overall market feedback continues to be very positive and the sales of the product and build out of the ecosystem are going in the right direction, although the uptake is slower than anticipated.

The Company's continued operational losses and the current trading environment could further materially adversely affect its business and financial position. These losses might cause the Company to have to implement further cost cutting and restructuring measures which require the Company to reprioritize the uses to which its capital is put to the potential detriment of its business needs, which could result in reduced funds being available for the operation of the Company's business, including marketing activities, capital expenditures, acquisitions, or other general corporate purposes. As a consequence, the Company may suffer from a competitive disadvantage compared to its competitors who may have greater liquidity and capital.

If the overall revenue generation would not accelerate in the near future then the Company will be confronted with serious liquidity problems which could jeopardize its going concern. In such scenario the C working capital should be strengthened before the end of the fourth quarter. In this respect, the Board of Directors inter alia reviewed the budget and is working on a plan to secure additional liquidity in order to strengthen the Company's working capital position. This plan includes different potential scenario's and is being worked out with the management of the Company. The Board and management will closely follow up the progress made in a detailed action plan and report to the market when possible and/or required.

As indicated above the losses that the Company has incurred in the first half of 2013 have weakened the net equity position of the Company and thus triggered the application of article 633 of the Belgian Code of Companies.

## **Related party transactions**

During the first six months of the financial year 2013, the below transactions have taken place between the Company and members of the Board of Directors that triggered the application of the conflict of interests procedure prescribed by the Belgian Company Code (Article 523 of the Belgian Company Code).

The relevant related party transactions can be summarized as follows (more details on these transactions have already been published in the Company's annual report 2012 that can be downloaded from the Company's website: <http://www.option.com/annual-reports/>):

### **(1) Bridge loan**

At the meeting of the Board of Directors held on 23 January 2013 the Board approved a loan agreement between the Company and Mondo NV, a company in which Jan Callewaert holds the majority of the shares. The agreement foresaw in a possibility for the Company to draw moneys up to an amount of 5 million EUR awaiting the finalisation of the issue of the convertible bonds. The interest rate applicable to this loan agreement was identical to that of the convertible bond, i.e. 5% per year. No moneys were drawn under the loan agreement.

### **(2) Convertible bond**

In addition the Board of Directors applied on 28 March 2013 the procedure foreseen in Article 523 of the Belgian Code of Companies. At this meeting the convertible bond issue and the waiving of the pre-emptive rights of the existing shareholders and warrant holders was discussed. Jan Callewaert and Francis Vanderhoydonck, permanent representative for FVDH Beheer, informed the Board that they had potentially an interest of a monetary nature that is conflicting with the interests of the Company as they both directly and/or indirectly subscribed to the proposed issue of convertible bonds

The board of directors decided:

- to issue the convertible bonds for an amount of nine million euro (€9,000,000.00) as further described in the report of the board of directors drafted in accordance with section 583 of the Code of Companies;
- to the interest of the company, to waive the pre-emptive rights of the existing shareholders and warrant holders in favour of the following five (5) parties:
  - Mr. CALLEWAERT Jan, aforementioned, up to an amount of five million euro (EUR 5,000,000.00)
  - The private limited liability company “ATHOS INVESTMENTS”, aforementioned, up to an amount of one million euro (EUR 1,000,000.00)
  - The public limited liability company “PARTICIPATIEMAATSCHAPPIJ VLAANDEREN” in short “P.M.V.”, aforementioned up to an amount of two million euro (EUR 2,000,000.00)
  - The non-profit organization “LIFE SCIENCES RESEARCH PARTNERS”, aforementioned up to an amount of five hundred thousand euro (EUR 500,000.00)
  - The public limited liability company “MONDO”, aforementioned, up to an amount of five hundred thousand euro (EUR 500,000.00)

### **C. MANAGEMENT STATEMENT**

Management states that, to the best of their knowledge:

- a) the set of financial statements, prepared in accordance with the applicable accounting standards, gives a true and fair view of the assets, liabilities, financial position and result of the Company and its affiliates.
- b) the interim Report of the Board of Directors provides a fair overview of the major events and the major transactions with related parties that took place during the first six months of the financial year and their respective impact on the financial statements, as well as a description of the main risks and uncertainties for the remaining months of the financial year.

## CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE

For the half year period ended 30 June	June 30, 2013	June 30, 2012
Thousands EUR (except per share figures)		
<b>Revenues</b>	<b>5 145</b>	<b>23 276</b>
<i>Product Revenue</i>	4 428	6 029
<i>Software and License Revenue</i>	718	17 247
Cost of products sold	(3 391)	(5 684)
<b>Gross profit</b>	<b>1 753</b>	<b>17 592</b>
Gross margin/Total revenues %	34.1%	75.6%
Research and development expenses	(2 760)	(5 344)
Sales, marketing and royalties expenses	(1 380)	(3 373)
General and administrative expenses	(4 607)	(5 342)
<b>Total operating expenses</b>	<b>(8 747)</b>	<b>(14 059)</b>
<b>Profit / (loss) from operations (EBIT)</b>	<b>(6 994)</b>	<b>3 533</b>
Depreciation, amortization and impairment losses	2 141	3 027
EBITDA	(4 853)	6 560
Exchange gain/(loss)	( 13)	27
Interest income/(expense) and other financial income/(expense)	( 199)	57
<b>Finance result</b>	<b>( 211)</b>	<b>84</b>
<b>Profit / (loss) before income taxes</b>	<b>(7 205)</b>	<b>3 617</b>
Tax income / (expense)	4	49
<b>Net profit / (loss)</b>	<b>(7 201)</b>	<b>3 667</b>
Earnings / (loss) per share (in EUR)	(0.09)	0.04
Diluted earnings / (loss) per share (in EUR)	(0.09)	0.04

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE

For the half year period ended 30 June	June 30, 2013	June 30, 2012
Thousands EUR		
<b>Net profit / (loss)</b>	<b>(7 201)</b>	<b>3 667</b>
Exchange differences on translation of foreign operations	8	11
<b>Total comprehensive income for the period</b>	<b>(7 193)</b>	<b>3 678</b>

All items of the comprehensive income are recyclable to the income statement.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Thousands EUR	At 30 June 2013	At 31 Dec 2012
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	5 576	3 147
Trade and other receivables	2 321	3 167
Income tax receivable	33	60
Inventories	3 303	4 036
	<b>11 233</b>	<b>10 411</b>
<b>Non-current assets</b>		
Property, plant and equipment	627	857
Intangible assets	4 599	4 882
Other receivables (non current)	120	120
Other financial assets	1 195	1 195
	<b>6 543</b>	<b>7 055</b>
<b>Total assets</b>	<b>17 776</b>	<b>17 466</b>
<b>Equity and Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	10 084	11 853
Deferred revenue	120	120
Income tax payable	27	45
Other financial liabilities	14	14
Provisions (current)	829	580
	<b>11 075</b>	<b>12 612</b>
<b>Non-current liabilities</b>		
Other non-current liabilities	7 968	7
	<b>7 968</b>	<b>7</b>
<b>Equity</b>		
Issued capital	12 232	12 232
Share premium	59 041	57 961
Reserves	( 866)	( 893)
Retained earnings	(71 674)	(64 453)
<b>Shareholders' equity</b>	<b>(1 267)</b>	<b>4 847</b>
<b>Total liabilities and shareholders' equity</b>	<b>17 776</b>	<b>17 466</b>

## CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE

Thousands EUR For the period ended	30 June 2013	30 June 2012
<b>Operating activities</b>		
Net profit / (loss) (A)	(7 201)	3 667
Depreciation and amortization	2 140	2 911
(Reversal of) write-offs non cur. & current assets	( 233)	( 439)
Impairment losses on intangible assets	1	116
Increase/(decrease) in provisions	302	( 2)
Loss/(gain) on sale of property & plant and equipment		( 3)
Unrealized Foreign exchange losses/(gains)	9	( 15)
Interest income	( 18)	( 103)
Interest expense	191	17
Equity settled share based payment expense		( 10)
Tax benefit	( 4)	( 49)
<b>Total (B)</b>	<b>2 388</b>	<b>2 422</b>
<b>Cash flow from operating activities before changes in working capital (C)=(A)+(B)</b>		
	<b>(4 813)</b>	<b>6 089</b>
Decrease/(increase) in trade and other receivables	850	1 224
Decrease/(increase) in inventories	966	(1 588)
Increase/(decrease) in trade and other payables	(1 911)	2 028
Increase/(decrease) in deferred revenue		(16 459)
Use in provisions	( 52)	( 417)
<b>Total changes in working capital (D)</b>	<b>( 147)</b>	<b>(15 212)</b>
<b>Cash generated from / (used in) operations (E)=(C)+(D)</b>	<b>(4 960)</b>	<b>(9 123)</b>
Interests (paid) (F)	( 66)	( 39)
Interests received (G)	28	68
Income tax (paid)/received (H)		15
<b>Cash flow from operating activities (i)=(e)+(f)+(g)+(h)</b>	<b>(4 999)</b>	<b>(9 079)</b>
<b>Investing activities</b>		
Proceeds from sale of plant & equipment		85
Investment in non-consolidated companies		( 152)
Acquisition of property, plant and equipment		( 497)
Acquisition of intangible assets		
Development expenditures	(1 628)	(2 578)
<b>Cash Flow used in Investing Activities (j)</b>	<b>(1 628)</b>	<b>(3 142)</b>
<b>Financing activities</b>		
Proceeds from borrowings	9 045	
Repayment of borrowings		
Finance lease liabilities	( 7)	( 7)
<b>Cash flow (used in)/ FROM financing activities (k)</b>	<b>9 038</b>	<b>( 7)</b>
<b>Net increase/ (decrease) in cash and cash equivalents (l)+(j)+(k)</b>	<b>2 411</b>	<b>(12 226)</b>
Cash and cash equivalents at beginning of period	3 147	25 216
Effect of exchange rate fluctuations on cash held	18	39
Cash and cash equivalents at end of period	5 576	13 029

## 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>As per 31 December 2011</b>	<b>12 232</b>	<b>57 961</b>	<b>1 444</b>	<b>76</b>	<b>(1 635)</b>	<b>(68 837)</b>	<b>1 245</b>
<b>Total comprehensive income</b>							
Net result						3 667	3 667
<b>Other comprehensive income</b>							
Translation adjustment				11			11
<b>Transactions with owners, recorded directly into equity</b>							
Share based payments			( 10)				( 10)
<b>As per 30 June 2012</b>	<b>12 232</b>	<b>57 961</b>	<b>1 434</b>	<b>87</b>	<b>(1 635)</b>	<b>(65 170)</b>	<b>4 913</b>
<b>As per 31 December 2012</b>	<b>12 232</b>	<b>57 961</b>	<b>721</b>	<b>23</b>	<b>(1 635)</b>	<b>(64 454)</b>	<b>4 847</b>
<b>Total comprehensive income</b>							
Net result						(7 201)	(7 201)
<b>Other comprehensive income</b>							
Translation adjustment				8			8
<b>Transactions with owners, recorded directly into equity</b>							
Equity component of the convertible loan		1 079					1 079
Transfer from/to				19		( 19)	0
<b>As per 30 June 2013</b>	<b>12 232</b>	<b>59 041</b>	<b>721</b>	<b>50</b>	<b>(1 635)</b>	<b>(71 674)</b>	<b>(1 267)</b>

## **EXPLANATORY NOTES FOR OPTIONS' AUDITED SIX MONTHS RESULTS ENDED 30 JUNE 2013**

### **Note 1: Accounting policies and Corporate information**

IAS 34 was applied to the half year financial report. The accounting policies applied by the Group in the consolidated interim financial statement are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012.

