OPTION

Annual report 2013

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1. MESSAGE TO SHAREHOLDERS

Dear Option Shareholders,

In the last few years Option has been transformed into a company executing a new business model targeting the big “Internet of Things” market opportunity. Option starts with a clean sheet but has made sure that the core competences acquired over the years are preserved and even strengthened. Option has the ambition to become a global player again in the enterprise-grade “Intelligent Gateway” solutions market’. As such during 2013 Option further evolved from a B2C to a B2B model focused on the Machine to Machine (M2M) market.

In 2013, the sales focus has been to increase Option’s geographical reach in the M2M market. In the geographical markets of Europe, the United States, Latin America and Asia Pacific, the sales focus has been directed at 5 key market segments:

- **Utilities**: Applications ranging from asset management (s.a. monitoring large transformers) to demand response programs and in general participating with the “smart grid”.
- **Industrial Telematics**: Applications aimed at vehicle monitoring & tracking often combined with integration into the vehicles prime purpose.
- **Environmental monitoring**: Applications where CloudGate connects to or manages a vast array of sensing devices using various wireless protocols and participates in the interpretation and business decisions derived from the collection of the “big data” out of the network.
- **Secure Financial transactions :** Applications s.a. the transport of ATM data, vending machines, …
- **General connectivity:** Deployment of mobile access points, digital signage, …

The development focus for CloudGate has been directed at two areas.
The first focus was to enrich the product offering by developing extension cards and by improving the application scope of the software platform in key market segments. The goal was to reduce the integration effort for new applications in the targeted segments. This resulted in the launch of several additional expansion cards, the deployment of CloudGate Universe, Option’s cloud based platform, and added support for the most important industrial protocols.
The second focus was on the expansion of the eco-system by increasing the types of supported devices (sensors, industrial assets, etc.) and by supporting the major third party applications in the M2M space allowing Option’s customers to fully leverage the versatility of the CloudGate platform.

In the M2M market, the sales cycles are typically long with lengthy pilot programs before final acceptance. This 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 final acceptance existing customers generate repeat sales with healthy margins for years to come.

To minimize strain on the company’s financial resources, the cost structure of the organization was further reduced while preserving the company’s core competences.

The new business environment is characterized by lower volumes and fewer channels. Therefore, the logistical organization has been simplified by transferring operations from Cork, Ireland to Leuven, Belgium.

In August 2013 Christine Pollie joined as the CFO of the company and in October 2013 Frank Deschuytere was appointed as Option’s CEO while I was named Executive Chairman. The new executive team will continue to implement the company’s strategy of becoming a leading player in the buoying M2M market worldwide

Jan Callewaert
Executive Chairman

2. CONSOLIDATED AND STATUTORY REPORT 2013 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 2013.

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. (Alpharetta, United States of America), Option Wireless Japan KK (Tokyo, Japan), Option France SAS (Paris, France), 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.

OVERVIEW OF RESULTS AND ALLOCATION OF RESULTS OF THE COMPANY

Consolidated results

For a detailed report on the consolidated Income Statement and Balance Sheet, including IFRS (International Financial Reporting Standards) disclosure notes, we refer to the financial report.

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

- Full year revenues: 9 393
- Gross profit: 3 371
- Operating Expenses: 14 425
- EBIT: (11 054)
- Result before taxes: (11 679)
- Net result: (11 703)

Total revenues for 2013 decreased by 77.0% to EUR 9 393k, compared with EUR 40 844k in 2012. Product revenues decreased from EUR 13 140k in 2012 to EUR 9 199K in 2013, whilst software and license revenues decreased from EUR 27 704k in 2012 to EUR 194K in 2013. The 2012 license revenues were mainly the result of a cooperation agreement between the Group and Huawei Technologies in October 2010 which stopped during Q4 2012. For the financial year 2012, the Group recognized EUR 27 million as revenue for this agreement.

Gross profit for 2013 decreased by 87.0% compared to 2012, to an amount of EUR 3 371k. This resulted in a gross margin for the full year 2013 of 35.9% on total revenues, compared with gross margin of 63.4% in 2012. The 2012 gross margin was also still impacted by important license revenues from Huawei, delivering higher margins compared to revenues generated by products. The license expired end of 2012, which results in a lower gross margin for 2013.

The operating expenses for the full year 2013, including depreciation, amortization and impairment charges were EUR 14 425k compared to EUR 22 299k for the previous year. This represents a decrease of 35.3%. The reduced expenses are the result of the downsizing of the Group, combined with effective cost control within the Group. The operating expenses were positively impacted by lowering the IPR accrual for an amount of EUR 3.2 million (2012: EUR 6.7 million) and by lowering the inventory provision for an amount of EUR 1.2 million (2012: EUR (3.7) million). Furthermore, a one-time positive impact was related to recovered withholding taxes for EUR 0.5 million. Operating expenses were negatively impacted by an impairment on the capitalized R&D for EUR 0.1 million (2012: EUR 3.7 million) and restructuring and redundancy costs for EUR 1.2 million.

During 2013, EBIT was EUR (11 054)k (or (117.7)% on revenues), compared to EUR 3 605k (or 8.8% on revenues) for 2012.

The Group carried a negative financial result of EUR 624 k (2012: positive of EUR 39 k). The 2013 net exchange rate result amounted to EUR (139)k and was mainly related to the USD. The financial costs of EUR 892k are mainly related to interests on the convertible bond loan, interests on rental agreements, bank charges and penalty fees (2012: EUR 170k).

Net result, for the full year 2013, amounted to EUR (11 703k) or (0.14) EUR per basic and diluted share. This compares to a net result of EUR 3 651k or EUR 0.04 per basic and diluted share during 2013.

At year-end 2013, total assets amounted to EUR 12 228k compared to EUR 17 466k at the end of the previous year.

Cash and cash equivalents decreased over the year from EUR 3 147k to EUR 1 623k at the end of 2013.

Trade and other receivables decreased from EUR 3 167k to EUR 1 350k at the end of 2013. This decrease was attributable to the trade receivables which decreased due to lower revenues over the full year 2013 and improved and effective client follow-up and the implementation of pre-payments.

Inventories decreased from EUR 4 036 k to EUR 3 410k at the end of 2013. This lower inventory position is explained by decreased positions of the work in progress and raw materials. The total provision related to the inventory amounted to EUR 3 189k compared to EUR 5 534k in 2012.

The net book value of intangible fixed assets was EUR 4 005k at the end of 2013, compared with EUR 4 882k as at 31 December 2012. Beside the depreciations, the existing capitalized R&D projects were reviewed which resulted in an impairment of EUR 103k having its source in changing technologies and fast changing market conditions. The value was determined based on an estimate of the projected contributions from these development projects in the coming quarters.

During 2013, the total investments in tangible assets, mainly computer equipment, amounted to EUR 20k (2012: EUR 1 750k) and the Group invested EUR 2 795 k (2012: EUR 3 925k) in intangible assets of which EUR 2 788k (2012: EUR 3 925k) for capitalized development projects.

The deferred tax asset, mainly finding its source in the realized losses in Option NV, was reversed in full in 2010 following the IFRS guidance related to such deferred tax assets. The Group determined that it was prudent to reverse the deferred tax asset in full. In the financial year 2012 and 2013, no deferred tax assets were recorded.

Total current liabilities decreased during the year to EUR 10 016k in 2013, compared with EUR 12 612k in 2012. This decrease is mainly driven by a decrease in trade and other payables of EUR (2 934k); related to lowering the IPR accrual (EUR 3 229k); and a decrease in provisions EUR (185k).

Total non-current liabilities increased to EUR 8 060k, due to the emission of the convertible bond of EUR 9.0 million, which is booked at net present value.

On a balance sheet total of EUR 12 228k, the total shareholders' equity represented EUR -5 848k. Therefore, at the end of 2013, the Group solvency ratio was negative.

At 31 December 2013 there were 107 full time equivalents in the Group. This compares with 155 full time equivalents in the previous year.

Statutory results

Full year statutory operating income was EUR 7.6 million (based on EUR 1.2 million turnover, EUR 2.8 million capitalized development costs and EUR 3.5 million other operating intercompany income and recovery of expenses). This operating income decreased compared to 2012 revenues of EUR 36.1 million (based on mainly EUR 28.4 million turnover, EUR 3.9 million capitalized development costs and EUR 3.6 million other operating intercompany income). The 2013 turnover decreased by EUR 27.2 million, mainly caused by a reduction of the revenues related to the software and license agreement with Huawei.

The operating charges decreased from EUR 34.2 million to EUR 19.8 million resulting in a negative operational result or EBIT of EUR 12.1 million compared to a positive EBIT of 1.8 million in 2012 representing a decline of EUR 13.9 million.

The financial income decreased from EUR 0.2 million in 2012 to EUR 0.1 million in 2013. The financial costs increased from EUR 0.2 million in 2012 to EUR 0.6 million in 2013. This is mainly due to the interests to be paid on the convertible bond that was issued at the end of the first quarter 2013

During 2013, the Company reviewed the capitalized R&D projects, which resulted in an impairment and decrease of the intangible assets with EUR 0.1 million (2012: EUR 3.7 million impairment).

Due to the above, the net result changed from a net loss of EUR 4.3 million in 2012 to a net loss of EUR 12.6 million in 2013.

The intangible assets decreased from EUR 4.8 million to EUR 4.0 million. The tangible assets decreased from EUR 0.8 million to EUR 0.4 million due to general depreciations. The financial fixed assets are at the same level as in 2012, equal to EUR 1.4 million.

The inventory position decreased from EUR 0.3 million to EUR 0.2 million, mainly due to a write-off on unused components.

The trade and other receivables decreased from EUR 2.7 million in 2012 to EUR 2.6 million in 2013.

Cash and cash equivalents decreased over the year from EUR 1.5 million in 2012 to EUR 1.0 million at the end of 2013 despite the fact that the company received a convertible bond loan of 9.0 million at the end of first quarter 2013 and an extra short-term loan of 0.5 million at year-end.

The amounts payable within one year increased from EUR 6.7 million in 2012 to EUR 8.0 million at the end of 2013, explained by a short-term loan of 0.5 million and negotiating new payment terms with our major suppliers.

On a balance sheet total of EUR 9.6 million, the total equity as of 31 December 2013 amounted EUR (8.1) million.

Allocation of the statutory result

The statutory accounts of the Company (Belgian GAAP) reported a net loss for the year 2013 of EUR 12.6 million, compared with a net loss of EUR 4.3 million in 2012.

The Board of Directors proposes to add the non-consolidated net loss of EUR 12.6 million of 2013 to the loss carried forward from the previous years.

Abridged allocation account (According to Belgian Accounting Standards)		
December 31- in Thousands EUR	**2013**	**2012**
Profit/(loss) carried forward from previous year	(67 295)	(62 952)
Profit/(loss) for the period available for appropriation	(12 631)	(4 343)
Capital decrease, by incorporation of reserves	67 051	
Profit/(loss) to be appropriated	(12 875)	(67 295)

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

Market overview

2013 saw continued effort by companies and researchers to define the opportunity size and nature of markets described varyingly as the Internet of Things (IoT), Internet of Everything or Industrial Internet. Cisco released an important report that quantified the size of their definition of the Internet of Everything - combining people, process, data, and things – through an analysis of the total value generated in terms of revenue shifted or created in companies addressing the segment and costs saved at customers. Using this market definition and value analysis method they saw $14.4 trillion 'at stake' through the transition to the Internet of Everything. McKinsey Global Institute reported that the Internet of Things has the potential to create economic impact of $2.7 trillion to $6.2 trillion annually by 2025. While the definitions used by these companies for both the market and the way it can be quantified varied the interest level continues to grow.

The definitions of IoT are still very broad but there are starting to be some categories that are emerging.

- Predominantly business to consumer opportunities for sensors/devices connected to personal SmartPhones such as the Nest thermostat and smoke sensor, fitness monitoring 'bands' such as UP by Jawbone and 'toys' such as Parrot's drones;
- New to market business to business to consumer opportunities for sensors/devices connected to cloud services in telemedicine, services around the car, home automation/energy use and continuous monitoring of consumer devices enabling pay for use type leasing models;
- Business to business opportunities in supply chain and asset optimization in industrial telematics, utilities, financial services and environmental monitoring.

In each of these segments the connectivity needs are distinct and the companies with power to shape the market different.

The B2C opportunities are being addressed by companies delivering consumer products with high fashion values showing that the market is presently more about showing who you are by using the product than the actual end value delivered. It is still unclear how the optimism shown by the activity in this segment (such as Google's acquisition of Nest for $3.2 billion) translates to high shipment volumes of specific product however it is clear that a high level of activity will continue.

The B2B2C opportunities, requiring more complex combinations of companies and services appear to be progressing slower. There is a high level of interest in reducing costs and improving outcomes in healthcare by enabling continuous monitoring of patients and remote care. Due to the uncertainty surrounding consumer uptake of new revenue generating services much activity is focused on reducing costs.

In traditional B2B segments already familiar with M2M applications the continuing transition to higher speed/lower latency 3G and 4G wireless service is generating interest in combinational services. For example, providing traditional vending remote management combined with sponsored internet access. Continuous monitoring of plant equipment yields use based pricing models that more accurately track the actual costs incurred for specific customers.

In all of these sub segments there is a consistent theme of the combination of large volumes of sensor data with advanced data analysis techniques coming from the web search/advertising world to allow new business models on how products and services are delivered to customers. The challenge in many applications is not the connectivity on its own but the management of the application as a system including remote devices, connectivity, data collection, data analysis and integration into existing systems. While there are common themes between different applications in every segment there are specifics requiring real domain expertise.

Application Enablement Platform vendors have continued to be acquired during 2013, Telit acquired ILS Technology LLC in September 2013 and PTC acquired ThingWorx late in 2013. We expect these acquisitions to continue during 2014 as we find that new experts in middleware for specific segments continue to appear at least as fast as they are acquired.

The transition away from 2G is continuing, spurred by clear dates for transition from MNOs but also not so clearly communicated and continuing re-farming of 2G frequencies to 3G and LTE causing coverage issues. Demand for LTE is growing as modem solutions mature reducing the difference in price 3G. Verizon's LTE coverage in the US now covers 97% of the US population and is on a par with their CDMA network meaning that it is no longer necessary to provide CDMA fallback in LTE modems for Verizon. This is likely to spur the sales of more cost effective globally compatible LTE/WCDMA modems in the US accelerating the move to LTE.

