



## OPTION REPORTS FIRST HALF YEAR 2014 RESULTS

**Leuven, Belgium – August 28, 2014** – Option N.V. ([EURONEXT Brussels: OPTI](#); [OTC: OPNVY](#)), the company connecting Things to the Cloud, today announced its results for the first half fiscal year ended June 30 2014. The financial information reported in this release is presented in Euros and has been prepared in accordance with the recognition and measurement criteria of IFRS as adopted by the European Union. The accounting policies and methods of computation followed in the attached financial statements are the same as those followed in the most recent annual financial statements.

### FINANCIAL HIGHLIGHTS OF THE FIRST HALF FISCAL YEAR 2014

- Total revenues for the first half year of 2014 were EUR 2.8 million compared with EUR 5.1 million realized in the first half of 2013. Product related revenues decreased from EUR 4.4 million to EUR 2.7 million.
- Gross margin for the first half year of 2014 was 35.2 % on total revenues compared with a gross margin of 34.1 % for the comparable period in 2013.
- Financial costs increased significantly, mainly as a result of interests due on the convertible bonds which were issued in 2013 and at the beginning of the second quarter of 2014.
- The first half year of 2014 EBIT amounted to EUR -5.9 million compared to EUR -7.0 million during the corresponding period 2013. The net result amounted to EUR -6.6 million compared to EUR -7.2 million as per June 30 2013.
- The cash position increased from EUR 1.6 million at the end of 2013 to EUR 5.9 million thanks to the issuing of the convertible bond of EUR 12.0 million..
- On June 2, 2014, the share capital increased to EUR 4,563,525.95 further to the conversion of 25 convertible bonds (total conversion amount: EUR 2,500,000).

**Frank Deschuytere, CEO of Option:** "The results for the first half year are below our internal estimates. Thanks to the cash injection in the Company we are accelerating the key drivers of our strategic plan while addressing the root causes.

First, we are working hard in order to complete the shift from selling devices to the market to selling end-to-end solutions. Different M2M segments require tailor made solutions. Although CloudGate is specifically designed to cope with this, it remains a complex process resulting in long sales cycles. From the second quarter we have set up a dedicated application team that is focussed on delivering these end-to-end solutions. We already see a concrete impact on the sales process and we expect this trend to continue.

Together with our channel partners we are now actively promoting and commercializing these end-to-end solutions. This should accelerate CloudGate Sales and should improve Option's position in the value chain of the overall M2M solution.

Second, we are increasing our reach into Europe, APAC and LATAM. As indicated in our first quarter trading update, we have added and will continue to add new distribution partners. In parallel we have strengthened our global sales organisation allowing faster insight and more transparency in the sales funnel.

Third, I am pleased to see the improvement of the sell through in the sales channel. In North America, the sell through was obstructed by partners requesting the Company to develop new software features and extra interface cards to complete their M2M solution and the lengthy CloudGate LTE certification process. We now have developed several new interface cards and have released major software updates. The CloudGate LTE certification is expected to be finalized soon.

We continue to realize design wins with major industrial players and have a growing and healthy opportunity funnel to support sound sales of CloudGate solutions in the coming months.

I remain convinced that the CloudGate-platform is very competitive and will enable the Company to capture the vast opportunity of the M2M market.

Consistent in the execution of our plan we should be cash-neutral by the end of this year."

## **BUSINESS UPDATE**

### **Product**

- In the first half of 2014 Option achieved CE, IC, FCC and PTCRB certification for the new CloudGate LTE product and shipped first units to customers for evaluation in North America and Europe. LTE is fast gaining traction for M2M deployments in North America where operators with 3G CDMA (non UMTS) networks are rolling out LTE coverage very fast and announcing end of service dates for older 2G technologies. These events are forcing customers to upgrade existing systems to LTE. CloudGate LTE provides a competitively priced product that leverages all the work done on the CloudGate platform up until now and combines it with an LTE/WCDMA/GSM module that features sufficient bands for worldwide coverage. This provides customers with a safe and reliable choice for their projects.

- CloudGate LTE also features a second generation CloudGate platform that incorporates new power control features for customers in industrial telematics and low/solar powered applications and larger memory for the more complex on board applications that CloudGate partners are developing.

- CloudGate LTE complements the existing CloudGate 3G and CloudGate Ethernet models with a higher value product for customers requiring long term investment protection and higher performance.

- The Company also achieved new certifications for CloudGate with a fifth operator in North America adding the M2M focussed MNO Aeris Communications Inc., NTT DoCoMo and Softbank in Japan and Telcel in Mexico.