### **Going concern**

Option has generated a negative cash flow from operations during the first six months of the year, reducing the group's liquidity and overall financial position. Although the new productline CloudGate continues to be well received in the marketplace as evidenced by the ecosystem that Option has grown since the launch of the product, the sales cycle for the product are longer than expected. This is caused by a number of elements. First, the complexity of the M2M market and the different problems that need a solution require tailor made work and thus customisations at different product and software levels. Second, the current economic climate continues to be difficult causing many companies to slow down their investments. Finally, Option is new in the M2M market and needs to convince new customers of the superior quality offered by CloudGate. Notwithstanding these difficulties, the overall market feedback continues to be very positive and the sales of the product and build out of the ecosystem are going in the right direction. although the uptake is slower than anticipated.

The Company's continued operational losses and the current trading environment could further materially adversely affect its business and financial position. These losses might cause the Company to have to implement further cost cutting and restructuring measures which require the Company to reprioritize the uses to which its capital is put to the potential detriment of its business needs, which could result in reduced funds being available for the operation of the Company's business, including marketing activities, capital expenditures, acquisitions, or other general corporate purposes. As a consequence, the Company may suffer from a competitive disadvantage compared to its competitors who may have greater liquidity and capital.

If the overall revenue generation would not accelerate in the near future then the Company will be confronted with serious liquidity problems which could jeopardize its going concern. In such scenario the C working capital should be strengthened before the end of the fourth quarter. In this respect, the Board of Directors inter alia reviewed the budget and is working on a plan to secure additional liquidity in order to strengthen the Company's working capital position. This plan includes different potential scenario's and is being worked out with the management of the Company. The Board and management will closely follow up the progress made in a detailed action plan and report to the market when possible and/or required.

As indicated above the losses that the Company has incurred in the first half of 2013 have weakened the net equity position of the Company and thus triggered the application of article 633 of the Belgian Code of Companies.

### **Note 2: New IFRS standards**

The following (amended) standards and interpretations are applicable as of 1 January 2013, none of them have an impact on the financial statements of the Group.

- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
- IAS 1 Clarification of the requirement for comparative information (Amendment)
- IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)
- IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)
- IAS 19 Employee Benefits (Revised 2011) (IAS 19R)
- IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7
- IFRS 13 Fair Value Measurement

As required by IAS 34, the nature and the effect of these changes are disclosed below.

### **IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1**

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

### **IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)**

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group does not provide this disclosure as total segment assets and liabilities were not reported to the chief operating decision maker.

### **IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), but did not affect the interim condensed consolidated financial statements period.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### **Note 3: Segment report**

The Group has adopted IFRS 8 "Operating Segments" with effect from 1 January 2009. 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:

- The "Devices & Solutions" business segment produces data cards, USB devices, routers as well as the new end to end service offerings;
- The "Embedded & Solutions" business segment is principally the production of embedded devices or module offerings and associated integration and certification services;
- The "License" business segment is related to revenues generated to license deals, closed with third parties;
- The "Other" business segment is mainly related to revenues generated out of the connection manager software business, mobile security solutions and other not product or not license related income. They are not reported separately at this stage since they represent less than 10% of total revenue.

Thousands EUR	Revenues from external customers		Segment result	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
Devices & Solutions	2 926	3 177	1 518	(1 661)
Embedded & Solutions	2 024	3 176	(1 886)	(2 024)
Licenses	0	16 459	0	16 459
Other	195	464	( 45)	(1 655)
<b>Totals</b>	<b>5 145</b>	<b>23 276</b>	<b>( 413)</b>	<b>11 119</b>
Unallocated Operating Expenses			(6 582)	(7 586)
Finance (costs) / income			( 211)	84
Income taxes / (expenses)			4	49
<b>Net result</b>			<b>(7 202)</b>	<b>3 667</b>

The segment result represents the result for each segment including the operating expenses which could be allocated to the business segment. The 'Licence' operating segment was related to revenues generated from the software licence agreement with Huawei Technologies that expired end of 2012. As a result no licence revenue was reported for the first six months of 2013. The operating expenses which can be allocated are mainly amortizations, royalty expenses and staff related expenses, dedicated to the business 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".