The question of security in M2M/Internet of Things applications continues to generate a certain amount of press although not as much industry focus as might be warranted. A security as a service provider, Proofpoint, discovered that botnets were now targeting the embedded systems (mostly Linux based) in home gateways, media players and even internet connected fridges. As sophisticated, internet connected operating systems migrate from traditional computers to 'things' we can expect more and more stories of this type to emerge and the importance of provable robustness in embedded software increase.

Option's position

In 2013 Option continued to grow its focus on the M2M gateway space. Option continued to develop its star product in this segment CloudGate.

Over the year Option released 18 new versions of firmware adding features and functionality to the product both responding to customer requests and building a basis for future products and services.

Option also launched CloudGate Universe, its cloud based provisioning system that allows the specific software configurations of partners to be automatically delivered to customers.

The combination of the CloudGate SDK and CloudGate Universe represents a unique offering in the industry that addresses real customer needs. The provisioning system is:

- Language agnostic allowing quick porting of existing agent software in almost any language to the CloudGate. We are aware of customers using C, C++, Java, Python and Lua languages. This flexibility allows customers to leverage their existing code reducing the cost of porting their solution to CloudGate;
- Provided as part of the product cost. This means that we do not compete for revenue with our software partners and encourages more widespread adoption of CloudGate;
- Allows Option to supply a limited number of standard products which are customized in the field reducing manufacturing complexity and optimizing product cost.

Option also delivered on the promise of hardware flexibility with the launch of several accessory cards for the CloudGate:

- Serial and Industrial serial cards for links to remote serial devices;
- The Ethernet Switch card which provides a 4 port Ethernet switch also available in a unique Power over Ethernet configuration;
- Wireless LAN Card providing both Wireless LAN Access Point and Client functions allowing Wireless LAN to be used as a primary or backup communications link for the CloudGate;
- Telematics Card with Serial, USB, General Purpose I/O and Accelerometer support necessary for industrial telematics applications;
- Developer and Breadboard Cards allowing for rapid prototyping of applications by our customers.

Along with in house development of accessory cards we also saw increased activity in external partners start card development. We now have several partners with hardware designs in prototype stage and expect to see our first launches of third party cards in 2014.

The response of our customers and partners continues to be enthusiastic. CloudGate is now in live deployments in areas as diverse as:

- Wholesale energy monitoring;
- Telematics applications with combined position and sensor reporting;
- Solar panel installation monitoring;
- Wireless LAN access point and GPS tracking for school buses;
- Security systems for luxury yachts

Option has continued to focus on building sales of CloudGate via traditional resellers and in cooperation with our mobile network operator partners while developing relationships with Application Enablement Platform partners to address specific vertical segments.

This resulted in the announcement at the Broadband World Forum 2013 of the selection of Option as M2M device for the Belgacom m2m factory jointly developed by Belgacom, ILS and Option. The Belgacom m2m factory allows companies to combine the necessary building blocks of hardware, application middleware and connectivity via Belgacom's mobile and fixed networks to build, deploy and manage their own complete M2M application. Recognizing that customers need a 'one stop shop' for their M2M applications Option continues to strengthen our ability to take a prime contractor role in deals involving CloudGate: providing consulting and development services for customer applications and coordinating the supply of partner products.

At the end of 2013 ILS awarded Device Partner of the Year to Option in recognition of the close and successful partnership between the two companies.

Option continues to face the challenge that most CloudGate deals tend to have extremely long sales cycles, particularly in the light of the current economic environment, however over 2013 we have seen many different opportunities added to our sales funnel and expect to start to see these opportunities move from pilot and test phases to deployment over the course of 2014

We also continue to build our pipeline in our focussed areas of Industrial telematics, utilities, financial services, environmental monitoring and general connectivity.

The module sales in 2013 represented around 38% of the volumes and 36.8% of the revenues (compared to 49.6% of volumes in 2012 and 15% of revenues). In the embedded module space the Company addresses specific market segments with its portfolio of specialized and unique modules designed with high quality standards. Despite the recognized quality of the Option modules the sales volumes did not grow as anticipated and motivated by the Company focus on CloudGate it was decided to put most of the embedded modules in an end-of-life scenario. Only a limited portfolio of embedded modules will still be available in 2014.
In 2013, Option was no longer active in the Consumer Electronics market since this market is now completely dominated by two big players in this market. Virtually all 3G embedded modules were integrated in specialised professional terminals and industrial or telematics routers and gateways. In these markets Option has gone through very long development cycles for the products in which the modules were designed in but despite all efforts, the sales of some of these products were disappointing, leading to an overall modules sales volume that was below expectations. Also in the Automotive market segment, the Company integrated one of its modules with the car infotainment platform of Autonet Mobile but the launch of this product by a major US car OEM still did not materialize.

Engineering

In 2013 the Company has continued to work on CloudGate, developing new software features and creating a broader range of extension cards, as well as preparing the product for different geographical regions outside the initial U.S. target market.

The engineering organization has been further adapted to the changed skill-set required to develop CloudGate, compared to the 3G modem-centric devices the Company developed in the past. From a software perspective, focus has shifted to middleware, networking, server solutions and user interface. The hardware work is mostly spent on selection and integration of modules and system building.

Work on the LTE LGA module has been redirected to reflect the new direction OPTION has taken. In addition a new approach was taken for the introduction of LTE in the CloudGate portfolio aimed to reduce the time to market. The Company has turned to working with a strategic partner for the supply of LTE modules, which is expected to be released end of Q2 2014.

During 2013, there were periods where the hardware engineering teams were not fully utilized because of the transition from modems to CloudGate where proportionally much more software work is required.
To keep the hardware teams from idling and create a new source of revenue, the Company started to actively market Engineering and Lab Services. Under these services, customers can call upon the Company's experienced team of hardware engineers and a well-equipped lab to assist in development, measurement and troubleshooting of their products. It is not the intention that this will be a primary source of revenue, so offering of this Service is secondary to the development of the Company's own products.

To make further progress into the M2M market, the Company is planning to go beyond offering the CloudGate and its associated services by actively taking part the actual application. This will happen by building applications using the software from existing AEP partners such as ILS, Axeda, etc… A dedicated team is being built to closely work with customer to understand their requirements and architect and build a tailored solution.

After closing the site in Augsburg in 2012, all of the remaining software development activity for connection managers was handled by a much smaller team in Leuven. Towards the end of 2013, this team has been further reduced with the perspective to stop all connection manager activity in early 2014.

Organization

The transformation of the Company included an increased focus on cost efficiency and cost reduction. This has had an impact on the development and product focus, on the staff and the different sites operated by the Group.

Following the decision to increase the focus on the M2M market with CloudGate and to reduce the effort on more consumer oriented products, the Company announced in the first quarter of 2013 that a restructuring exercise was started in the sites in Paris (France) and in Cork (Ireland). These exercises have led to the closing of the French offices and an important staff reduction in the Cork site. The Cork site was closed in March 2014 and its activities have been transferred to Option Leuven and Option China.

The composition of the executive management of the Group was modified in the course of 2013. Jan Smits, Chief Financial Officer of the Company, decided to leave the Company Q1 2013. Christine Pollie was appointed CFO in Q3 2013. In Q4 2013, Frank Deschuytere joined the Company, replacing Jan Callewaert as Chief Executive Officer. Jan Callewaert was named Executive Chairman.

Operations

For the manufacturing of its products the Company works with specialized production partners to whom the assembly on the printed circuit boards is outsourced. For this process the Company mainly works with Jabil Circuit in their plant in Wuxi, China. For the manufacturing of the LGA-module, Option cooperates with Murata (Japan) .All those manufacturing companies provide services such as component purchase, production, testing, quality control, fulfillment and logistics. The Manufacturing test process is designed and monitored by the Company. This enables the Company to guarantee highest product quality and limits dependency of third party manufacturers.

At the final phase of the manufacturing process the products are customized to customer specific requirements. This process is executed by Option NV, the Belgian (Leuven) site of the Company or outsourced to the production partners.

Inside the Group, the Operations Department has teams in Ireland, Belgium and China. In order to adapt the operations to the new business environment,

the Irish plant is being restructured .To increase cost efficiency the processes are centralized in the Belgian plant.

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

On Group level, a number of significant events took place and were communicated via the Company's website. We provide an overview of the different press releases that were issued during the first three months of the financial year 2014:

Financial notifications

- 11 April 2014: Option secures EUR 12 million in funding via issue of Convertible Bond

CRITICAL JUDGEMENTS

Going concern
The going concern valuation rules were used both for the standalone annual accounts and the consolidated annual accounts of the Company. The Board of Directors is of the opinion that, notwithstanding the existence of substantial losses carried forward the use of going concern valuation rules is justified taking into account the items listed below. In addition the financial means of the company were further strengthened on April 11th 2014 by the private placement that effectively secured an amount of € 12 million via the issue of a convertible bond.

Market researchers are seeing the market of Internet of Things (IoT) as a major opportunity over the next decade changing the way we communicate with devices over the internet.
With its track record in the field of wireless connectivity, the Company is in an excellent position to take advantage of the market opportunity, fully focused on the segment of Machine-to-Machine (M2M). This segment is expected to be one of the important growth markets.
Based on Management's business plan and forecast, aligned to this market growth, the Board of Directors feels comfortable the Company will capture an important stake in this space to continue its normal operations.

Cost Reduction Plans:
Following the closure of its sites in Germany and France, the Company decided in December 2013 to close its site in Cork, Ireland. The closing process will be concluded second quarter 2014.

As a consequence, all company activity is concentrated in one single location. The Company will continue its cost optimization exercise throughout the year.

CORPORATE GOVERNANCE STATEMENT

The Belgian Corporate Governance Code

On 9 December 2004, the Corporate Governance Committee published the Belgian Corporate Governance Code. On 12 March 2009 an updated version of the Code was published, which supersedes and replaces the Code issued in 2004. Option explicitly adheres to this 2009 Code and has published on its website www.option.com (refer to the "investor relations" section), an updated Corporate Governance Charter, outlining its corporate governance structure and policies, in line with said 2009 Code, that can be consulted on the following website:

http://www.corporategovernancecommittee.be/library/documents/final%20code/CorporateGovUKCode2009.pdf

The 2009 Code has a high degree of built-in flexibility, enabling it to be adapted to each company varying size, activities and culture. It is based on a "comply or explain" system, which allows companies to deviate from the provisions of the 2009 Code when their specificities so justify, subject to providing adequate explanation.

The Belgian Act of 6 April 2010 regarding the fortification of corporate governance in listed companies and autonomous government institutions and the amendment of the professional ban in the banking and finance sector has institutionalized the Corporate Governance Code, making it mandatory for all listed companies. However, a number of recommendations set forth in the Corporate Governance Code can still be deviated from if the 'comply-or explain' principle is complied with.

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).

- *Composition of the Board of Directors*: In accordance with article 2.3. of the 2009 Code at least one half of the Board of Directors should comprise non-executive directors and at least three of them should be independent according to the criteria set out in Appendix A of the 2009 Code.

  At present, the Company only has two independent directors, i.e. An Other Look To Efficiency SPRL, represented by Mr Olivier Lefebvre and FVDH Beheer BVBA, represented by Mr. Francis Vanderhoydonck, and thus does not comply with this article. It is in no way the intention of the Company to uphold this situation, as the Company has since then been active in finding a new independent director. Candidates for two independent board positions will be presented to the Annual Shareholders' Meeting.

- *Appointment of a company secretary*: Article 2.9 of the 2009 Code determines that the Board of Directors should appoint a company secretary to advise the board on all governance matters. Where necessary, the company secretary should be assisted by the company lawyer. Where necessary, individual directors should have access to the company secretary.

  The Company has appointed no such secretary. All governance matters are advised by the Board altogether. As no member of the Board is fully qualified to advise on these matters, the Board is of the opinion that it must exercise this competence jointly. Furthermore, the Company's lawyers advise the Board of Directors on these matters.

- *Executive Director/CEO as chairman of the Board of Directors:* During the first part of 2013, Mr. Jan Callewaert acted as chairman of the Board of Directors, while he was also CEO through Mondo NV. Though contrary to the 2009 Code, the Board was of the opinion that, given the challenges the Company was facing, it was crucial to have a close link between the Board of Directors and the executive management.

Furthermore, the Board of Directors mandated FDVH Beheer BVBA with the tasks of working with the individual members of the management team in case of issues in which the CEO/ chairman would be conflicted. However, as per Board Meeting of 26 November 2013, FDVV Consult BVBA, represented by Mr. Frank Deschuytere, was appointed as new Chief Executive Officer (CEO) of the Company, effective as of 21 October 2013, and thus the above situation was settled. Mr. Jan Callewaert maintains his role as executive Chairman of the Board.

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. The Board of Directors must include at least three independent directors.

As of 31 December 2013, the Board was composed of five members, namely:

An Other Look To Efficiency SPRL, represented by Mr Olivier Lefebvre (permanent representative), independent director
Mr. Jan Callewaert, executive director and Chairman
Mr. Lawrence Levy, non-executive director
FVDH Beheer BVBA, represented by Mr. Francis Vanderhoydonck (permanent representative), independent director
Q-List BVBA, represented by Mr. Philip Vermeulen (permanent representative), non-executive director

Jan Callewaert was reappointed by decision of the Annual Shareholder' Meeting held on 31 May 2013. His term of office will expire immediately after the Annual General Meeting, which will be asked to approve the annual accounts for the year ending in 2016.

The term of the office of An Other Look To Efficiency SPRL, represented by Mr. Olivier Lefebvre, Q-List BVBA, represented by Mr. Philip Vermeulen and Lawrence Levy, appointed by decision of the annual general meeting of shareholders held on 31 May 2013, will expire immediately after this year's Annual General Meeting, which will be asked to approve the annual accounts for the year ending in 2013.

FVDH Beheer BVBA represented by Mr. Francis Vanderhoydonck (permanent representative) was appointed as new independent director effective as of 1 January 2011. The term of office of FVDH Beheer BVBA represented by Mr. Francis Vanderhoydonck (permanent representative) will expire immediately after the Annual General Meeting, which will be asked to approve the annual accounts for the year ending in 2014.

As per Board Meeting of 26 November 2013, Mr. Jan Callewaert resigned as Managing Director of the Company. Mr. Jan Callewaert maintains his role as executive Chairman of the Board (appointed as per Board Meeting of 25 May 2012). The same Board Meeting appointed FDVV Consult BVBA, represented by Mr. Frank Deschuytere, as new Chief Executive Officer (CEO) of the Company and as such granted daily management powers, effective as of 21 October 2013.

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 by 2017. In light of the gender diversity, it is the intention of the Company to appoint one female director in due time.

Functioning of Board of Directors

In 2013, the Board of Directors met 17 times, 5 times in person and 12 times via conference call; one decision of the Board of Directors was taken by way of unanimous written consent.