- The Company also achieved FCC, IC and CE certification of the CloudGate Telematics Expansion Card. This card focuses on the interfaces and peripherals necessary for using CloudGate in

commercial vehicle telematics applications such as delivery truck management, taxi and bus systems.

## **Sales**

- In the first half Option launched a dedicated team within the company focused on providing application development services to customers. The engineers in this team also work with a wide range of third party software partners, helping them to integrate their platforms with CloudGate and deliver customized solutions to their end-customers. This will allow the Company to have a more prominent role in the sales cycles, thus increasing the visibility of the market opportunities.

- Option continued to increase the number of M2M ecosystem partners that support CloudGate. In H1 2014 Option became a ThingWorx Ready partner. Option now has interfaces developed on CloudGate with software platforms from Axeda, Bitreactive, Carriots, Cumulocity, EVOGPS, Vistracks, Exosite, ILS, Prosyst and ThingWorx. Each of these partners add specialization in the specific M2M segments that they target.

- In Japan, Unidux – a subsidiary of Avnet – was appointed as CloudGate distributor. Unidux is well positioned to go after the important M2M business opportunities in that region;

- In Europe, Avnet and Sphinx – both one of the biggest pan-European distributors for data communication – further strengthen the sales channels for CloudGate.

- New installs are being deployed into a plurality of applications ranging from bus ticketing, asset monitoring in the utilities sector to mobile access points. As an example: the solution developed via Aeris for Simply Home demonstrates that CloudGate is well positioned to tap into the potential of in-home healthcare, forecasted to be one the fastest growing segments in the M2M space.

## **Corporate**

- To execute the geographical expansion, to increase the market reach and to more actively participate in the ongoing sales cycles, the sales organization has been strengthened.

- On April 11, 2014 Option announced that it has successfully concluded a private placement. The Company intended to raise an amount ranging between € 8 to 12 million. Option effectively secured the maximum amount of € 12 million via the issue of a convertible bond. The funding is 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.

This financing round was a success following the investors' firm belief in the market opportunity of the Internet of Things and in the unique position Option has and the solutions it brings to this market. The new funds will be used to support the expansion of the sales channels, sales & sales support teams, to expand the product portfolio with technology & applications and to further develop the CloudGate partner-ecosystem.

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.

- The General Meeting of Shareholders on May 28, 2014 decided to renew the mandate of Olivier Lefebvre as independent director for a period of one year. In addition, Frank Deschuytere, CEO of

Option, has been appointed as executive director. The General Meeting of Shareholders also appointed Mrs. Sabine Everaet, Mr. Jan Vostermans and Mr. Dimitri Duffeleer to join its Board of Directors as non-executive directors. The mandates of Lawrence Levy and Philip Vermeulen as members of the Board ended on May 28, 2014. The Company would like to thank Lawrence Levy and Philip Vermeulen for their years-long commitment to Option. Option's Board of Directors will consist of 7 members: Jan Callewaert, Frank Deschuytere, Dimitri Duffeleer, Sabine Everaet, Olivier Lefebvre, Francis Vanderhoydonck and Jan Vostermans.

- On June 16, 2014, the extra-ordinary shareholders' meeting of the Company decided upon the issue of a maximum number of 5 million warrants "2014" in the framework of a new employee stock option plan; none of these warrants have yet been granted to beneficiaries.

**- OPTION N.V. -**

**Financial report prepared in accordance with International Financial Reporting Standards (IFRSs)**

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

For the half year period 30 June	June 30, 2014	June 30, 2013
Thousands euro		
<b>Revenues</b>	<b>2 846</b>	<b>5 145</b>
<i>Product Revenue</i>	2 689	4 428
<i>Software and License revenue</i>	157	718
Cost of products sold	(1 844)	(3 391)
<b>Gross Margin</b>	<b>1 002</b>	<b>1 753</b>
Research and Development expenses	(2 551)	(2 760)
Sales, marketing and royalties expenses	(1 555)	(1 380)
General and administrative expenses	(2 836)	(4 607)
<b>Total Operating expenses</b>	<b>(6 942)</b>	<b>(8 747)</b>
<b>Profit/ (loss) from operations (EBIT)</b>	<b>(5 940)</b>	<b>(6 994)</b>
Depreciation, amortization and impairment losses	1 633	2 141
EBITDA	(4 307)	(4 853)
<b>Result from operations</b>	<b>(5 940)</b>	<b>(6 994)</b>
Exchange gain/(loss)	3	( 13)
Interest income/(expense) and other financial income/(expense)	( 639)	( 199)
<b>Finance result-net</b>	<b>( 636)</b>	<b>( 211)</b>
<b>Profit / (loss) before income taxes</b>	<b>(6 576)</b>	<b>(7 205)</b>
Income tax benefits / (expenses)	( 16)	4
<b>Net Result of the period attributable to the owners of the Company</b>	<b>(6 592)</b>	<b>(7 201)</b>
<b>Earnings per share</b>		
Basic weighted average number of ordinary shares	83 944 514	82 498 592
Diluted weighted average number of ordinary shares	83 944 514	82 498 592
Basic earnings / (loss) per share	(0.08)	(0.09)
Diluted earnings / (loss) per share	(0.08)	(0.09)