#### **Note 4: Other disclosures**

- Movements in Research and Development expenses: compared to the first half year of 2012, the Research and Development expenses decreased by EUR 2.6 million. The decrease is the result of a restructuring and ending temporary contracts and the positive impact as to the recoverable professional taxes. As certain projects were fully depreciated, the depreciation expenses decreased as well.
- Movements in Sales, Marketing and Royalties expenses: compared to the first half year of 2012, the Sales, Marketing and royalties expenses decreased by EUR 2.0 million. The decrease is the result of a positive impact as to the recoverable professional taxes as well as a reduction of IPR costs.
- Movements in General and Administrative expenses: compared to the first half year of 2012, the general and administrative expenses decreased by EUR 0.7 million, as a result of the downsizing of the Group.
- On 29 March 2013, the Board of Directors announced the conclusion of the private placement, communicated in October 2012. Option has secured EUR 9 million via the issue of a convertible bond that has been subscribed by 5 partners. The 5-year convertible bond matures in March 2018, and can be converted into 31,034,483 new shares of Option N.V at the option of the bondholder. The convertible bond has an annual interest rate of 5% with an initial conversion price of € 0.285 which is the average share price during the 30 days prior to the issuing of the convertible bond. The initial conversion price may be adjusted in the event of a Dilutive Issue as further defined in the report of the Board of Directors in accordance with section 583 and 596 juncto 598 of the Code of Companies. Conversion may occur from the first time between 15 November 2013 and 30 November 2013, from then on there will be conversion periods from 15 May to 31 May and 15 November to 30 November. The agreement between the Company and Mondo on a mid term loan facility in order to bridge potential cash requirements until the completion of the private placement, will as a result of the issue of the convertible bond be terminated. The loan facility was not used.
- The convertible bond was 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 recognised 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.

The market interest rate used to calculate the fair value of the bond was 8%.

<u>Thousands EUR</u>	
Proceeds of issue	9 000
Liability component at the date of issue	(7 922)
Equity component	1 078
Liability component at the date of issue	7 922
Interest charged calculated at an effective interest rate of 8%	158
Interest charged	(112)
Liability component at 30 June 2013	7 968

Other than the events mentioned before, no other significant events have occurred during the first six months of the financial year that have a material financial impact on the consolidated interim financial statements.

## **CORPORATE INFORMATION**

This interim report contains forward-looking information that involves risks and uncertainties, including statements about the company's plans, objectives, expectations and intentions. Such statements include, without limitation, discussions concerning the company's strategic direction and new product introductions and developments. Readers are cautioned that such forward-looking statements involve known and unknown risks and uncertainties that may cause actual results to differ materially than those set forth in the forward looking statements. The risks and uncertainties include, without limitation, the early stage of the market for connectivity and integrated wireless products and solutions for portable and handheld computers and mobile telephones, the management of growth, the ability of the company to develop and successfully market new products, rapid technological change and competition. Some of these risk factors were highlighted in the Consolidated and Statutory Report 2012 of the Board of Directors which can be found in the Annual Report 2012 page 38-39. The forward-looking statements contained herein speak only as of the date of this press release. The company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any such statement to reflect any change in the company's expectations or any change in events, conditions or circumstance on which any such statement is based.

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### **About Option**

*Option connects Things to the Cloud.* With more than 20 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 system integrators, value added resellers, application platform providers, value add distributors and network operators to bring tailor made solutions to end-customers. Option is headquartered in Belgium, has a production engineering and logistics facility in Ireland and maintains offices in Europe, the US, Greater China, Japan and Australia. More information: [www.option.com](http://www.option.com)

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# Option NV

**Limited review report  
on the condensed consolidated interim  
financial information for the six-month  
period  
ended 30 June 2013**

The original text of this report is in Dutch

## Option NV

### Limited review report on the consolidated interim financial information for the six-month period ended 30 June 2013

To the board of directors

We have performed a limited review of the accompanying consolidated condensed statement of financial position, condensed income statement, condensed statement of comprehensive income, condensed cash flow statement, condensed statement of changes in equity and selective notes 1 to 4 (jointly the “interim financial information”) of Option NV (“the company”) and its subsidiaries (jointly “the group”) for the six-month period ended 30 June 2013.