The average attendance rate amounts to 90.59% (2012: 95.04%), with the following individual attendance rate figures:

Name	Board meetings attended		
	Physical attendance	*calls*	*%*
Jan Callewaert	5/5	12/12	100%
Q-List BVBA	5/5	12/12	100%
Lawrence Levy	4/5	12/12	94.11%
An Other Look To Efficiency SPRL	4/5	9/12	76.47%
FVDH Beheer BVBA	4/5	10/12	82.35%

In the course of 2013 the non-executive directors met on a regular basis in order to discuss and permanently evaluate the relationship with the former and newly appointed CEO as well as the executive management of the Company as a whole. This evaluation process was led by FVDH Beheer, represented by Mr Francis Vanderhoydonck, and 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. Overall, the directors confirmed their general satisfaction regarding the functioning of the Board and the evolution that the Company made during the last year.

Activity Report

The board of Directors exercised its powers during financial year 2013 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, which has been developed by way of an interactive process between the Board and Option's management.

Related parties transactions – Conflict of interest procedure

In 2013 the Board of Directors applied on 23 January 2013 the procedure foreseen in Article 523 of the Belgian Code of Companies. It was stated as follows:

> *Before the discussion of this item, 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 hereto. Jan Callewaert further explains that he is the owner of the majority of the shares of Mondo NV and that the potential conclusion of a loan agreement between Mondo NV and the Company is the topic that will be discussed by the Board. Therefore, in accordance with the provisions of the aforementioned Article 523 of the Code of Companies, Jan Callewaert leaves the meeting and does not take part in the further discussion, deliberation and voting.*
>
> *The Board discusses the terms and conditions of the draft loan agreement. The agreement foresees in a very flexible procedure for the Company to draw moneys up to an amount of maximum 5 million EUR and this in tranches of 1 million EUR.*
>
> *Furthermore the interests applicable to the loan agreement are in line with those established in the documents for the convertible loan, i.e. 5% per year. The interests need to be paid every six months.*
>
> *The Board considers these conditions to be very beneficial for the Company. Furthermore, as the Company is confronted with a delay in the emission of the convertible bond, the Board is of the opinion that entering into the loan agreement will provide the Company with a buffer that could be necessary in case of further delay of the convertible bond emission.*

Taking into account the above, the Board is of the opinion that entering into the loan agreement is to the benefit of the Company. The Board further emphasizes that the main purpose of this agreement is to bridge the time required to successfully close the current financing round.

Therefore, after discussion, the Board RESOLVES

To approve the loan agreement under the commercial conditions as described above

To mandate management to do what is necessary or useful for the execution and implementation of the above mentioned loan agreement provided however that management can only draw the first million EUR on the credit line. Further moneys can only be drawn upon approval of the Board.

In addition the Board of Directors applied on 28 March 2013 the procedure foreseen in Article 523 of the Belgian Code of Companies. It was stated as follows:

Mr. Jan Callewaert, aforementioned, in his capacity of director and chairman of the board of directors, informs the board of directors, prior to the start of the deliberation, that, in relation to the issue of the convertible bonds described in the agenda, he has an interest of a monetary nature that is conflicting with the interests of the Company.

The board of directors proposes in the framework of the contemplated issue of the convertible bonds to waive the pre-emptive rights of the existing shareholders and warrant holders in favor of:

1. *Mr. CALLEWAERT Jan, Jozef, Alfons, residing at 3000 Leuven, Vanden Tymplestraat 43/5, up to five million euro (EUR 5 000 000.00)*
2. *The private limited liability company "ATHOS INVESTMENTS", located at 3001 Leuven (Heverlee), Gaston Geenslaan 14, RLE Leuven with enterprise number 0837.471.076, up to one million euro (EUR 1 000 000.00)*
3. *The public limited liability company "PARTICIPATIEMAATSCHAPPIJ VLAANDEREN" in short "P.M.V.", located at 1000 Brussels, Oude Graanmarkt 63, RLE Brussels with enterprise number 0455.777.660, up to two million euro (EUR 2 000 000.00)*
4. *The nonprofit organization "LIFE SCIENCES RESEARCH PARTNERS", located at 3000 Leuven, Herestraat 49/913, RLE Leuven with enterprise number 0435.768.243, up to five hundred thousand euro (EUR 500 000.00)*
5. *The public limited liability company "MONDO", located at 3000 Leuven, Vanden Tymplestraat 43/5, RLE Leuven with enterprise number 0440.904.887, up to five hundred thousand euro (EUR 500 000.00)*

Mr. Jan Callewaert declares that he potentially has an interest of a monetary nature that is conflicting with the interests of the Company as he will subscribe to the proposed issue of 24 convertible bonds both directly in his own name and for his own account, as well as indirectly via two companies, "Athos Investments" private limited liability company and "Mondo" public limited liability company.

Although the conversion price, in accordance with section 598 of the Code of Companies, has not been fixed below the average share price during the thirty days preceding the day of the issue, it cannot be excluded according to Jan Callewaert that he potentially has a interest in having an as low as possible conversion price and that this personal interest is not necessarily reconcilable with the interests of the Company.

But above all the interest of a monetary nature that is conflicting with the interests of the Company exist in the waiving of the pre-emptive rights in favor of the indicated persons as this creates at the moment of conversion of the bonds into new shares a dilution for the other owners of shares and/or warrants.

The dilution is based on the total number of existing shares and the total number of existing warrants of the Company at this date. The dilution effect can be different in the future in the event of an issue of new shares and/or warrants of the Company.

The Financial consequences and the dilution effect of the capital increase that could occur following the conversion of the Convertible Bonds is further elucidated indicatively in the following table. This table is based on the hypothesis that all Convertible Bonds will be converted into shares.

By the issue of new shares the voting rights and the liquidation and dividend rights will be diluted as follows:

Conversion-price	*Number of new shares at conversion*	*Dilution of the shareholders in case of non-execution of existing warrants*	*Dilution of the shareholders in case of execution of the existing warrants*	*Total dilution of the shareholders in case of execution of the warrants and conversion*
0.285EUR	*31 578 947*	*27.68%*	*26.53%*	*30.69%*

The issue of the shares following conversion of all Convertible Bonds leads to a dilution of the voting rights and participation in profit and liquidation balance for the existing shareholders as further indicated above.

Taking into account the above and pursuant to section 523 of the Code of Companies, the director concerned will not participate at the deliberation and decision regarding the issue of the convertible bond with waiving of the pre-emptive rights in favor of the aforementioned persons.

Next Mr. Jan Callewaert reads a statement of Mr. Vanderhoydonck Francis, Martie, Fernand, residing at 3040 Huldenberg, Struikenbos 8 acting in his capacity of permanent representant of the private limited liability company "FDH Beheer", with seat at 1040 Etterbeek, Kommandant Lothairelaan 53/55, RPR Brussels with enterprise number 0806.352.783, for the execution of the mandate of director with the Company.

Mr. Francis Vanderhoydonck declares that he is, in his personal name, director, together with Mr. Jan Callewaert, of the private limited liability company "ATHOS INVESTMENTS", aforementioned, and that he potentially has an interest of a monetary nature that is conflicting with the interests of the Company as the private limited liability company "ATHOS INVESTMENTS" linked to him, will subscribe to the proposed issue of convertible bonds.

Although the conversion price, in accordance with section 598 of the Code of Companies, has not been fixed below the average share price during the thirty days preceding the day of the issue, it cannot be excluded according to Francis Vanderhoydonck, that he potentially has a interest in having an as low as possible conversion price and that this personal interest is not necessarily reconcilable with the interests of the Company.

But above all the interest of a monetary nature that is conflicting with the interests of the Company exists in the waiving of the pre-emptive rights in favor of the indicated persons as this creates at the moment of conversion of the bonds into new shares a dilution for the other owners of shares and/or warrants.

The dilution is based on the total number of existing shares and the total number of existing warrants of the Company at this date. The dilution effect can be different in the future in the event of an issue of new shares and/or warrants of the Company.

The Financial consequences and the dilution effect of the capital increase that could occur following the conversion of the Convertible Bonds is further elucidated indicatively in the following table. This table is based on the hypothesis that all Convertible Bonds will be converted into shares.

By the issue of new shares the voting rights and the liquidation and dividend rights will be diluted as follows:

Conversion-price	*Number of new shares at conversion*	*Dilution of the shareholders in case of non-execution of existing warrants*	*Dilution of the shareholders in case of execution of the existing warrants*	*Total dilution of the shareholders in case of execution of the warrants and conversion*
0.285EUR	*31 578 947*	*27.68%*	*26.53%*	*30.69%*

The issue of the shares following conversion of all Convertible Bonds leads to a dilution of the voting rights and participation in profit and liquidation balance for the existing shareholders as further indicated above.

Taking into account the above and pursuant to section 523 of the Code of Companies, the director concerned will not participate at the deliberation and decision regarding the issue of the convertible bond with waiving of the pre-emptive rights in favor of the aforementioned persons.

The auditor of the company will be informed of the aforementioned declarations of the directors.

In 2014, the Board of Directors applied the procedure foreseen in Article 523 of the Belgian Code of Companies on 22 January 2014. It was stated as follows:

Jan Callewaert granted a short term loan of 500.000 Euro to the company at the end of December 2013.

Jan Callewaert has declared towards the board members that he had a direct conflicting interest while granting such a facility. Jan Callewaert did not take part in the board members' discussions concerning the acceptance and terms and conditions of this facility.

Two board members other than Jan Callewaert have signed the loan agreement on behalf of Option NV.

The Board hereby confirms the acceptance of this loan agreement. The financial consequences hereof will be described in the Board's annual report on the statutory accounts in accordance with the Companies Code.

Finally, on 11 April 2014, the procedure foreseen in Article 523 of the Belgian Code of Companies was applied as follows:

Mr. Jan Callewaert, aforementioned, in his capacity of director and chairman of the board of directors, informs the board of directors, prior to the start of the deliberation, that, in relation to the issue of the convertible bonds described in the agenda, he has an interest of a monetary nature that is conflicting with the interests of the Company.

The board of directors proposes in the framework of the contemplated issue of the convertible bonds to waive the pre-emptive rights of the existing shareholders and convertible bond holders in favor of:

1. *"QUAEROQ", with registered offices at 8790 Waregem, Franklin Rooseveltlaan 180, RPR Kortrijk 0862.330.988, for an amount of € 4.000.000,00;*
2. *"VERMEC", with registered offices at 3191 Hever, Salvialaan 3, RPR Leuven 0473.749.780, for an amount of € 1.500.000,00;*
3. *"PARTICIPATIEMAATSCHAPPIJ VLAANDEREN", or "PMV", with registered offices at 1000 Brussel, Oude Graanmarkt 63, RPR Brussel 0455.777.660, for an amount of € 100.000,00;*
4. *"DESPIEGHELAERE PROJECTS", with registered offices at 8300 Knokke-Heist, Boslaan 24, RPR Brugge 0865.360.853, for an amount of € 500.000,00;*

5. "MYLECKE MANAGEMENT, ART & INVEST", with registered offices at 8570 Vichte (Anzegem), Waregemstraat 26, RPR Kortrijk 0839.876.577, for an amount of € 300.000,00;
6. "ALYCHLO", with registered offices at 8570 Vichte (Anzegem), Waregemstraat 26, RPR Kortrijk 0895.140.645, for an amount of € 2.700.000,00;
7. Mrs BAETEN Nathalie, residing at 8570 Vichte (Anzegem), Waregemstraat 26, for an amount of € 200.000,00;
8. Mr COUCKE Marc, Armand, Alice, André, Liliane, residing at 8570 Vichte (Anzegem), Waregemstraat 26, for an amount of € 100.000,00;
9. "CYTINDUS", with registered offices at 1180 Brussel (Ukkel), Goudenregenlaan 6, RPR Brussel 0460.724.264, for an amount of € 500.000,00;
10. Mr DE BLAISER Joris, Achiel, Josée, residing at 2801 Heffen (Mechelen), Nuffelstraat 23, for an amount of € 200.000,00;
11. Mr SCHROEDERS Freddy, Jozef, residing at te 3000 Leuven, Lei 17, for an amount of € 600.000,00;
12. Mr DERKINDEREN Guy, Luc, Cornelia, residing at 2820 Rijmenam (Bonheiden), Peulisbaan 8, for an amount of € 300.000,00;
13. Mr MICHIELS Johan Wim André, residing at 3110 Rotselaar, Zallakenstraat 48, for an amount of € 100.000,00;
14. Mr VERSTRAETEN Ludovicus, René, residing at 3130 Betekom (Begijnendijk), Processieweg 14, for an amount of € 200.000,00;
15. "FDVV Consult", with registered offices at 9120 Beveren-Waas, Bosdamlaan 5, RPR Dendermonde 0477.538.324, for an amount of € 200.000,00;
16. Mr CALLEWAERT Jan, Jozef Alfons, residing at 3000 Leuven, Vanden Tymplestraat 43 bus 5, for an amount of € 500.000,00;

Mr. Jan Callewaert declares that he potentially has an interest of a monetary nature that is conflicting with the interests of the Company as he will subscribe to the proposed issue of convertible bonds in his own name and for his own account.

Although the conversion price, in accordance with section 598 of the Code of Companies, has not been fixed below the average share price during the thirty days preceding the day of the issue, it cannot be excluded according to Jan Callewaert that he potentially has a interest in having an as low as possible conversion price and that this personal interest is not necessarily reconcilable with the interests of the Company.

But above all the interest of a monetary nature that is conflicting with the interests of the Company exist in the waiving of the pre-emptive rights in favor of the indicated persons as this creates at the moment of conversion of the bonds into new shares a dilution for the other owners of shares and/or warrants.

The dilution is based on the total number of existing shares and the total number of existing convertible bonds of the Company at this date. The dilution effect can be different in the future in the event of an issue of new shares, convertible bonds and/or warrants of the Company.

The Financial consequences and the dilution effect of the capital increase that could occur following the conversion of the Convertible Bonds is further elucidated indicatively in the attached special report of the Board of Directors in accordance with articles 583 and 596-8 of the Code of Companies. This table is based on the hypothesis that all Convertible Bonds will be converted into shares.

The issue of the shares following conversion of all Convertible Bonds leads to a dilution of the voting rights and participation in profit and liquidation balance for the existing shareholders as further indicated above.

Taking into account the above and pursuant to section 523 of the Code of Companies, the director concerned will not participate at the deliberation and decision regarding the issue of the convertible bond with waiving of the pre-emptive rights in favor of the aforementioned persons.

***

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.

