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MESSAGE TO OUR SHAREHOLDERS

SUMMARY

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

At the Option group (the "**Group**" or "**Option**") level, a number of significant events took place and were communicated via press releases on Option NV's – hereinafter referred to as the "**Company**" - website. Below you will find a summary of the most significant non-financial highlights during the first six months of the financial year 2014:

Overview

During the first half of 2014 Option continued to broaden the CloudGate product range following our defined strategy of widening geographical coverage, deepening feature sets in target solution areas and enhancing the platform features and models.

Notably 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 our existing CloudGate 3G and CloudGate Ethernet models with a higher value product for customers requiring long term investment protection and higher performance.

Option has continued to expand geographical coverage of CloudGate launching CloudGate 3G s in Japan with certification on both NTT DoCoMo and Softbank and achieving certification on Telcel in Mexico. Option will continue to widen the geographical coverage of CloudGate certification in South America over the next half year.

Option also achieved certification for CloudGate with a fifth operator in North America adding the M2M focussed MNO Aeris Communications Inc.

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 customers. This will allow OPTION to have a more prominent role in the sales cycles, thus increasing the visibility of the market opportunities.

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.

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 H1 2014 Option also achieved FCC, IC and CE certification of the CloudGate Telematics Expansion Card and shipped first units to customers. 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.

All these actions broaden the market areas where CloudGate provides customer ready solutions increase the CloudGate solution's visibility in the market and allow Option to accelerate CloudGate sales.

Corporate

- 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, FDVV Consult of 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.

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.

- 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 due to the interests to be paid 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 first half year

- The cash position increased from EUR 1.6 million at the end of 2013 to EUR 5.9 million thanks to proceeds from borrowings (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).

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

Risks and uncertainties

With respect to the main risks and uncertainties which Option is likely to face during the remaining months of the financial year 2014, reference is made to the risk factors and uncertainties as described in detail in the Annual Report 2013 (made available on Option's website (www.option.com) on April 24th, 2014) which continue to be actual.

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

Going concern

Option has generated a negative cash flow from operations during the first six months of the year, reducing the group's liquidity and overall financial position. Although CloudGate is a very competitive product through its functionality and pricing, Cloudgate sales have been slow in the first half of 2014. There are three causes:

The different M2M segments need a tailor made solution with customisations at different product and software levels involving multiple partners in the eco system. This is a complex process extending the sales cycles. The creation of the application team has been focussed on increasing OPTION's grip on the solution development with the aim to reduce the time to solution and to better understand our customers' needs. We see an increased involvement of the application team in the sales process and we expect this trend to further continue, leading to a more transparent sales funnel and shorter sales cycles.

In the geographical regions Europe, Japan and LATAM, Option had limited reach into the market. To overcome this, Option has added and will continue to add new distribution partners to its network. In parallel Option has increased its sales organisation allowing a more active role in the ongoing sales cycles.

In North America, the sell through at our distribution partner takes longer than expected thus postponing stock replenishment orders. This is due to some missing product features and the lengthy LTE certification process in North America stalling some of the sales cycles. Option has overcome most of these issues in the first half of the year by several software updates and the release of new interface cards. The LTE certification is expected to be soon. We expect North America to show a healthy growth in the second year half.

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

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

Related party transactions

During the first six months of the financial year 2014, the below transaction has taken place between the Company and members of the Board of Directors that triggered the application of the conflict of interests procedure prescribed by the Belgian Company Code (Article 523 of the Belgian Company Code).

The relevant related party transaction can be summarized as follows:

On April 11, 2014, the Board of Directors applied the procedure foreseen in Article 523 of the Belgian Code of Companies. In his capacity of director of the Company, Mr. Jan Callewaert, informed the board of directors, prior to the start of the deliberation, that, as subscriber to 5 convertible bonds for a total amount of € 500,000, he had an interest of a monetary nature that was potentially conflicting with the interests of the Company in relation to the issue of the convertible bonds described in the agenda.