The board of directors of the company is responsible for the preparation and fair presentation of this interim financial information. Our responsibility is to express a conclusion on this interim financial information based on our review.

The interim financial information has been prepared in accordance with international financial reporting standard IAS 34 – *Interim Financial Reporting* as adopted by the European Union.

Our limited review of the interim financial information was conducted in accordance with international standard ISRE 2410 – *Review of interim financial information performed by the independent auditor of the entity*. A limited review consists of making inquiries of group management and applying analytical and other review procedures to the interim financial information and underlying financial data. A limited review is substantially less in scope than an audit performed in accordance with the International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on the interim financial information.

#### *Basis for Disclaimer Conclusion*

During the past six months, the group has again to an important extent not realized 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 realized a net loss of 7.201 (000) EUR which in turn resulted in a negative equity of 1.267 (000) EUR. Also, the group has incurred negative cash flows which have severely impacted its financial and liquidity position per 30 June 2013 while already stretching its working capital. This is illustrated also by the group’s cash position that has further decreased to approximately 2.600 (000) EUR as of today.

As indicated in section B of the ‘Message to the shareholders’, the board of directors has assessed the liquidity position and concluded that if the groups’ working capital would not be strengthened before the end of the fourth quarter, i.e. December 2013 and if the overall revenue generation would not improve in the near future then the group will be confronted with serious liquidity problems which will jeopardize its going concern. The current short term cash flow planning is based on the agreement that its main customer will pay cash in that timeframe until December 2013. As of the date of this report, no other specific measures or additional financing have materialized.

In order to be able to continue the operations and fulfil its financial commitments to its bondholders, for the period thereafter, and thus for the next twelve months, significant additional cash is needed. Therefore there exists a significant uncertainty concerning the group’s ability to continue its business activities. We draw your attention to Note 1, section ‘Accounting judgements, estimates and assumptions’, in which the board of directors describes the main measures in order to preserve the going concern of the group.

The group's ability to continue as a going concern on the short term will depend on the extent to which the group is able to:

- Continue the uptake in sales of the M2M product, Cloudgate, in both the United States and Europe, to the extent that the group can achieve their budgeted revenues and margins;
- Secure sufficient new financial resources in a timely manner, i.e. at the beginning of the Q1 2014 ;
- Monetize of some assets, such as the remaining inventory on hand related to the past product portfolio;
- Timely execute the cost reduction measures to further lower the group's cost base; and
- Obtain a positive decision by the shareholders of Option NV on the extra-ordinary shareholder's meeting in the framework of article 633 of the Code of Companies, which will be convened on 21 October 2013.

The accumulation of conditions that need to be fulfilled present a fundamental uncertainty about the going concern of the group and about the relevance of the financial information. 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 capitalization development expenses amounting to 4.435 (000) EUR and inventories amounting to 3.303 (000) EUR, which could be subject to significant impairments in case the group would not be able to continue as a going concern. Likewise, the valuation of the group's recent investment of 1.195 (000) EUR in Autonet Inc. is dependent on the successful introduction of Autonet's products in the automotive market in the United States.

#### *Disclaimer Conclusion*

Taking into account the considerable uncertainties with respect to the group's going concern described above, we are unable to express a conclusion on whether the interim financial information for the six-month period ended 30 June 2013 is prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

Hasselt, 29 August 2013

**The statutory auditor**



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**DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises**  
BV o.v.v.e. CVBA / SC s.f.d. SCRL  
Represented by Dominique Roux