In line with the decision taken by the Board of Directors in 2006 the Company reports on the professional fees charged by the US based law firm Brown Rudnick LLP, since Mr. Lawrence Levy who joined the Board of Directors of the Company early 2006 was one of the Senior Counsels of this law firm.
In order to avoid any ambiguity the Board of Directors decided in 2006 to report on an annual basis on the fees that were paid to Brown Rudnick LLP during the financial year. In 2013, the fees paid to Brown Rudnick LLP amounted to EUR 14k (2012: EUR 14k). At the end of 2010 Mr. Lawrence Levy retired from Brown Rudnick LLP and has no commercial ties with the law firm anymore.

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

Audit Committee

In 2013 the Audit Committee of the Company was composed of two independent directors, FVDH Beheer BVBA and An Other Look To Efficiency SPRL, and one non-executive director, Q-List BVBA. FVDH Beheer BVBA is chairman of the Audit Committee.

All members of the Audit Committee comply, because of their training and professional activities, to the requirements of expertise in accounting and auditing. Mr. Philip Vermeulen, representing Q-List BVBA has significant financial experience. Mr. Vermeulen has held different position in the financial and venture capital sector, working for both Chase Manhattan and Ippa Bank, as well as for GIMV and FLV Fund. In addition, Mr. Olivier Lefebvre, representing An Other Look To Efficiency SPRL, has a rich experience in financial and capital markets. He was member of the NYSE Euronext Inc. management committee, member of Euronext N.V management committee and CEO of the Brussels Stock Exchange. Prior to that, he was advisor and Chief of Staff to the Belgian Minister of Finance, in charge of the reform of the Belgian financial markets. Mr. Francis Vanderhoydonck, representing FVDH Beheer BVBA also has substantial financial experience. He is Master of Law and Economic Sciences and obtained an MBA from New York University. From 1986 to 1998, he worked at Generale Bank, where he held a number of positions in the investment banking department. From 1995 to 1998, he was responsible for this department. Now, he works with Maple Finance Group, which is specialized in the management of private equity investment funds and corporate finance.

The Audit Committee met 4 times in 2013 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 was member of the Committee) were as follows:

Name	Audit Committees attended
Q-List BVBA	100 %
An Other Look To Efficiency SPRL	100 %
FVDH Beheer BVBA	100 %

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 quarter, 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

The Remuneration and Nomination Committee was initially composed of two independent directors, i.e. Q-List BVBA and FVDH Beheer BVBA and one non-executive director, Mr. Lawrence Levy who chairs the Committee. As per 30 April 2012 and the reappointment of Q-List BVBA as non-independent director, the Remuneration and Nomination Committee is no longer composed of a majority of independent directors, but is composed of one independent director, one non-independent director and one non-executive director. As per decision of the Board of Directors of 7 May 2013 Q-List BVBA was replaced by An Other Look to Efficiency BVBA in order to comply with the aforementioned rule.

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 2 times in 2013 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 was member of the Committee) were as follows:

Name	Remuneration Committees attended
Q-List BVBA [1]	50 %
Lawrence Levy	100 %
FVDH Beheer BVBA	100 %
An Other Look To Efficiency BVBA	50 %

Activity Report

During financial year 2012-2013, the remuneration and nomination committee has further examined and monitored a number of recurrent activities such as the remuneration policy for the executive management. In addition, the remuneration committee has investigated various scenarios to ameliorate the retention of the staff, including but not limited to the implementation of a 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 after advice of the Remuneration Committee. The remuneration of executive managers is decided by the CEO 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 offers 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. The general meeting of shareholders who appointed the directors decided upon their remuneration. The remuneration includes 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.

[1] Q-List BVBA was replaced by An Other Look At Efficiency BVBA as per decision of the Board of Directors of 7 May 2013.

The remuneration per director is limited to a maximum of 49 000 EUR with an exception for the Chairman of the Audit Committee where the maximum remuneration is fixed at 52 750 EUR and, if applicable, the remuneration of the Chairman of the Board which is limited to 67 750 EUR (see below).

The remuneration is composed of the following elements:

- an annual retainer of 12 500 EUR;
- an attendance fee of 2 000 EUR per Board meeting in person, provided the above maximum amount of director's annual remuneration is not exceeded:
- an attendance fee of 1 000 EUR per Board meeting via conference call, provided the above maximum amount of director's annual remuneration is not exceeded;
- an attendance fee of 1 500 EUR per Committee meeting in person and of 750 EUR per meeting via conference call, provided the above maximum amount of director's annual remuneration is not exceeded.

Following the split of the CEO and Chairman of the Board (early 2010) shareholders approved an additional compensation for (i) the Chairman of the Board of Directors of 18,750 EUR per year, and (ii) the Chairman of the Audit Committee of 3,750 EUR per year, as from the start of the financial year 2010.

The remuneration of the Board members for 2013 was therefore as follows.

Name	Total remuneration Thousands EUR
Jan Callewaert	N/A (2012: N/A)
Q-List BVBA	36 250 (2012: 41 028)
Lawrence Levy	34 000 (2012: 41 028)
An Other Look To Efficiency SPRL	28 250 (2012: 53 278)
FVDH Beheer BVBA	38 000 (2012: 44 778)

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 2013, the global compensation for the Board of Directors amounted to EUR 136k (2012: EUR 203k[1]).

Name	Board meetings attended		Audit Committees attended	Remuneration Committees attended	Strategic Committees Attended	Total remuneration Thousands EUR
	Physical attendance	*calls*				
Jan Callewaert	5/5	12/12	N.A	N.A	N.A	N.A (2012: N.A)
Q-List BVBA	5/5	12/12	4/4	3/3	N.A	36.25 (2012: 41.03)
Lawrence Levy	4/5	12/12	N.A	3/3	N.A	34.00 (2012: 41.03)
An Other Look To Efficiency SPRL	4/5	9/12	4/4	N.A	N.A	28.25 (2012: 53.28)
FVDH Beheer BVBA	4/5	10/12	4/4	3/3	N.A	38.00 (2012: 44.78)

[1] *P.m. the 2012 figures include the compensation granted to David A. Hytha, whom resigned as an independent director of the Company as from 20 July 2012 (published in the Annexes of the Belgian State Gazette of 19 February 2013).*

Although the Corporate Governance Code stipulates that it is not recommended to grant performance-related remuneration such as stock related long-term incentive schemes to the non-executive directors, by decision of the Extra-Ordinary Shareholders' Meeting of 26 August 2008, a total of 340 000 warrants "V" were granted to all the directors of the Company.

At year end 2012 the following warrants "V" were held by the members of the Board of Directors.

Jan Callewaert	50 000
Lawrence Levy	50 000
Q-List BVBA	30 000
An Other Look To Efficiency SPRL	30 000
Total	**160 000**

However, given the fact that according to the terms and conditions of the warrantplan, the term of the warrants "V" expired on the fifth (5) anniversary of the grant date, all warrants "V" held by members of the Board of Directors have now lapsed and no more warrants were held by members of the Board of Directors at year end 2013.

On 21 May 2012 the Extraordinary Shareholders' Meeting approved the issuance of 4 124 930 warrants "2012". To date, none of these issued warrants have been offered to any beneficiary. The warrant plan "2012" states that warrants which have not been offered to beneficiaries within one (1) year after the resolution of the Shareholders' Meeting on the approval of the plan shall automatically lapse. Therefore all 4 124 930 warrants "2012" have lapsed.

Executive Management Team

As per 31 December 2013, the Executive Management Team was composed of the following members:

FDVV Consult BVBA represented by Mr. Frank Deschuytere[1], Chief Executive Officer (CEO)
Christine Pollie, Chief Financial Officer (CFO)

Executive officers compensation (Executive Management Team)

The management company of Mr. Frank Deschuytere (FDVV Consult BVBA) is acting as CEO of the Group and performing management services for the Group, since his appointment on 21 October 2013, where he replaced Jan Callewaert. The CEO receives a fixed annual compensation of EUR 230 000 and is entitled to a variable bonus payment of EUR 50 000 in January 2015 upon achieving an operational break-even (EBIT) or better over the accounting year 2014. In 2013, the CEO's received EUR 457k 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.

For the year 2013, an aggregate gross amount of EUR 474 321.60 (2012: EUR 943 589.28) was attributed to the other members of the Executive Management Team. No variable pay was granted relating to 2013 performance.

For the members of the Executive Management Team, benefits include an extra-legal pension scheme, the cost of which amounted to EUR 29k (2012: EUR 53k). The members of the Executive

[1] FDVV Consult BVBA, a company incorporated and organised under Belgian law, represented by Frank Deschuytere

Management Team received additional benefits for an amount of EUR 4k covering car, fuel, lump sum allowance and hospitalization insurance costs (2012: EUR 39K).

No member of the Executive 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.

At year end 2013, no warrants were held by the current members of the Executive Management Team.

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.

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.

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 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.

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.

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 of 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. The Board of Directors has been authorized by the Extraordinary Shareholders' Meeting of 13 November 2013 to increase the share capital of the Company with an amount of EUR 4,124,929.60 for a period of five years as from the date of the publication of said decision. The Board of Directors has furthermore expressly been authorized to use this "authorized capital" in the event of a public take-over bid, within the limits of the Belgian Code of Companies, for a period of three years from the same date.

The authorization granted to the Board of Directors of the Company to cause the Company to acquire own shares, where such acquisition is necessary to avoid serious and imminent harm to the Company, has also been renewed by said extraordinary shareholders' meeting.

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.
The past months, the Group heavily invested in the renewal of its product portfolio. These new products are composed of various elements and are more complex. Furthermore they are offered via different sales channels creating longer sales cycles than previously was the case. All this has weakened the cash position of the Group and in consequence, the Group has less funds available for its operational activities, what could result in reduced funds being available for the operation of the Group'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. Furthermore, 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 Company could become in breach under such covenants in which case the debt financing may be stopped and the liquidity of the Group in jeopardy.

(2) 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.

(3) 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.

(4) The Group expects to continue to depend upon only a small number of rather big multinationals (telecom operators, distributors, industry, banks, etc.) for a substantial portion of its revenues. The Group deals with the individual affiliated companies of big multinationals. Such individual affiliated companies are free to negotiate and manage their own contracts and placement of purchase orders. All these affiliated companies have different credit risk profiles and benefit from different terms and conditions. Moreover, the sale of the Group's products depends on the demand for broadband wireless access to enterprise networks and the internet and on the competitive pricing by the telecom operators of such wireless broadband access.

(5) The Group operates in a highly dynamic and competitive industry, which features substantial pricing pressure. If the Company is unable to compete effectively with its existing or any new competitor, its business, results of operations of financial condition could be materially adversely affected. Competition from more established companies with greater resources may prevent the Group from increasing or maintaining its market share and could result in price reductions and reduced revenues. The wireless data industry is intensely competitive and subject to rapid technological change. Competition might further intensify. More established and larger companies with greater financial, technical and marketing resources can start selling products that might compete with Company products. Existing or future competitors may be able to respond more quickly to technological developments and changes or may independently develop and patent technologies and products that are superior to those of the Group or achieve greater acceptance due to factors such as more favorable pricing or more efficient sales channels. If the Group would be unable to compete effectively with competitors' pricing strategies, technological advances and other initiatives, its market share and revenues may be reduced.

(6) 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.

(7) 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.

(8) The market is evolving rapidly and the product life cycles are becoming shorter every year. 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. Furthermore, because of the short product life cycles the Group's future growth is increasingly depending upon designing and developing new products that may not have been commercially tested. The ability to design and develop new products depends on a number of factors, including, but not limited to the following;

- the ability of the Group to attract and retain skilled technical employees;
- the availability of critical components from third parties;
- the ability of the Group to successfully complete the development of products in a timely manner;
- 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) 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 are 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 2013 as set further out above 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[1] 1992 Framework:

- Control environment;
- Risk analysis;
- Control activities;
- Information and communication;
- Supervision and monitoring.

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 Executive 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.

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

Risk analysis

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,

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

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.

Supervision and monitoring

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, April 22th, 2014

The Board of Directors

3. FINANCIAL REVIEW

The Capital of the Company is represented by 82 498 592 shares. The shares are listed on the stock exchange "Euronext Brussels" under the code BE0003836534.

At year-end 2013, all shares, except 1 (one) - which existed in registered form -, were dematerialized.

At year-end 2013, the Company had 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	17.95%
Free float	67 689 584	82.05%
Total outstanding shares	82 498 592	100%

DISCUSSION OF THE CONSOLIDATED ANNUAL ACCOUNTS
The consolidated accounts include the following subsidiaries:

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

On the 25th of 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 finalised. On the 25th of April 2013, the Group announced its intention to also close the site in Paris (France), as well as the German subsidiary; the liquidation has not been finalized yet.

On the 13th of March, the Group announced that due to further cost reductions, the site in Cork (Ireland) will be closed beginning of 2014.

REVENUES
Total revenues for 2013 decreased by 77.0% to EUR 9 393k, compared with EUR 40 844k in 2012. Product revenues decreased from EUR 13 140k in 2012 to EUR 9 199K in 2013, whilst software and license revenues decreased from EUR 27 704k in 2012 to EUR 194K in 2013. We refer to note 3 of this annual report for further information.

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 2013 decreased by 87.0% compared to 2012, to an amount of EUR 3 371k. This resulted in a gross margin for the full year 2013 of 35.9% on total revenues, compared with gross margin of 63.4% in 2012. The 2012 gross margin was also still impacted by important license

revenues from Huawei, delivering higher margins compared to revenues generated by products. The license expired end of 2012, which results in a lower gross margin for 2013.

OPERATING EXPENSES

The operating expenses for the full year 2013, including depreciation, amortization and impairment charges were EUR 14 425k compared to EUR 22 299k for the previous year. This represents a decrease of 35.3%. The reduced expenses are the result of the downsizing of the Company, combined with effective cost control within the Group. The operating expenses were positively impacted by lowering the IPR accrual for an amount of EUR 3.2 million.

RESULT FROM OPERATIONS (EBIT)

During 2013, EBIT was EUR (11 054k) (or (117.7%) on revenues), compared to EUR 3 605k (or 8.8% on revenues) for 2012

EBITDA

EBITDA amounted to EUR (7 092k) (or (75.5%) on revenues) for the full year 2013, compared to EUR 12 627k (or 30.9% on revenues) for 2012, representing a decrease of EUR 19.719k.

FINANCE RESULT

The Group carried a negative financial result of EUR 625 k (2012: positive of EUR 39 k). The 2013 net exchange rate result amounted to EUR (139k) and was mainly related to the USD. The financial costs of EUR 892k are mainly related to interests on the convertible bond loan, interests on rental agreements, bank charges and penalty fees (2012: EUR 170k).

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 2013.