Upon discussion, the board of directors decided to issue the convertible bonds and proposed 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 the following subscribers:

- "QUAEROQ", with registered offices at 8790 Waregem, Franklin Rooseveltlaan 180, RPR Kortrijk 0862.330.988, for an amount of € 4.000.000,00;
- "VERMEC", with registered offices at 3191 Hever, Salvialaan 3, RPR Leuven 0473.749.780, for an amount of € 1.500.000,00;

- “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;
- “DESPIEGHELAERE PROJECTS”, with registered offices at 8300 Knokke-Heist, Boslaan 24, RPR Brugge 0865.360.853, for an amount of € 500.000,00;
- “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;
- “ALYCHLO”, with registered offices at 8570 Vichte (Anzegem), Waregemstraat 26, RPR Kortrijk 0895.140.645, for an amount of € 2.700.000,00;
- Mrs BAETEN Nathalie, residing at 8570 Vichte (Anzegem), Waregemstraat 26, for an amount of € 200.000,00;
- Mr COUCKE Marc, Armand, Alice, André, Liliane, residing at 8570 Vichte (Anzegem), Waregemstraat 26, for an amount of € 100.000,00;
- “CYTINDUS”, with registered offices at 1180 Brussel (Ukkel), Goudenregenlaan 6, RPR Brussel 0460.724.264, for an amount of € 500.000,00;
- Mr DE BLAISER Joris, Achiel, Josée, residing at 2801 Heffen (Mechelen), Nuffelstraat 23, for an amount of € 200.000,00;
- Mr SCHROEDERS Freddy, Jozef, residing at te 3000 Leuven, Lei 17, for an amount of € 600.000,00;
- Mr DERKINDEREN Guy, Luc, Cornelia, residing at 2820 Rijmenam (Bonheiden), Peulisbaan 8, for an amount of € 300.000,00;
- Mr MICHIELS Johan Wim André, residing at 3110 Rotselaar, Zallakenstraat 48, for an amount of € 100.000,00;
- Mr VERSTRAETEN Ludovicus, René, residing at 3130 Betekom (Begijnendijk), Processieweg 14, for an amount of € 200.000,00;
- “FDVV Consult”, with registered offices at 9120 Beveren-Waas, Bosdamlaan 5, RPR Dendermonde 0477.538.324, for an amount of € 200.000,00;
- Mr CALLEWAERT Jan, Jozef Alfons, residing at 3000 Leuven, Vanden Tymplestraat 43 bus 5, for an amount of € 500.000,00;

C. MANAGEMENT STATEMENT

Management states that, to the best of their knowledge:

a) the set of financial statements, prepared in accordance with the applicable accounting standards, gives a true and fair view of the assets, liabilities, financial position and result of the Company and its affiliates.

b) the interim Report of the Board of Directors provides a fair overview of the major events and the major transactions with related parties that took place during the first six months of the financial year and their respective impact on the financial statements, as well as a description of the main risks and uncertainties for the remaining months of the financial year.

Leuven, 26 August 2014

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE

For the half year period 30 June Thousands euro	June 30, 2014	June 30, 2013
Revenues	**2 846**	**5 145**
Product Revenue	2 689	4 428
Software and License revenue	157	718
Cost of products sold	(1 844)	(3 391)
Gross Margin	**1 002**	**1 753**
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)
Total Operating expenses	**(6 942)**	**(8 747)**
Profit/ (loss) from operations (EBIT)	**(5 940)**	**(6 994)**
Depreciation, amortization and impairment losses	1 633	2 141
EBITDA	(4 307)	(4 853)
Result from operations	**(5 940)**	**(6 994)**
Exchange gain/(loss)	3	(13)
Interest income/(expense) and other financial income/(expense)	(639)	(199)
Finance result-net	**(636)**	**(211)**
Profit / (loss) before income taxes	**(6 576)**	**(7 205)**
Income tax benefits / (expenses)	(16)	4
Net Result of the period attributable to the owners of the Company	**(6 592)**	**(7 201)**
Earnings per share		
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)

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Thousands euro	June 30, 2014	Dec 31, 2013
Assets		
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
Total non-current assets	**5 374**	**5 820**
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
Total current assets	**9 882**	**6 408**
Total assets	**15 255**	**12 228**
liabilities and shareholders' equity		
Issued capital	4 564	4 125
Share premium	2 863	1 078
Reserves	(2 681)	(2 656)
Retained earnings / (losses)	(14 987)	(8 395)
Total shareholders' equity attributable to the owners of the Company	**(10 241)**	**(5 848)**
Financial debt	17 924	8 060
Total non-current liabilities	**17 924**	**8 060**
Trade and other payables	7 134	8 912
Deferred revenue	120	200
Provisions	311	395
Other financial liabilities	-	507
Income tax payable	8	1
Total current liabilities	**7 572**	**10 016**
Total liabilities and shareholders' equity	**15 255**	**12 228**