**- OPTION N.V. -**

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

For the half year period 30 June

	June 30, 2014	June 30, 2013
Thousands euro		
Profit / (Loss) for the period	(6 592)	(7 201)
<b><u>Other comprehensive income</u></b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange difference arising on translation on foreign operations	( 25)	8
Other comprehensive income / (loss) for the period (net of tax)	( 25)	8
<b>Total comprehensive income / (loss) for the period attributable to the owners of the parent</b>	<b>(6 617)</b>	<b>(7 193)</b>

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Thousands euro	June 30, 2014	Dec 31, 2013
<b>Assets</b>		
Intangible assets	3 671	4 005
Property, plant and equipment	341	454
Other financial assets	1 236	1 236
Other non-current assets	125	125
<b>Total non-current assets</b>	<b>5 374</b>	<b>5 820</b>
Inventories	2 716	3 410
Trade and other receivables	1 211	1 350
Cash and cash equivalents	5 939	1 623
Income tax receivable	16	25
<b>Total current assets</b>	<b>9 882</b>	<b>6 408</b>
<b>Total assets</b>	<b>15 255</b>	<b>12 228</b>
<b>liabilities and shareholders' equity</b>		
Issued capital	4 564	4 125
Share premium	2 863	1 078
Reserves	(2 681)	(2 656)
Retained earnings / (losses)	(14 987)	(8 395)
<b>Total shareholders' equity attributable to the owners of the Company</b>	<b>(10 241)</b>	<b>(5 848)</b>
Financial debt	17 924	8 060
<b>Total non-current liabilities</b>	<b>17 924</b>	<b>8 060</b>
Trade and other payables	7 134	8 912
Deferred revenue	120	200
Provisions	311	395
Other financial liabilities	-	507
Income tax payable	8	1
<b>Total current liabilities</b>	<b>7 572</b>	<b>10 016</b>
<b>Total liabilities and shareholders' equity</b>	<b>15 255</b>	<b>12 228</b>

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

For the half year period 30 June

Thousands euro	June 30, 2014	June 30, 2013
<b>OPERATING ACTIVITIES</b>		
<b>Net Result (A)</b>	<b>(6 592)</b>	<b>(7 201)</b>
Amortisation of intangible assets	1 523	1 911
Depreciation of property, plant and equipment	110	229
Loss/(gains) on sale of property, plant and equipment	4	-
(Reversal of) write-offs on current and non current assets	( 83)	( 233)
Impairment losses on intangible assets	-	1
Increase / (decrease) in provisions	-	302
Unrealized foreign exchange losses/(gains)	( 18)	9
Interest (income)	( 322)	( 18)
Interest expense	411	191
Equity settled share based payment expense	-	-
Tax expense / (benefit)	11	( 4)
<b>Total (B)</b>	<b>1 637</b>	<b>2 388</b>
<b>Cash flow from operating activities before changes in working capital (C)=(A)+(B)</b>	<b>(4 955)</b>	<b>(4 813)</b>
Decrease / (increase) in inventories	777	966
Decrease / (increase) in trade and other receivables	458	850
Increase / (decrease) in trade and other payables	(1 543)	(1 911)
Increase / (decrease) in deferred revenue	-	-
Use of provisions	( 84)	( 52)
<b>Total changes in working capital (D)</b>	<b>( 392)</b>	<b>( 147)</b>
<b>Cash generated from operation (E)=(C) + (D)</b>	<b>(5 347)</b>	<b>(4 960)</b>
Interests and other finance costs (paid) (F)	( 640)	( 66)
Interests and other finance revenue received (G)	4	28
Income tax (paid)/received (H)	( 5)	-
<b>CASH FLOW FROM OPERATING ACTIVITIES (i)=(e)+(f)+(g)+(h)</b>	<b>(5 987)</b>	<b>(4 999)</b>



**INVESTING ACTIVITIES**

Expenditures on product development, net of grants received	(1 191)	(1 628)
Investment in non-consolidated companies	-	-
Acquisition of property, plant and equipment	(2)	-
Acquisition of intangible assets	-	-
Proceeds from sale of property, plant and equipment	3	-