Tax expenses in 2013 amounted to EUR 24k (2012: positive result of EUR 9k).

NET RESULT AND EARNINGS PER SHARE

The earnings per share were as follows in 2013:

Net result, for the full year 2013, amounted to EUR (11 703k) or (0.14) EUR per basic and diluted share. This compares to a net result of EUR 3 651k or EUR 0.04 per basic and diluted share during 2012.

BALANCE SHEET

At year-end 2013, total assets amounted to EUR 12 228k compared to EUR 17 466k at the end of the previous year.

Cash and cash equivalents decreased over the year from EUR 3 147k to EUR 1 623k at the end of 2013.

Trade and other receivables decreased from EUR 3 167k to EUR 1 350k at the end of 2013. This decrease was attributable to the trade receivables which decreased due to lower revenues over the full year 2013. The trade receivable portfolio is sound. Most sales in non-OECD countries are covered by letters of credit or by credit insurance, provided by Delcredere. As an autonomous body, guaranteed by the Belgian Government, Delcredere's role is to promote international economic relations by covering risks relating to exports to, imports from and investments in non-OECD countries.

Inventories decreased from EUR 4 036 k to EUR 3 410 k at the end of 2013. 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 3 189k compared to EUR 5 534k in 2012.

The net book value of intangible fixed assets was EUR 4 005k at the end of 2013, compared with EUR 4 882k as at 31 December 2012. Beside the depreciations, the existing capitalized R&D projects were reviewed which resulted in an impairment of EUR 103k having its source in changing technologies and fast changing market conditions. The value was determined based on an estimate of the projected contributions from these development projects in the coming quarters.

During 2013, the total investments in tangible assets, mainly computer equipment, amounted to EUR 20k (2012: EUR 1 750k) and the Group invested EUR 2 795k (2012: EUR 3 925k) in intangible assets of which EUR 2 788k (2012: EUR 3 925k) for capitalized development projects.

The deferred tax asset, mainly finding its source in the realized losses in Option NV, was reversed in full in 2010 following the IFRS guidance IAS 12 - 37 related to such deferred tax assets. The Group determined that it was prudent to reverse the deferred tax asset in full. In the financial year 2012 and 2013, no deferred tax assets were recorded.

Total current liabilities decreased during the year to EUR 10 015k in 2013, compared with EUR 12 612k in 2012. This decrease is mainly driven by a decrease in trade and other payables of EUR 2 934k and a decrease in provisions EUR 185k.

Non-current liabilities increased to EUR 8 060k, due to the emission of a convertible bond of EUR 9.0 million, that has been reported at net present value.

On a balance sheet total of EUR 12 228k, the total shareholders' equity represented EUR (5 847k). Therefore, at the end of 2013, the Group solvency ratio was (47.8%), compared to 27.8% in 2012.

The cash flow generated from operating activities during 2012 represented EUR (8 284k) compared to EUR (17 402k) 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 2013 of EUR 12.6 million, compared with a net loss of EUR 4.3 million in 2012.

The Board of Directors proposes to add the non-consolidated net loss of EUR 12.6 million of 2013 to the loss carried forward from the previous years.

Abridged allocation account (According to Belgian Accounting Standards)		
December 31- in Thousands EUR	**2013**	**2012**
Profit/(loss) carried forward from previous year	(67 295)	(62 952)
Profit/(loss) for the period available for appropriation	(12 631)	(4 343)
Capital decrease, by incorporation of reserves	67 051	
Profit/(loss) to be appropriated	(12 875)	(67 295)

4. FINANCIAL REPORT - IFRS

4.1. Consolidated Financial Statements

4.1.1. Consolidated Income Statement

Year ended 31 December Thousands euro	Note	2013	2012
Revenues	3	**9 393**	**40 844**
Product Revenue	3	9 199	13 140
Software and License revenue	3	194	27 704
Cost of products sold	4	(6 022)	(14 940)
Gross Margin		**3 371**	**25 904**
Research and Development expenses	4-5	(6 073)	(13 425)
Sales, marketing and royalties expenses	4-5	(79)	563
General and administrative expenses	4-5	(8 273)	(9 437)
Total Operating expenses		**(14 425)**	**(22 299)**
Result from operations		**(11 054)**	**3 605**
Finance costs	6	(892)	(170)
Finance income	6	267	209
Finance result-net		**(625)**	**39**
Profit / (loss) before income taxes		**(11 679)**	**3 643**
Income tax benefits / (expenses)	7	(24)	9
Net Result of the period attributable to the owners of the Company		**(11 703)**	**3 651**
Earnings per share			
Basic weighted average number of ordinary shares		82 498 592	82 498 592
Diluted weighted average number of ordinary shares		82 498 592	82 498 592
Basic earnings / (loss) per share	19	(0.14)	0.04
Diluted earnings / (loss) per share	19	(0.14)	0.04

4.1.2. Consolidated statement of comprehensive income

Year ended December 31 Thousands euro	Note	2013	2012
Profit / (Loss) for the period		(11 703)	3 651
<u>Other comprehensive income</u>			
Items that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation on foreign operations		(62)	(53)
Other comprehensive income / (loss) for the period (net of tax)		(62)	(53)
Total comprehensive income / (loss) for the period attributable to the owners of the parent		**(11 765)**	**3 599**

4.1.3. Consolidated statement of financial position

Year ended December 31 Thousands euro	Note	2013	2012
Assets			
Intangible assets	8	4 005	4 882
Property, plant and equipment	9	454	857
Other financial assets	11	1 236	1 195
Other non-current assets	10	125	120
Total non-current assets		**5 820**	**7 055**
Inventories	12	3 410	4 036
Trade and other receivables	10	1 350	3 167
Cash and cash equivalents	13	1 623	3 147
Income tax receivable	7	25	60
Total current assets		**6 408**	**10 411**
Total assets		**12 228**	**17 466**
liabilities and shareholders' equity			
Issued capital	18	4 125	12 232
Share premium	18	1 078	57 961
Reserves	18	(2 656)	(893)
Retained earnings / (losses)	18	(8 395)	(64 453)
Total shareholders' equity attributable to the owners of the Company		**(5 848)**	**4 847**
Financial debt	14	8 060	7
Total non-current liabilities		**8 060**	**7**
Trade and other payables	15	8 912	11 853
Deferred revenue	15	200	120
Provisions	16	395	580
Other financial liabilities	14	507	14
Income tax payable	7	1	45
Total current liabilities		**10 016**	**12 612**
Total liabilities and shareholders' equity		**12 228**	**17 466**

4.1.4. Consolidated statement of cash flows

Year ended December 31

Thousands euro	Note	2013	2012
OPERATING ACTIVITIES			
Net Result (A)		**(11 703)**	**3 651**
Amortisation of intangible assets	8	3 548	4 164
Depreciation of property, plant and equipment	9	398	1 168
Loss/(gains) on sale of property, plant and equipment		(98)	(118)
(Reversal of) write-offs on current and non current assets		(1 398)	2 317
Impairment losses on intangible assets	8	104	3 690
Increase / (decrease) in provisions	16	(119)	106
Unrealized foreign exchange losses/(gains)		1	(34)
Interest (income)	6	(209)	(126)
Interest expense	6	705	66
Equity settled share based payment expense	18	-	4
Tax expense / (benefit)	7	(9)	(9)
Total (B)		**2 923**	**11 228**
Cash flow from operating activities before changes in working capital (C)=(A)+(B)		**(8 780)**	**14 879**
Decrease / (increase) in inventories	12	2 023	383
Decrease / (increase) in trade and other receivables	10	2 053	718
Increase / (decrease) in trade and other payables	15	(3 493)	(6 301)
Increase / (decrease) in deferred revenue	16	-	(27 008)
Use of provisions		(66)	(209)
Total changes in working capital (D)		**517**	**(32 418)**
Cash generated from operation (E)=(C) + (D)		**(8 263)**	**(17 539)**
Interests and other finance costs (paid) (F)		(48)	(82)
Interests and other finance revenue received (G)		58	223
Income tax (paid)/received (H)		(31)	(4)
CASH FLOW FROM OPERATING ACTIVITIES (i)=(e)+(f)+(g)+(h)		**(8 284)**	**(17 402)**

INVESTING ACTIVITIES			
Expenditures on product development, net of grants received	8	(2 788)	(3 925)
Investment in non-consolidated companies	11	(45)	(152)
Acquisition of property, plant and equipment	9	(20)	(1 750)
Acquisition of intangible assets	8	(7)	-
Proceeds from sale of property, plant and equipment	9	143	1 181
CASH FLOW USED IN INVESTING ACTIVITIES (j)		**(2 717)**	**(4 646)**
FINANCING ACTIVITIES			
Proceeds from borrowings	14	9 500	-
Finance lease liabilities	15	(14)	(14)
Repayment of borrowings	14	-	-
CASH FLOW PROVIDED BY/(USED I) FINANCING ACTIVITIES (k)		**9 486**	**(14)**
Net increase/(decrease) of cash and cash equivalents = (I)+(J)+(K)		**(1 515)**	(22 062)
Cash and cash equivalents at beginning of year	13	3 147	25 216
Effect of foreign exchange difference		(9)	(7)
Cash and cash equivalents at end of year	13	1 623	3 147
Difference		**(1 515)**	(22 062)

4.1.5. Consolidated statement of changes in equity

Thousands EUR	Note	Issued capital	Share premium	Share-based payment reserve	Foreign currency translation reserves	Share Issue costs	Retained earnings / (losses)	Total
At 1 January 2012		**12 232**	**57 961**	**1 444**	**76**	**(1 635)**	**(68 834)**	**1 245**
Net result for the year		-	-	-	-	-	3 651	3 651
Other comprehensive loss for the year, net of income tax		-	-	-	(53)	-	-	(53)
Total comprehensive loss for the year		-	-	-	*(53)*	-	*3 651*	*3 598*
Share based payments	18	-	-	(726)	-	-	730	4
At 31 December 2012		**12 232**	**57 961**	**720**	**23**	**(1 635)**	**(64 453)**	**4 847**
Net result for the year		-	-	-	-	-	(11 703)	(11 703)
Other comprehensive income for the year, net of income tax		-	-	-	(62)	(1)	(8)	(70)
Total comprehensive loss for the year		-	-	-	*(62)*	-	*(11 711)*	*(11 773)*
Equity component of the convertible loan		-	1 078	-	-	-	-	1 078
Transfer from/to		-	983	-	-	(981)	(2)	-
Capital increase		58 944	(58 944)	-	-	-	-	-
Capital decrease		(67 051)	-	-	-	-	67 051	-
Share based payments	18	-	-	(720)	-	-	720	-
At 31 December 2013		**4 125**	**1 078**	**-**	**(39)**	**(2 617)**	**(8 395)**	**(5 848)**

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 (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 companies are the headquarters located in Leuven and the manufacturing and supply chain site in Cork (Ireland). 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 2013 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 on 22 April 2014 and signed on its behalf by Mr. Frank Deschuytere.

BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value.
The consolidated financial statements are presented in Euros and all values are rounded to the nearest thousand (€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. IAS 27 states that control exists when the Company has the power to govern the financial and operating policies and obtains the benefits from the entities' activities. Control is presumed to exist when the Company owns, directly or indirectly, more than 50 % of an entity's voting rights of the share capital. 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

Based on a review on its financial statements, the Group has changed the presentation and classification of some items and disclosures in the accounting policies. These can be summarized as follows:

Standards and Interpretations effective in the current period

Several amendments were applied for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group. The nature of the following new standards, amendments and/or interpretations are summarized below:

- IAS 1 *Presentation of Items of Other Comprehensive Income Amendments to IAS 51;*
- IAS 1 *Presentation of Financial Statements;*
- IAS 12 *Income Tax – Recovery of Tax Assets;*
- IAS 19 *Employee Benefits (amended);*
- IFRS 7 *Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7;*
- IFRS 13 *Fair Value Measurement;*
- IFRIC 20 *Stripping costs in the production phase of a Surface Mine*
- Annual Improvements to IFRS (Issued May 2012)

Early adoption of Standards and Interpretations

The Group has elected not to adopt any Standards or Interpretations in advance of their effective dates. However, with respect to IFRIC 21, based on the current assessment, the Group believes that several levies will no longer be allowed to be spread over the calendar year, as the obligating event occurs at a specific point in time and after which the Group can no longer avoid the outflow of economic benefits by its own actions. This might impact the Group's half-year reporting.

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.

Operating Lease as Lessor

The Group has entered into a sublease of own leased premises to a third party. As the significant risks and rewards are borne by Option's lessor, both the lease as a lessee as the sublease are treated as an operating lease.

Going concern

The going concern valuation rules were used both for the standalone annual accounts and the consolidated annual accounts of the Company. The Board of Directors is of the opinion that, notwithstanding the existence of substantial losses carried forward the use of going concern valuation rules is justified taking into account the items listed below. In addition the financial means of the company were further strengthened on April 11th 2014 by the private placement that effectively secured an amount of € 12 million via the issue of a convertible bond.

Market researchers are seeing the market of Internet of Things (IoT) as a major opportunity over the next decade changing the way we communicate with devices over the internet. With its track record in the field of wireless connectivity, the Company is in an excellent position to take advantage of the market opportunity, fully focused on the segment of

Machine-to-Machine (M2M). This segment is expected to be one of the important growth markets.
Based on Management's business plan and forecast, aligned to this market growth, the Board of Directors feels comfortable the Company will capture an important stake in this space to continue its normal operations.

Cost Reduction Plans:
Following the closure of its sites in Germany and France, the Company decided in December 2013 to close its site in Cork, Ireland. The closing process will be concluded second quarter 2014.

As a consequence, all company activity is concentrated in one single location. The Company will continue its cost optimization exercise throughout the year.

Financing:
In March 2013, the Company secured EUR 9 million via the issue of a convertible bond. 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 N.V. The convertible bond has an annual interest rate of 5% payable once every year. The conversion price of the bonds is fixed at EUR 0.285 which was the average share price during the 30 days prior to the issuing of the convertible bond.

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.

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, discount rates to be applied and the expected period of benefits. At 31 December 2013, the best estimate of the carrying amount of capitalized development costs was EUR 3.932k (2012: EUR 4 579k), 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 2013, the company has recognized impairment losses on the capitalized development projects for EUR 103k (2012: EUR 3 690k), Further details are given in Note 8.

Financial assets
The Company is since 2H, 2011 shareholder of Autonet Mobile, a California (US) based company active in the automotive sector. Jan Callewaert sits on the board of directors of Autonet Mobile. 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. In 2013, Option increased its participation (see note 11). The stocks are not tradable in an open market and are therefore measured at cost. The management considers that no impairment is required. Option holds less than 10% 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 2013, the estimated provision for warranty is EUR 32k (2012: EUR 54k). Further details are given in Note 16.