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
OPERATING ACTIVITIES		
Net Result (A)	**(6 592)**	**(7 201)**
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)
Total (B)	**1 637**	**2 388**
Cash flow from operating activities before changes in working capital (C)=(A)+(B)	**(4 955)**	**(4 813)**
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)
Total changes in working capital (D)	**(392)**	**(147)**
Cash generated from operation (E)=(C) + (D)	**(5 347)**	**(4 960)**
Interests and other finance costs (paid) (F)	(640)	(66)
Interests and other finance revenue received (G)	4	28
Income tax (paid)/received (H)	(5)	-
CASH FLOW FROM OPERATING ACTIVITIES (i)=(e)+(f)+(g)+(h)	**(5 987)**	**(4 999)**

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**

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
At 1 January 2013	**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	-	-	(720)	-	-	720	-
At 31 December 2013	**4 125**	**1 078**	**-**	**(39)**	**(2 617)**	**(8 395)**	**(5 848)**
Net result for the 1st half year	-	-	-	-	-	(6 592)	(6 592)
Other comprehensive income for the year, net of income tax	-	-	-	(25)	-		(25)
Total comprehensive loss for the year	*-*	*-*	*-*	*(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	-	-	-	-	-	-	-
At 30 June 2014	**4 564**	**2 863**	**-**	**(64)**	**(2 617)**	**(14 987)**	**(10 241)**

EXPLANATORY NOTES FOR OPTIONS' AUDITED SIX MONTHS RESULTS ENDED 30 JUNE 2014

Note 1: Accounting policies and Corporate information

IAS 34 was applied to the half year financial report. The accounting policies applied by the Group in the consolidated interim financial statement are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2013.

Going concern

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

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

Note 2: New IFRS standards
The following (amended) standards and interpretations are applicable as of 1 January 2014, none of them have an impact on the financial statements of the Group.

- IFRS 10 Consolidated Financial Statements, effective 1 January 2014
- IFRS 11 Joint Arrangements, effective 1 January 2014
- IFRS 12 Disclosure of Interests in Other Entities, effective 1 January 2014
- IFRS 10-12 - Transition Guidance, effective 1 January 2014
- IFRS 10, IFRS 12 and IAS 27 - Investment Entities, effective 1 January 2014
- IAS 27 Separate Financial Statements, effective 1 January 2014
- IAS 28 Investments in Associates and Joint Ventures, effective 1 January 2014
- IAS 32 Financial Instruments - Presentation: Offsetting Financial Assets and Financial Liabilities, effective, effective 1 January 2014
- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting, effective 1 January 2014
- IFRIC 21 Levies1, effective 1 January 2014

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

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

IFRS 15 Revenue from Contracts with Customers
The International Accounting Standards Board (IASB), issued IFRS 15 Revenue from Contracts with Customers in May 2014. IFRS 15 sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of all the Standards on leases, insurance contracts and financial instruments. The standard becomes effective for financial years beginning on or after 1 January 2017. The group will analyse the impact on the most important revenue cycles as from January 2016 onwards.

IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions
The amendment simplifies the accounting for contributions from employees or third parties to defined benefit plans that are independent of the number of years of employee service. The Group is currently assessing the impact of this standard. The amendment becomes effective for financial years beginning on or after 1 July 2014.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendment becomes effective for financial years beginning on or after 1 January 2016.

Improvements to IFRSs 2010-2012 Cycle (Issued December 2013)
The IASB issued the 2010-2012 cycle improvements to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording.

- IFRS 2 Share-based Payment: The performance condition and service condition definitions were clarified to address several issues.
- IFRS 3 Business Combinations: It was clarified that contingent consideration in a business combination that is not classified as equity is subsequently measured at fair

value through profit or loss whether or not it falls within the scope of IFRS 9 'Financial Instruments'.