**CASH FLOW USED IN INVESTING ACTIVITIES (j)****(1 191) (1 628)****FINANCING ACTIVITIES**

Proceeds from borrowings	12 000	9 045
Finance lease liabilities	(7)	(7)
Repayment of borrowings	(500)	-

**CASH FLOW PROVIDED BY/(USED I) FINANCING ACTIVITIES (k)****11 493 9 038****Net increase/(decrease) of cash and cash equivalents = (I)+(J)+(K)****4 315 2 411**

Cash and cash equivalents at beginning of year	1 623	3 147
Effect of foreign exchange difference	1	18
Cash and cash equivalents at end of period	5 939	5 576

**Difference****4 315 2 411**

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### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Thousands EUR	Issued capital	Share premium	Share-based payment reserve	Foreign currency translation reserves	Share Issue costs	Retained earnings / (losses)	Total
<b>At 1 January 2013</b>	<b>12 232</b>	<b>57 961</b>	<b>720</b>	<b>23</b>	<b>(1 635)</b>	<b>(64 453)</b>	<b>4 847</b>
Net result for the year	-	-	-	-	-	(11 703)	(11 703)
Other comprehensive income for the year, net of income tax	-	-	-	( 62)	( 1)	( 8)	( 70)
<i>Total comprehensive loss for the year</i>	-	-	-	( 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	-	-	( 720)	-	-	720	-
<b>At 31 December 2013</b>	<b>4 125</b>	<b>1 078</b>	<b>-</b>	<b>( 39)</b>	<b>(2 617)</b>	<b>(8 395)</b>	<b>(5 848)</b>
Net result for the 1st half year	-	-	-	-	-	(6 592)	(6 592)
Other comprehensive income for the year, net of income tax	-	-	-	( 25)	-	-	( 25)
<i>Total comprehensive loss for the year</i>	-	-	-	( 25)	-	(6 592)	(6 617)
Equity component of the convertible loan	-	( 276)	-	-	-	-	( 276)
Transfer from/to	-	-	-	-	-	-	-
Capital increase	439	2 061	-	-	-	-	2 500
Capital decrease	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-
<b>At 30 June 2014</b>	<b>4 564</b>	<b>2 863</b>	<b>-</b>	<b>( 64)</b>	<b>(2 617)</b>	<b>(14 987)</b>	<b>(10 241)</b>

**- OPTION N.V. -**

**SEGMENT REPORT**

Thousands EUR	Revenues from external customers		Operating segment result	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Devices & Solutions	1 078	2 146	( 76)	542
Embedded & Solutions	1 045	2 024	38	( 184)
M2M	298	780	(1 199)	( 457)
Other	425	195	476	81
<b>Totals</b>	<b>2 846</b>	<b>5 145</b>	<b>( 760)</b>	<b>( 18)</b>
Unallocated Operating Expenses			(5 178)	(6 976)
Finance (costs) / income			( 636)	( 211)
Income taxes / (expenses)			( 16)	4
<b>Net result</b>			<b>(6 590)</b>	<b>(7 201)</b>

This press release contains forward-looking information that involves risks and uncertainties, including statements about the company's plans, objectives, expectations and intentions. Such statements include, without limitation, discussions concerning the company's strategic direction and new product introductions and developments. Readers are cautioned that such forward-looking statements involve known and unknown risks and uncertainties that may cause actual results to differ materially than those set forth in the forward looking statements. The risks and uncertainties include, without limitation, the early stage of the market for connectivity and integrated wireless products and solutions for portable and handheld computers and mobile telephones, the management of growth, the ability of the company to develop and successfully market new products, rapid technological change and competition. Some of these risk factors were highlighted in the Consolidated and Statutory Report 2013 of the Board of Directors which can be found in the Annual Report 2013 page 33-34. The forward-looking statements contained herein speak only as of the date of this press release. The company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any such statement to reflect any change in the company's expectations or any change in events, conditions or circumstance on which any such statement is based.

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**ABOUT OPTION**

Option connects Things to the Cloud. With more than 20 years of experience and many industry's firsts in the wireless industry, the Company is ideally positioned to bring the most efficient, reliable and secure wireless solutions to business markets (B2B) and industrial markets (M2M). The Company partners with system integrators, value added resellers, application platform providers, value add distributors and network operators to bring tailor made solutions to end-customers. Option is headquartered in Belgium and maintains offices in Europe, the US, Greater China, Japan and Australia. More information: [www.option.com](http://www.option.com)

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