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. In the last quarter of 2013, the Group decided to close the subsidiary in Cork. Therefore a short term provision for redundancies of 352K EUR was recorded in December 2013, reported under payroll related liabilities (note 15).

For both the sites in Germany and France, whose intention to close was announced in 2013, provisions have been recognized for the remaining onerous contracts (see note 16).

Intellectual Property Rights
The Group has revised its royalty accruals 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 accruals 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.

By the end of 2013 a new assessment was made for cases where no contracts were available or expired. No reliable estimate could be made for these and therefore the Group decided to revise its provisions, following IAS 37 § 14.

At 31 December 2013, this revision resulted in a EUR 3.2 million profit (2012: EUR 6.7 million), recognized in the income statement in the caption “sales, marketing and royalties’ expenses” and decreasing trade payables.

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, data cards, 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

- persuasive evidence of an arrangement exists,
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the products sold;
- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the amount of revenue (the price) can be measured reliably,
- collection of the price is reasonably assured (it is probable that the economic benefits associated with the transaction will flow to the entity), and
- 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 collection 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 cash 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". Currently there is only one license agreement with Qualcomm Inc.

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 labors costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average 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.

Capitalization of development costs as detailed above creates a taxable temporary difference. Accordingly, a deferred tax liability is accounted for in this respect.

(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.

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. Even if one particular brand or a global mobile operator would represent a substantial percentage of the Group's trade receivables, the Group is dealing with the individual affiliated operator who is free to negotiate and manage its own contracts and placement of purchase orders. All these affiliated operators have different credit risk profiles and benefit from different terms and conditions.

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:

- The "Devices & Solutions" operating segment produces data cards, USB devices, routers as well as the new end to end service offerings;
- The "M2M" operating segment is related to revenues generated by Option's newest device, called Cloudgate;
- The "Embedded & Solutions" operating segment is principally the production of embedded devices or module offerings and associated integration and certification services;
- The "License" operating segment is related to revenues generated to license deals, closed with third parties;
- The "Other" operating 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.

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	
	2013	**2012**	**2013**	**2012**
Devices & Solutions	3 754	6 837	2 626	1 565
Embedded & Solutions	3 462	6 144	(2 070)	(4 444)
M2M	1 853	159	(721)	6
Licenses	-	27 008	-	27 008
Other	325	695	(23)	(5 308)
Totals	**9 394**	**40 843**	**(188)**	**18 827**
Unallocated Operating Expenses			(10 865)	(15 222)
Finance (costs) / income			(625)	39
Income taxes / (expenses)			(24)	9
Net result			**(11 703)**	**3 653**

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".

As of 2010, the "license" revenues exceeded the threshold of 10% compared to total revenues and therefore the Group started to report those revenues as a separate segment. Those revenues were mainly the result of a cooperation agreement between the Group and Huawei Technologies in October 2010, in which Huawei, amongst others, agreed to license Option's *u*CAN® Connection Manager software and, for which an amount of EUR 27 million was paid, covering an initial period of 1 year (i.e. October 26, 2010 until October 25, 2011). During 2011 a payment of EUR 33 million was received as extension of the software license agreement. The extension of the agreement has generated revenues in the period November 2011 until October 2012. The Group's accounting policy related to such license agreements foresees that license income is recognized as revenue over the period of the license. Therefore, for the financial year 2012, the Group has recognized EUR 27.0 million as revenue, and as the agreement expired, no license revenue for Huawei has been reported anymore in 2013.

In the M2M segment only one customer represents more than 10% of revenues.. The rest of the revenues are spread over different customers. 443K of the revenues relates to Belgian customers. In % of total sales one customer accounts for 23%. The top five represents 41% of the total sales.

50% of the Group's revenues in 2013 were obtained within Europe compared with 19% in 2012. In 2 countries, the Group generated more than 10% of total revenues: US (31.1%) and Turkey (included in Europe sales) (10.1%). In 2012, the only country where the Group generated more than 10% of total revenues was Hong Kong with 66.1%.

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.

Revenues	2013	2012
Europe	50%	19%
Americas	34%	10%
Asia-Pacific	15%	70%
Other	1%	1%

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.

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		Amortization on intangible assets		Impairment loss on intangible assets		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Cost of products sold	6	45	-	-	-	-	7	45
Operating Expenses including :								
- Research and development expenses	282	891	3 449	4 042	103	3 690	3 834	8 623
- Sales, marketing and royalties expenses	12	25	104	118	-	-	117	143
- General and administrative expenses	85	207	6	4	-	-	91	212
Total	**385**	**1 168**	**3 559**	**4 164**	**103**	**3 690**	**4 049**	**9 023**

In 2013, the Group reviewed the existing capitalized R&D projects which resulted in an impairment of EUR 103k (2012: 3 690K) mainly having its source in changing technologies and fast changing market conditions.

The research and development expenses that were expensed as incurred amounted to EUR 3 582K (2012 EUR 5 889K).

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

Thousands EUR	2013	2012
Cost of products sold	46	46
Research and development expenses	1 547	2 194
Sales, marketing and royalties expenses	2 810	3 676
General and administrative expenses	4 086	4 617
Total	**8 490**	**10 533**

As explained in note 15, the sales, marketing and royalties expenses were positively impacted by EUR 3.2 million profit (2012: EUR 6.7 million).

Cost of products sold

At year-end 95.1%, or EUR 5 724K of the cost of product sold relates to materials (2012: 96.7% or EUR 14 440K).

NOTE 5: Payroll and related benefits

Thousands EUR	2013	2012
Wages and salaries	4 892	7 277
Social security contributions	1 862	2 630
Other personnel expenses	357	243
Contributions to pension plan	299	383
Payroll related restructuring charges	1 080	-
	8 490	10 533

a) Total number of people registered at year-end	107	155
b) Average number of people registered in full time equivalent	98	172
Employees	96	169
Management	2	3

As from 2003, the Company and two of its subsidiaries contribute to local pension funds, which are managed by high rated insurance companies. It concerns defined contribution schemes and the contribution can be partially fixed and partially related to the operating profit. On the Belgian pension plan, a minimum return of 3.25% is guaranteed to the employees. This return is guaranteed by Option. The contributions to the pension funds amounted to EUR 299k (2012: EUR 388k). No material underfunding is expected at this stage.

NOTE 6: Finance result

Thousands EUR	2013	2012
Interest income	209	126
Net foreign exchange gains	10	-
Other	48	82
Finance income	**267**	**208**
Interest expense	(705)	(66)
Net foreign exchange losses	(149)	(36)
Other, mainly bank charges and payment differences	(38)	(68)
Finance costs	**(892)**	**(170)**
Finance net result	**(625)**	**39**

NOTE 7: Income tax

Thousands EUR	2013	2012
Tax benefit/(expense) comprises:		
Current tax benefit/(expense)	(24)	9
Deferred tax benefit/(expense)	-	-
Total tax income/(expense)	**(24)**	**9**
Result before tax	(11 679)	3 643
Tax benefit / (expense) calculated at 33.99%	(3 970)	(1 238)
Effect of non-taxable income	-	-
Effect of expenses that are not deductible in determining taxable profit	150	(119)
Effect of concessions and other tax credits	(236)	-
Effect of unused tax losses not recognized during the year	4 480	-
Effect of previously recognized unused tax losses and deductible temporary differences written off in the current year	(268)	1 366
Effect of different tax rates of subsidiaries operating in other jurisdictions	(132)	-
Tax income/(expense) recognized in the income statement	**(24)**	**9**

The tax rate used for the 2013 and 2012 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. Total unrecognized tax losses amounted to EUR 185 582k, which are all transferable for an unlimited period of time, except for the notional interest deduction, for which the EUR 2 804k expires in 2014; EUR 2 633k in 2015; EUR 974k in 2016; EUR 935k in 2017 and EUR 22k in 2018.

NOTE 8: Intangible assets

Thousands EUR

	Capitalized development	Concessions, patents, licenses	Software	Total 2013
Acquisition cost				
Balance at 1 January 2013	**94 181**	**6 853**	**2 823**	**103 857**
Effect of movements in foreign exchange	-	-	(1)	(1)
Additions	-	-	7	7
Expenditures on product development, net of grants received	2 788	-	-	2 788
Transfer to other asset categories	-	-	-	-
Disposals	-	-	(95)	(95)
Other movements	(954)	-	-	(954)
Balance at 31 December 2013	**96 015**	**6 853**	**2 733**	**105 601**
Amortization and impairment loss				
Balance at 1 January 2013	**(89 602)**	**(6 651)**	**(2 722)**	**(98 975)**
Effect of movements in foreign exchange	-	-	1	1
Amortization	-	(145)	(83)	(228)
Amortization for expenditures on product development	(3 332)	-	-	(3 332)
Impairment loss	(103)	-	(1)	(104)
Disposals	-	-	87	87
Other movements	954	-	-	954
Balance 31 December 2013	**(92 083)**	**(6 796)**	**(2 717)**	**(101 596)**
Carrying amount				
at 1 January 2013	**4 579**	**202**	**101**	**4 882**
at 31 December 2013	**3 932**	**57**	**16**	**4 005**

Acquisition cost				
Balance at 1 January 2012	**90 256**	**6 853**	**2 826**	**99 935**
Effect of movements in foreign exchange	-	-	(1)	(1)
Additions	-	-	-	-
Expenditures on product development, net of grants received	3 925	-	-	3 925
Transfer to other asset categories	-	-	-	-
Disposals	-	-	(2)	(2)
Other movements	-	-	-	-
Balance at 31 December 2012	**94 181**	**6 853**	**2 823**	**103 857**
Amortization and impairment loss				
Balance at 1 January 2012	**(82 062)**	**(6 446)**	**(2 614)**	**(91 122)**
Effect of movements in foreign exchange	-	-	(1)	(1)
Amortization	-	(205)	(110)	(315)
Amortization for expenditures on product development	(3 850)	-	-	(3 850)
Impairment loss	(3 690)	-	-	(3 690)
Disposals	-	-	2	2
Transfer to other asset categories	-	-	-	-
Balance 31 December 2012	**(89 602)**	**(6 651)**	**(2 722)**	**(98 975)**
Carrying amount				
at 1 January 2012	**8 194**	**407**	**212**	**8 813**
at 31 December 2012	**4 579**	**202**	**101**	**4 882**

Impairment of intangible assets with definite useful life

On a yearly basis, the Group reviews the existing capitalized R&D projects which resulted in an impairment of EUR 103k for 2013 (2012: EUR 3 690k), mainly having its source in changing technologies and fast changing market conditions. 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 2013. 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 mainly includes the M2M project, which had a carrying amount of EUR 2 368k at 31 December 2013 and a remaining amortization period of 6 months, and a 4G project for an amount of EUR 1 222k, and which is not yet ready to use. Furthermore, the Group reports a Carrying amount of EUR 73k for server licenses and software.

NOTE 9: Property, plant and equipment

Thousands EUR	Machinery and computer equipment	Furniture and Vehicles	Leasehold improvements	Total 2013
Acquisition cost				
Balance at 1 January 2013	**22 432**	**1 639**	**1 014**	**25 085**
Effect of movements in foreign exchange	(2)	-	-	(2)
Additions	18	3	-	20
Disposals	(235)	(60)	-	(295)
Other movements	2	(1)	-	1
Balance at 31 December 2013	**22 215**	**1 581**	**1 014**	**24 810**
Depreciation				
Balance at 1 January 2013	**(21 721)**	**(1 500)**	**(1 006)**	**(24 227)**
Effect of movements in foreign exchange	2	-	-	**2**
Depreciation	(340)	(44)	(3)	**(386)**
Impairment loss	-	-	-	**-**
Disposals and cancellation	215	42	-	**257**
Other movements	(2)	1	-	**(1)**
Balance at 31 December 2013	**(21 845)**	**(1 501)**	**(1 009)**	**(24 355)**
Carrying amount				
at 1 January 2013	**711**	**139**	**8**	**857**
at 31 December 2013	**370**	**80**	**5**	**454**

Acquisition cost				
Balance at 1 January 2012	**24 283**	**1 662**	**1 645**	**27 590**
Effect of movements in foreign exchange	-	-	-	-
Additions	505	5	1 240	1 750
Disposals	(2 356)	(28)	(1 871)	(4 255)
Transfer to other asset categories	-	-	-	-
Balance at 31 December 2012	**22 432**	**1 639**	**1 014**	**25 085**
Depreciation				
Balance at 1 January 2012	**(23 055)**	**(1 424)**	**(1 508)**	**(25 987)**
Effect of movements in foreign exchange	-	-	-	**-**
Depreciation	(994)	(99)	(75)	**(1 168)**
Impairment loss	-	-	-	**-**
Disposals and cancellation	2 328	23	569	**2 920**
Transfer to other asset categories	-	-	8	**8**
Balance at 31 December 2012	**(21 721)**	**(1 500)**	**(1 006)**	**(24 227)**
Carrying amount				
at 1 January 2012	**1 228**	**238**	**137**	**1 603**
at 31 December 2012	**711**	**139**	**8**	**857**

NOTE 10: Trade and other receivables

CURRENT TRADE AND RECEIVABLES

Thousands EUR	2013	2012
Trade receivables	1 448	3 605
Allowance for doubtful accounts	(539)	(813)
Subtotal	909	2 792
Recoverable VAT	189	199
Other receivables	252	176
Subtotal	441	375
Total	**1 350**	**3 167**

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 receivables concerning precharged rent related to a sublease.

Aging of trade receivables:

Thousands EUR	Gross Amounts		Allowance for doubtful accounts	
	2013	2012	2013	2012
< 60 days	596	2 560	-	-
60 - 90 days	10	62	-	-
90 - 120 days	-	-	-	-
> 120 days	841	983	(539)	(813)
	1 448	**3 605**	**(539)**	**(813)**

See also Note 21 for further information about credit risk.

OTHER NON-CURRENT ASSETS

Thousands EUR	2013	2012
Cash guarantees	125	120
	125	**120**

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	2013	2012
Other financial assets	1 236	1 195
	1 236	**1 195**

In September 2011, Option invested EUR 1 043k (representing 6.67%) in Autonet Mobile, Inc. to deliver the 1st 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 February 2012, the Group participated in the company's capital increase and increased the investment with EUR 152 k.

In July 2013, the Group also participated in a new capital increase, and thus increased the investment with EUR 41K to an amount of EUR 1 236K.