- IFRS 8 Operating Segments:
    - It was clarified that if operating segments are combined, the economic characteristics used to assess whether the segments are similar must be disclosed.
    - It was clarified that the reconciliation of segment assets to total assets is only required to be disclosed if this reconciliation is reported to the chief operating decisions maker, similar to the required disclosure for segment liabilities.
- IFRS 13 Fair Value Measurement: It was clarified in the Basis for Conclusions that short-term receivables and payables with no stated interest can be held at invoice amounts when the effect of discounting is immaterial.
- IAS 16 Property, Plant & Equipment and IAS 38 Intangible Assets: The revaluation method was clarified: accumulated depreciation or amortisation is eliminated so that the gross carrying amount and carrying amount equal the market value.
- IAS 24 Related Party Disclosures: It was clarified that a management entity - an entity that provides key management personnel services - is a related party subject to related party disclosure requirements. An entity that uses a management entity is required to disclose the expenses incurred for management services.
- The improvements become effective for financial years beginning on or after 1 July 2014.

Improvements to IFRSs 2011-2013 Cycle (Issued December 2013)
The IASB issued the 2011-2013 cycle improvements to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording.

• IFRS 3 Business Combinations: It was clarified that joint arrangements, and not only joint ventures, are outside the scope of IFRS 3. It was further clarified that the scope exemption only applies to the accounting in the financial statements of the joint arrangement itself.
• IFRS 13 fair Value measurement: It was clarified that the portfolio exception can be applied to financial assets, financial liabilities and other contracts.
• IAS 40 Investment Property: The interrelationship between IFRS 3 and IAS 40 was clarified. The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property. IFRS 3 is used to determine if the transaction is the purchase of an asset or a business combination.

The improvements become effective for financial years beginning on or after 1 July 2014.

Note 3: Segment report

The Group has adopted IFRS 8 "Operating Segments" with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the management of the Group in order to allocate resources to the segments and to assess their performance.

The primary segment reporting format is determined to be the business segment; each segment is a distinguishable component of the Group that is engaged in either providing products or services:

- The "Devices & Solutions" 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" business segment is mainly related to revenues generated out of the connection manager software business, mobile security solutions and other not product or not license related income. They are not reported separately at this stage since they represent less than 10% of total revenue.

Thousands EUR	**Revenues from external customers**		**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
Totals	**2 846**	**5 145**	**(760)**	**(18)**
Unallocated Operating Expenses			(5 180)	(6 976)
Finance (costs) / income			(636)	(211)
Income taxes / (expenses)			(16)	4
Net result			**(6 592)**	**(7 201)**

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".

Note 4: Other disclosures

- Movements in Research and Development expenses: the Research and Development expenses are in line with the first half year of 2013 (small decrease of EUR 0.2 million).

- Movements in Sales, Marketing and Royalties expenses: the Sales, Marketing and royalties expenses are in line with the first half year of 2013 (small increase of EUR 0.2 million).

- Movements in General and Administrative expenses: compared to the first half year of 2013, the general and administrative expenses decreased by EUR 1.8 million, as a result of the downsizing of the Group.

Convertible bond: On April 11, 2014, Option issued a 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.

The convertible bonds are 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 market interest rate used to calculate the fair value of the bond was 9%.

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

CORPORATE INFORMATION

This interim report contains forward-looking information that involves risks and uncertainties, including statements about the company's plans, objectives, expectations and intentions. Such statements include, without limitation, discussions concerning the company's strategic direction and new product introductions and developments. Readers are cautioned that such forward-looking statements involve known and unknown risks and uncertainties that may cause actual results to differ materially than those set forth in the forward looking statements. The risks and uncertainties include, without limitation, the early stage of the market for connectivity and integrated wireless products and solutions for portable and handheld computers and mobile telephones, the management of growth, the ability of the company to develop and successfully market new products, rapid technological change and competition. Some of these risk factors were highlighted in the Consolidated and Statutory Report 2013 of the Board of Directors which can be found in the Annual Report 2013 page 31-34. 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 25 years of experience and many industry's firsts in the wireless industry, the Company is ideally positioned to bring the most efficient, reliable and secure wireless solutions to business markets (B2B) and industrial markets (M2M). The Company partners with system integrators, value added resellers, application platform providers, value add distributors and network operators to bring tailor made solutions to end-customers. Option is headquartered in Belgium, has a production engineering and logistics facility and maintains offices in Europe, the US, Greater China, Japan and Australia. More information: www.option.com.