NOTE 12: Inventories

Thousands EUR	2013	%	2012	%
Raw materials	849	24.9%	2 280	56.5%
Work in progress	2 149	63.0%	4 473	110.8%
Finished goods	3 601	105.6%	2 817	69.8%
Provision for inventories	(3 189)	(93.5%)	(5 534)	(137.1%)
	3 410		**4 036**	

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 4 036K to EUR 3 410K at the end of 2013. This decrease is mainly explained by scrapping end-of-life products. At the end of 2013, the total provision for inventories amounted to EUR 3 189K (2012: EUR 5 534K).

The decrease in provision for inventories of EUR 2 356K positively impacts the cost of goods sold. In addition, EUR 2.6 million has been expensed as a result of inventory write offs during 2013 (2012: EUR 2.0 million), for which provisions were already foreseen in 2012 and have been reversed in 2013.

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.

There are no inventories pledged for security. For additional information we refer to Note 2.

NOTE 13: Cash and cash equivalents

Thousands EUR	2013	2012
Short Term deposits	-	815
Bank current accounts	1 618	2 326
Cash	5	6
	1 623	**3 147**

In 2012, cash and cash equivalents included short term deposits (between one day and 3 months) for an amount of EUR 815K); at the end of 2013 there are no short term deposits within the Group.

NOTE 14: Financial assets and Liabilities

OTHER FINANCIAL LIABILITIES

On March 28, 2013 the Board of Directors announced the conclusion of the private placement, communicated in October 2012. Option 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 will be adjusted for dilutive corporate actions. 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 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 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.

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

Thousands EUR	
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%	475
Interest charged	(338)
Liability component at 31 December 2013	**8 060**

In 2012, existing credit facilities and pledges with both ING and Belfius have been completely canceled, and also in 2013 the company had neither facilities nor pledges on the Company's business.

Thousands EUR	2013	2012
Leasing and similar obligations	7	14
Other loans	500	-
	507	**14**

The other loan, granted in 2013 has an annual interest rate of 5%. The loan expired on the 31st of January 2014 but has been extended until the 30th of April 2014.

NOTE 15: Trade and other payables – deferred revenues

TRADE AND OTHER PAYABLES

Thousands EUR	2013	2012
Trade payables	5 520	9 218
Salaries, tax and payroll related liabilities	2 564	2 269
Other payables and accrued expenses	829	366
	8 912	**11 853**

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. For one of our most important suppliers the settlement terms exceed 90 days.
- 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 terms and conditions relating to related parties, refer to Note 23.

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.

By the end of 2013 a new assessment was made for cases where no contracts were available or expired. No reliable estimate could be made for these and therefore the Group decided to revise its provisions, following IAS 37 § 14.

At 31 December 2013, this revision resulted in a EUR 3.2 million profit (2012: EUR 6.7 million), recognized in the income statement in the caption "sales, marketing and royalties' expenses" and a decrease in the outstanding trade payables.

DEFERRED REVENUES

Thousands EUR	2013	2012
Deferred revenues	200	120
	200	**120**

The increase of deferred revenue is the result of precharged rent for 2014 related to the sublease (see note 17 – leases as lessor).

NOTE 16: Provisions

Thousands EUR	2012	Additions	(Use)	(Reversal)	2013
Warranty provision	54	-	-	(22)	32
Loss on supply agreements	362	-	-	(182)	180
Legal and other claims	98	-	-	(98)	-
Restructuring provisions	66	183	(66)	-	183
	580	**183**	**(66)**	**(302)**	**395**

Part of the provisions from 2012 have been used or reversed. Legal claims have been reversed, as the related case for this provision was won by Option.

The loss on supply agreements has been decreased during 2013 by EUR 182K. This concerns the contractual obligations on a minimum delivery of services and/or goods.

The warranty provision has been reversed with an amount of EUR 22K, mainly due to a decrease of expected units returned under warranty.
During 2013 the Group used the remaining amount of the 2011 Restructuring Provision (EUR 66K), in addition new restructuring provisions were set-up (EUR 183 K), mainly related to costs for the closure of the subsidiaries in France and Germany.

NOTE 17: Operating leases

OPERATING LEASES

Leases as lessee

Non-cancelable operating lease rentals are payable as follows:

Thousands EUR	2013	2012
Less than one year	1 170	1 342
Between one and five years	727	1 836
More than five years	-	-
	1 897	**3 178**

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 2013, EUR 1 492K was recognized as an expense in the income statement in respect of operating leases (2012: 1 813K).

Leases as lessor

Non-cancelable operating sublease rentals are receivable as follows:

Thousands EUR	2013	2012
Less than one year	200	480
Between one and five years	-	-
More than five years	-	-
	200	**480**

In the course of 2010 Option NV entered into a sublease with a third party, which terminated in 2012. During 2011, Option NV entered into a new sublease agreements which will terminate in May 2014 . None of the leases include contingent rentals. In 2013, EUR 480k (2012: EUR 480K) was recognized as rental income in the income statement.

NOTE 18: Shareholders' equity

CAPITAL STRUCTURE – ISSUED CAPITAL

As per year-end 2013, 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	17.95%
Free float:	67 689 584	82.05%
Total outstanding shares	82 498 592	100%

The authorized share capital, at the end of 2013 comprises 82 498 592 ordinary shares, for an amount of EUR 4 124 929.60. The shares have no par value and have been issued and fully paid. All shares held in the Company carry the same rights.

SHARE PREMIUM

Thousands EUR	2013	2012
At 31 December 2013 and 2012	1 078	57 961

The Extraordinary Shareholders' Meeting of the Company dated 13 November 2013, decided upon the increase of the share capital with an amount of 58 943 800.00 to bring it from €12 232 134.42 to €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 €67 051 004.82 to €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.

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

WARRANTS

On 26 August 2008 the Extraordinary Shareholders' Meeting of the Company approved the issuance of 2 500 000 warrants "V", which were offered to Directors, members of the Executive Management Team, employees and other persons designated by name. A total of 2 241 540 warrants "V" was offered in the course of financial year 2008, and an additional 130 000 warrants "V" have been offered to new members of the Executive Management team in 2009. However, given the fact that (i) according to the terms and conditions of the warrant plan, the term of the warrants "V" expired on the fifth (5) anniversary of the grant date, and (ii) the members of the Executive Management Team who we granted additional warrants "V" in 2009 are no longer active within the Company, at present all warrants "V" have now lapsed.

On 21 May 2012 the Extraordinary Shareholders' Meeting approved the issuance of 4 124 930 warrants "2012". To date, none of these issued warrants have been offered to any beneficiary. The warrant plan "2012" states that warrants which have not been offered to beneficiaries within one (1) year after the resolution of the Shareholders' Meeting on the approval of the plan shall automatically lapse. Therefore all 4 124 930 warrants "2012" have lapsed and none have been exercised.

CONVERTIBLE BONDS

On 28 March 2013, Option issued a € 9 million convertible bond, which was subscribed by 5 partners: the Flemish investment company PMV for € 2 million, Athos Investments for € 1 million, Life Science Research Partners for € 0.5 million, Mondo for € 0.5 million and Jan Callewaert for € 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.

On 11 April 2014, Option issued a second convertible bond loan for a total amount of € 12 million. The funding was subscribed to by Quaeroq CVBA for € 4 million, Alychlo NV, holding company of Marc Coucke, for € 2,7 million, Vermec NV for € 1,5 million, Jan Callewaert for € 0,5 million, Frank Deschuytere, CEO of Option, for € 0,2 million and a number of private investors and companies for € 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 € 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.

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:

Earnings per common share	2013	2012
Net result (in Thousands EUR)	(11 703)	3 651
Weighted average shares of common stock outstanding:		
Basic	82 498 592	82 498 592
Diluted	82 498 592	82 498 592
Per Share (in EUR)		
Basic earnings per share	(0.14)	0.04
Diluted earnings per share	(0.14)	0.04

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 2013, 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:

- 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
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group's overall strategy and objectives remain unchanged during the years ended 31 December 2013 and 31 December 2012.

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 58 943 800.00 to bring it from €12 232 134.42 to €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 €67 051 004.82 to €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.

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In 2013 the debt, which is defined as long- and short-term borrowings (excluding derivatives) has increased with EUR 8 567k, due to the issuance of a convertible bond, at a net value of EUR 8 060k and a short term loan of EUR 500K. (2012: decreased with EUR 4 770k), The gearing ratio at year-end was as follows:

Thousands EUR	2013	2012
Current portion of financial liabilities	(507)	(14)
Cash and cash equivalents	1 623	3 147
Net	1 116	3 133
Equity	(5 848)	4 847
Gearing ratio	**NA**	**64.60%**

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	2013	2012
Financial assets measured at cost or amortized cost			
Cash and cash equivalents	13	1 623	3 147
Trade receivables	10	909	2 792
Recoverable VAT	10	189	199
Income tax receivable	7	25	60
Other financial assets	11	1 236	1 195
Financial liabilities measured at cost or amortized cost			
Trade payables	15	5 520	9 218
Salaries, tax and payroll related liabilities	15	2 563	2 269
Current financial liabilities	14	507	14
Income tax payable	7	1	45

For the items above, the fair value equals the carrying amount; only for the financial debt, the fair value of EUR 8 060k does not equal the carrying amount of EUR 9 000k.

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. 3 customers had balances greater than 5% of the net trade receivables of the Group for the year ended 31 December 2013. The balances of 2 of these customers (representing 16.4% of the total) were not due at year end. The remaining customer (representing 16.8% of the total) was overdue but has paid in full since the year end.
In 2012, one customer represented 5.6 % of the total receivables of the Group.
The average credit period on sales of goods is 35 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 2013.

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 311k (2012: EUR 232k) 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. The average age of these receivables is between 30 and 40 days.

Aging of past due, but not impaired:

Thousands EUR	2013	2012
60 - 90 days	10	62
90 - 120 days	-	-
> 120 days	302	170
	311	**232**

Movement in the allowance for doubtful debts:

Thousands EUR	2013	2012
Balance at the beginning of the year	813	799
New reserves	186	35
(Write-offs)	(460)	(19)
(releases)	-	(2)
	539	**813**

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.

Aging of impaired trade receivables:

Thousands EUR Gross amounts	2013	2012
60 - 90 days	-	-
90 - 120 days	-	-
> 120 days	539	813
	539	**813**

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 bond issued in 2013 (see note 14). No credit lines are currently available for the Group.

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

Thousands EUR	2013	2014	2015	2016	2017	2018
2013						
Non-current financial debt	-	450	450	450	450	9 450
Trade payables	-	5 520	-	-	-	-
Salaries, tax and payroll related liabilities	-	2 564	-	-	-	-
Income tax payable	-	1	-	-	-	-
Credit facilities and other loans	-	507	-	-	-	-
	-	**9 042**	**450**	**450**	**450**	**9 450**
2012						
Trade payables	9 218	-	-	-	-	-
Salaries, tax and payroll related liabilities	2 269	-	-	-	-	-
Income tax payable	45	-	-	-	-	-
	11 532	**-**	**-**	**-**	**-**	**-**

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:

2013	Closing rate December 31, 2013	Possible volatility in %	Possible closing rate December 31, 2013
EUR/USD	1.3791	8.75	1.2040 – 1.4348
2012	Closing rate December 31, 2012	Possible volatility in %	Possible closing rate December 31, 2012
EUR/USD	1.3194	9.22	1.1978 – 1.4410

The Group's exposure in USD as of 31 December 2013 and 2012 is as follows:

Carrying amounts - Thousands USD	31/dec/13	31/dec/12
Trade payables	(2 388)	(3 604)
Trade receivables	1 467	3 665
Cash and cash equivalents	427	1 699
	(494)	**1 760**

If the USD had weakened/strengthened during 2013 by the above estimated possible changes against the euro, the 2013 net result would have been EUR 31k higher/lower.

If the USD had weakened/strengthened during 2012 by the above estimated possible changes against the euro, the 2012 net result would have been EUR 123k higher/lower.

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. We refer to note 15 for additional information.

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.

NOTE 23: Related parties transactions

The financial statements include the financial statements of Option NV and the subsidiaries listed in the following table:

	2013	2012
Option Wireless Ltd, Cork (Ireland)	100%	100%
Option Germany GmbH, Augsburg (Germany)	100%	100%
Option Japan KK (Japan)	100%	100%
Option Wireless Hong Kong Limited (China)	100%	100%
Option Wireless Technology (Suzhou) Co. Ltd. (China)	100%	100%
Option Wireless Hong Kong Limited Taiwan Branch (Taiwan).	100%	100%
Option Wireless USA Inc. (United States of America)	100%	100%
Option France SAS (France)	100%	100%

Certain higher executives have agreed to a reduction in remuneration in the second half of 2013. This reduction can be recovered in 2015 subject to conditions. The remuneration of Mr. Jan Callewaert is also subject to this agreement.

On 26 December 2013, the Company entered into a bridge loan agreement with Mr. Jan Callewaert for an amount of 500 000 EUR at an interest rate of 5.00%.

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 2013, the global compensation for the Board of Directors amounted to EUR 136k (2012: EUR 203k[1]).

Name	Board meetings attended		Audit Committees attended	Remuneration Committees attended	Total remuneration Thousands EUR
	Physical attendance	*calls*			
Jan Callewaert(1)	5/5	12/12	N.A	N.A	N.A (2012: N.A)
Q-List BVBA	5/5	12/12	4/4	3/3	36.25 (2012: 41.03)
Lawrence Levy	4/5	12/12	N.A	3/3	34.00 (2012: 41.03)
An Other Look To Efficiency SPRL	4/5	9/12	4/4	N.A	28.25 (2012: 53.28)
FVDH Beheer BVBA	4/5	10/12	4/4	3/3	38.00 (2012: 44.78)

(1) Excluding CEO remuneration to Mondo NV – As of 2010 the Board of Directors compensation was included in the fixed remuneration of the CEO.

Furthermore, Mr. David Hytha, who resigned as a member of the Board of Directors in July 2012 received a remuneration of EUR 23k in 2012.

In addition, one non-executive Board member received an amount of EUR 0k (2012: EUR 2k) in his capacity of member of the Board of Option Wireless Ltd. (Ireland).

At year end 2013, all warrants "V" have lapsed in accordance with their terms, and therefore no more warrants were held by the members of the Board of Directors (in 2012, a total of 160 000 warrants "V" were held by members of the Board of Directors).

[1] *P.m. the 2012 figures include the compensation granted to David A. Hytha, whom resigned as an independent director of the Company as from 20 July 2012 (published in the Annexes of the Belgian State Gazette of 19 February 2013).*

Executive management compensation

Mr Jan Callewaert, the former CEO of the Group, whom on 29 May 2013 was also re-elected as Chairman of the Board, is the owner of a management company (Mondo NV), performing management services for the Group. Following the recommendation of the Remuneration Committee, the Board of Directors decided on 26 May 2010 to modify the remuneration paid to Mondo NV represented by Jan Callewaert). The Board decided to fix the base remuneration at EUR 430k per year and the variable remuneration to a maximum of EUR 190k per year. In addition, the Board of Directors suggested that the aforementioned remuneration, paid to the CEO, should also cover the compensations paid to Jan Callewaert in his capacity of member and Executive Chairman of the Board of Directors. On 21 October 2013, Jan Callewaert was replaced as CEO by Mr. Frank Deschuytere, and was elected Executive Chairman of the Board of Directors.

The remuneration for Mondo NV's management services in 2013 amounted to EUR 409k (2012: EUR 430k). For 2013, no variable compensation was granted (2012: EUR 0k). The remuneration for FDVV Consult BVBA (the management company of Mr Frank Deschuytere) amounted to EUR 48K and he received additional benefits for an amount of EUR 3k covering car, fuel and lump sum allowance costs.

For the year 2013, an aggregate gross amount of EUR 474k (2012: EUR 944k) was attributed to the other five members of the Executive Management Team. In 2013, no variable pay was granted relating to 2013 performance (2012: EUR 0k).

For the members of the Executive Management Team, benefits include an extra-legal pension scheme, the cost of which amounted to EUR 29k (2012: EUR 53k). The members of the Executive Management Team received additional benefits for an amount of EUR 4K covering car, fuel, lump sum allowance and hospitalization insurance costs (2012: EUR 39K).

No member of the Executive 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.

At year end 2013, all warrants "V" have lapsed in accordance with their terms, and therefore no more warrants were held by the members of the Executive Management Team (in 2012, a total of 137 500 warrants "V" were held by EMT members at that time).

NOTE 24: Events after balance sheet date

Subsequent to December 31, 2013, the following events or transactions occurred which require disclosure:

- On April 11th 2014, Option issued a second convertible bond loan for a total amount of € 12 million. The funding was subscribed to by Quaeroq CVBA for € 4 million, Alychlo NV, holding company of Marc Coucke, for € 2,7 million, Vermec NV for € 1,5 million, Jan Callewaert for € 0,5 million, Frank Deschuytere, CEO of Option, for € 0,2 million and a number of private investors and companies for € 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 € 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.

NOTE 25: Option companies and business combination

List of companies, integrally consolidated in the financial statements

Name of the subsidiary	Registered office	% of shareholding
BELGIUM		
OPTION NV	Gaston Geenslaan 14 3001 Leuven, België	Consolidating company
IRELAND		
OPTION WIRELESS Ltd, Cork	Kilbarry Industrial Park Dublin Hill, Cork	100%
GERMANY		
OPTION GERMANY GmbH	Beim Glaspalast 1 D-86153 Augsburg - Germany	100%
UNITED STATES		
OPTION WIRELESS USA INC.	13010 Morris Road Building 1, suite 600 Alpharetta, GA 30004 USA	100%
JAPAN		
OPTION WIRELESS JAPAN KK	5-1, Shinbashi 5-chome Minato-ku Tokyo 105-0004, Japan	100%
CHINA		
OPTION WIRELESS HONG KONG LIMITED	35/F Central Plaza 18 Harbour Road Wanchai Hong Kong, China	100%
CHINA		
OPTION WIRELESS TECHNOLOGY CO. LIMITED	909-1 Genway Building 188 Wangdun Road Suzhou Industrial Park (SIP) Suzhou 215123, Jiangsu Province, China	100%
TAIWAN		
OPTION WIRELESS HONG KONG LIMITED,TAIWAN BRANCH	4F Theta Building 10, Lane 360, Ne-Hu Road, Sec 1, Taipei City, TAIWAN	100%
FRANCE		
OPTION FRANCE SAS	6, Place de la Madeleine 75008 Paris, France	100%

On the 25th of 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 the 25th of April 2013 the Group announced its intention to also close the site in Paris (France), as well as the German subsidiary, the liquidation has not been finalized yet.

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	2013	2012	2011
Worldwide audit services for the annual financial statements	100	150	180
Worldwide tax and legal services	18	12	44
Other worldwide services	-	4	3
	118	**167**	**227**

5. AUDITOR'S REPORT

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Option NV

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2013

The original text of this report is in Dutch

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: Berkenlaan 8b, B-1831 Diegem
VAT BE 0429.053.863 - RPR Brussel/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GEBABEBB

Member of Deloitte Touche Tohmatsu Limited

Deloitte.

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Option NV

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2013

To the shareholders

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 2013, 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 – Unqualified opinion

We have audited 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 12.228 (000) EUR and the consolidated income statement shows a consolidated loss (group share) for the year then ended of 11.703 (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. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte.

Unqualified opinion

In our opinion, the consolidated financial statements of Option NV give a true and fair view of the group's net equity and financial position as of 31 December 2013, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Emphasis of Matters

Despite the fact that the group has incurred significant losses over the year that impact its financial position, the financial statements have been drafted using the going concern principle. Without modifying the above unqualified opinion, we draw your attention to note 1, section *Accounting judgements, estimates and assumptions – Going concern* of the consolidated financial statements, in which the board of directors justifies the application of the going concern principle based upon the additional financing of 12 million EUR concluded after year end and the business plan it has developed aimed at benefiting from the potential of the M2M market. The assumption of going concern is only justified if, and only if, the group is able to realize its business plan or can further rely on the financial support of its shareholders. No adjustments have been recorded 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 addition, the group's balance sheet includes 3.932 (000) EUR of capitalized development expenses. These development expenses have been capitalized in accordance with the group's valuation rules, as specified in note 2, section 8.(A) *Research and Development costs and related government development funding* of the consolidated financial statements. We draw your specific attention to note 1, section *Accounting Estimates, Judgements and Assumptions – Development expenses* of the consolidated financial statements, in which the group describes the main assumptions applied when capitalizing these development expenses. The extent to which these assumptions are not, not fully or not timely realized, may impact the carrying amount of capitalized development expenses.

Finally, we draw your attention to note 1, section *Accounting Estimates, Judgement and Assumptions – Intellectual Property Rights* of the consolidated financial statements, in which the group describes the context and reasons for revising its accruals for essential patents. The group considers that per 31 December 2013, no reliable estimate can be made for those instances where no contracts exist or where contracts have expired. As a result, 3, 2 million EUR provision was reversed in the year ending 31 December 2013.

Deloitte.

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 is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Hasselt, 23 April 2014

The statutory auditor

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

6. ABBREVIATED STATUTORY ACCOUNTS OF OPTION NV AND EXPLANATORY NOTES (FIN)

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 an "unqualified opinion with emphasis of matters" on the non consolidated financial statements of Option NV for the year ended 31 December 2013.

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

Assets Thousands EUR	2013	2012	2011
Fixed assets	**5 836**	**6 906**	**13 637**
Intangible assets	4 000	4 777	8 558
Tangible assets	439	773	1 333
Financial assets	1 397	1 356	3 746
Current Assets	**3 715**	**4 519**	**29 214**
Stocks and contracts in progress	191	329	250
Accounts receivable within one year	2 555	2 681	14 203
Cash & cash investments	963	1 485	14 620
Deferred charges and accrued income	6	24	141
Total Assets	**9 551**	**11 425**	**42 851**

Liabilities Thousands EUR	2013	2012	2011
Capital and reserves	**(8 138)**	**4 493**	**8 836**
Capital	4 125	12 232	12 232
Share premium	-	58 944	58 944
Legal reserve	612	612	612
Profit/(loss) carried forward	(12 875)	(67 295)	(62 952)
Provisions	-	**98**	**168**
Creditors	**17 689**	**6 834**	**33 847**
Long term financial liabilities	9 000	7	22
Amounts payable within one year	8 022	6 693	6 654
Accrued charges and deferred income	667	134	27 171
Total liabilities	**9 551**	**11 425**	**42 851**

On a balance sheet total of EUR 9.5 million, the total equity as of 31 December 2013 amounted EUR (8.1) million.

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

abbreviated profit and loss account Thousands EUR	2013	2012	2011
I. Revenues	**7 459**	**36 069**	**39 861**
Turnover	1 200	28 420	30 691
Increase (decrease) in stocks in finished goods, work and contracts in progress	-	160	(290)
Capitalized development costs	2 788	3 925	5 700
Other operating income (mainly intercompany transactions)	3 471	3 564	3 760
II. Operating charges	**19 589**	**34 233**	**36 344**
Raw materials, consumables and goods for resale	279	870	851
Services and other goods	7 404	13 257	17 004
Remuneration, social security costs and pensions	7 774	8 961	10 425
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	3 821	5 108	7 535
Increase, decrease in amounts written off stocks, contracts	-	-	-
Contracts in progress and trade debtors	276	6 086	343
Provision for contingencies	(98)	(70)	-
Other operating charges	133	21	186
III. Operating profit/(loss)	**(12 130)**	**1 836**	**3 517**
IV. Financial income	**17**	**215**	**2 201**
V. Financial charges	**(505)**	**(197)**	**(230)**
VI. Profit/(loss) on ordinary activities before taxes	**(12 618)**	**1 854**	**5 488**
VII. Exceptional income	**98**	**-**	**-**
VIII. Exceptional charges	**(103)**	**(6 187)**	**(365)**
IX. Profit/(loss) for the period before taxes	**(12 623)**	**(4 333)**	**5 123**
X. Income tax expense	**8**	**10**	**-**
XIII. Profit/(loss) for the period available for appropriation	**(12 631)**	**(4 343)**	**5 123**

abbreviated appropriation account (According to belgian accounting standards) Thousands EUR	2013	2012	2011
Profit/(loss) to be appropriated	(67 295)	(62 952)	(68 074)
Profit/(loss) for the period available for appropriation	(12 631)	(4 343)	5 122
Capital decrease, by incorporation of reserves	67 051	-	-
Profit/(loss) carried forward from previous year	(12 875)	(67 295)	(62 952)

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 1st 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:

- An asset is developed that can be identified;
- It is probable that the asset developed will generate future economic benefits; and
- 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 2013. Transactions are converted at the daily exchange rate.
Exchange differences have been disclosed in the annual accounts as follows:

- Positive exchange results in caption IV. Financial income of the profit and loss account;
- 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:

31/dec/13	Shares held by company (by number)	% held by company	% held by subsidiaries
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%

STATEMENT OF CAPITAL

Issued Capital 31/dec/13	Amounts (in EUR)	Number of shares
At the end of the preceding period	12 232 134	82 498 592
At the end of the period	4 124 930	82 498 592

Authorized capital

On 31 December 2013 the authorized (but non-issued) capital amounted to EUR 4 125k.

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 2011-2013 on Euronext

	2013	2012	2011
Number of shares outstanding	82 498 592	82 498 592	82 498 592
Year-end share price	0.29	0.31	0.30
Market capitalization (million)	24	26	25
Share price High	0.34	0.84	0.64
	(January 14, 2013)	(February 22, 2012)	(November 25, 2011)
Share price Low	0.19	0.29	0.28
	(May 17, 2013)	(January 2, 2012)	(January 5, 2011)
Free float	82.05%	82.05%	82.05%

During 2013, a total of 42 496 060 shares were traded on Euronext on 255 trading days, meaning an average for the year of 166 651 shares per day.

7.3. Financial calendar

Option intends to release its biannual financial information and business updates in 2014 on the following dates – before market hours:

1Q Business update	Thursday April 24, 2014
Half Year 2014 results and "Interim Financial Report"	Thursday August 28, 2014

General Meeting of Shareholders 2014: Wednesday May 28, 2014 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
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

8. CERTIFICATION OF RESPONSIBLE PERSONS

The undersigned, Frank Deschuytere, CEO of Option NV, and Christine Pollie, CFO of Option NV, confirm that to the best of their knowledge:

a) the consolidated financial statements for the year ending December 31, 2013 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, 2013 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, April 22, 2014

Frank Deschuytere	Christine Pollie
CEO	CFO
Option NV	Option NV

9. INFORMATION SHEET BY END 2013

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	investor@option.com
WEBSITE	www.option.com
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. Dominique Roux
FINANCIAL YEAR CLOSING	31 December
CAPITAL	4 124 930 EUR
NUMBER OF SHARES	82 498 592
ANNUAL MEETING	Last business day of May
LISTING	Euronext -– continumarktStock – 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.

GEARING RATIO
Net debt divided by shareholders' equity

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.

SOLVENCY RATIO
Shareholder's' equity divided by total assets.

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

Employment
We will not engage in any of the following activities:
- use of children under the legal age for employment
- use of forced, bonded or compulsory labour

Discrimination
We will not discriminate against our employees in any of the following areas:
- on the grounds of race, color, sex, sexual orientation, religion, political opinion, age or nationality
- 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:
- have ethical standards that do not compromise any of the above
- 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.

ENVIRONMENTAL POLICY OF THE PRODUCTION AND LOGISTICAL UNIT

The scope of operations of Option Wireless Ltd includes: “Source, manufacture and supply of wireless communication products and solutions”. The organization recognizes its environmental responsibilities to its staff, shareholders, customers and the general public and is committed to the continual improvement of the operating environment of its facilities. To this end it will maintain and document an Environmental Management System which conforms to: ISO14001: 2004 and will take into account all regulatory and legislative requirements pertinent to its sector, local operating environment and customer requirements.

The organization’s objectives include the following:

- communicating its policies both internally and externally
- commitment to continual improvement in environmental performance
- using the input of staff, customers, shareholders, government, local authorities, interested third parties and the general public
- awareness and training on environmental issues
- creating a better environment for all, through the reduction, recycling and reuse of waste, the optimum usage of resources and the elimination of polluting releases of the environment
- compliance with all pertinent applicable regulations and legislation
- prevention of pollution
- manufacture and supply of product in a safe environment to customer specifications and requirements

The above policy is supported by the management of Option Wireless Ltd who shall commit the necessary resources in ensuring that the objectives and targets can be achieved. Appropriate programs are set up to achieve our objectives and will be reviewed at the Annual Management Review and Quarterly Objective Review Meetings.

QUALITY CERTIFICATION

The Certificate of Registration of Quality System to I.S. EN ISO 9001:2008 has been delivered by the National Standards Authority of Ireland to Option Wireless Ltd on June 17th 2010 (valid until March 3rd 2013).

The Certificate of Registration of Environmental System to I.S. EN ISO 14001:2004 has been delivered by the National Standards Authority of Ireland to Option Wireless Ltd on December 9th 2012 (valid until April 8th 2014).

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). 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 witch 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 witch any such statement is based, unless such statement is required pursuant to applicable laws and regulations.