



OPTION REPORTS FULL YEAR 2014 RESULTS

Leuven, Belgium – March 12, 2015 – Option N.V. ([EURONEXT Brussels: OPTI](#); [OTC: OPNVY](#)), a global leader in smart wireless M2M Solutions, today announced its results for the full fiscal year ended December 31, 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 FULL FISCAL YEAR 2014

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

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

Full year revenues:	5 230
Gross profit:	2 281
Operating expenses:	(13 467)
EBIT:	(11 020)
Result before taxes:	(12 822)
Net result:	(12 856)

Total revenues for 2014 decreased by 44% to EUR 5 230k, compared with EUR 9 393k in 2013.

Gross profit for 2014 decreased by 32% compared to 2013 to an amount of EUR 2 281k. This resulted in a gross margin for the full year 2014 of 44% on total revenues, compared with gross margin of 36% in 2013. An increase is due to a higher share of M2M in total sales.

The operating expenses for the full year 2014, including depreciation, amortization and impairment charges were EUR 13 467k compared to EUR 14 425k for the previous year. This represents a decrease of 7%.

Normalized impact 2013 (in thousands EUR):

Operating expenses:	(14 425)
IPR reversal:	(3 229)
Impairment R&D:	103
Redundancy and closure:	1 207
Recoverable professional taxes:	(476)

Normalized operating expenses 2013:	(16 820)
Normalized impact 2014:	(13 467)

This decrease of 20% for an amount of EUR 3 353k is due to an effective cost control.

During 2014, EBIT was EUR (11 020k), compared to EUR (11 054k) in 2013. Normalized EBIT for 2013 was EUR (13 449k), which implies an improvement of 18%.

The group carried a negative financial result of EUR (1 802k), compared to EUR (625k) in 2013. The financial costs are mainly related to interests on the convertible bond loans of EUR 1 435k.

The net result for the full year 2014 amounted to EUR (12 856k) or EUR (0.15) per basic and diluted share. This compares to a net result of EUR (11 703k) or EUR (0.14) per basic and diluted share during 2013. Normalized net result for 2013 was EUR (14 098k), which implies an improvement of 9%.

During 2014 an amount of EUR 3 500k of the convertible loans is converted to equity.

The cash burn of EUR 12 000k in 2014 is in line with the cash burn of 2013. This decrease was covered by a new convertible loan of EUR 12 000k in April 2014.

Frank Deschuytere, CEO of Option:

“The results of 2014 reflect the slow ramp-up of the Internet of Things (IoT) market. The time between application design wins, the granting of a contract and high volume deliveries has proven longer than estimated.

I am very satisfied that a growing number of partners embrace the CloudGate platform. In Q4, 2014 we signed a distribution agreement with Mitsui Electronics (<http://www.mbel.co.jp>) in Japan; in Q1, 2015 we have added TESSCO (<http://www.tessco.com>) as an additional distribution partner in the US; in cooperation with ABB (Asea Brown Boveri: <http://www.abb.com>) we developed a smart grid/home automation application and with operators such as AT&T and Deutsche Telecom we defined and developed multiple end-2-end solutions. In 2014, the CloudGate platform was further expanded which translates into significant growth prospects for 2015.

In light of these prospects the main bondholders and a number of new parties have committed to continue their financial support. This allows us to continue deploying the new business approach this year. The majority of our business is in the US and we will focus on further strengthening the US sales & support organization.

As OPTION has transformed itself in a very dynamic and continuously evolving market, I am aware that this requires more in-depth clarification for shareholders and stakeholders. To this end, I will initiate the required actions.

BUSINESS UPDATE

- In 2014 OPTION finalized its transformation to a business model fully focused on the "Internet of Things (IoT)". This immature market is in full expansion and not clear cut. Continuously new segments are created, each with their own applications, services and products. This means that there are enormous opportunities for first entrants such as OPTION, but it required OPTION to re-invent itself as a start-up in many domains. The execution of this transformation requires substantial investments that OPTION can only bear thanks to the continued support of a strong industrial network in Flanders.
- The Business model, the organization and the positioning of OPTION have completely been adapted to the dynamics of the IoT market. In this market OPTION differentiates itself as a solution provider that, in addition to its CloudGate platform, offers applications and engineering services.
The dynamics and complexity of the IoT market require a completely new go-to-market strategy. This strategy was first fine-tuned and executed in the US in close cooperation with our partner GetWireless. The strategy has been communicated to the market through presence at trade-shows, targeted customer communications and a completely new website. In addition, the quality and reach of our sales channels increased dramatically.
In the US an OEM agreement was signed with US Robotics and in addition multiple development projects were started and will be finalized in Q1. Also in Q1, 2015, TESSCO (<http://www.tessco.com>), a significant provider of wireless communication solutions, has been added to the US sales channel.
In Europe, the distribution channel was strengthened by the addition of AVNET and SPHINX as distribution partners. In Japan Unidux/AVNET and Mitsui Electronics (<http://www.mbel.co.jp>) were added as important new partners.
- An important part of our efforts went to tapping into a completely new customer base and the continued growth of the CloudGate ecosystem. The ecosystem is a collection of technology partners, IoT start-ups, operators or system integrators that use CloudGate as the basis of their solutions or technology. Within this ecosystem tens of end-2-end solutions were developed and OPTION has brought these to market in cooperation with its partners. As an example, OPTION has developed a complete smart meter/home automation solution in cooperation with ABB (Asea Brown Boveri: <http://www.abb.com>)
- The partnership with the most important operators in our core markets (f.i. Deutsche Telecom, AT&T, Verizon, ...) was intensified and the end-2-end applications mentioned above are the core and the starting point of this renewed cooperation. This already resulted in the delivery of applications for the wireless management of street lighting, the remote management of industrial assets such as generators, heating installations and HVAC's. In close cooperation with local mobile operators, applications have been developed and deployed providing WIFI connectivity in busses and taxis.
- In 2014 the CloudGate platform was functionally completed. OPTION certified CloudGate for the most important operators in North and South America, Europe and Japan. CloudGate universe 2.0 was released. CloudGate Universe is a cloudbased service remotely and automatically managing CloudGate gateway configuration software & . The product range was further extended with an LTE variant and the flexibility of the platform was further increased by adding multiple interface cards. These allow CloudGate to be targeted for solutions ranging from transport & logistics

applications, management of industrial assets, smart grid/smart city applications, environmental monitoring through intelligent wireless sensor networks to applications for medical domestic monitoring.

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December Thousands EUR	2014	2013
Revenues	5 230	9 393
Cost of products sold	(2 949)	(6 022)
Gross Margin	2 281	3 371
Research and Development expenses	(5 345)	(6 073)
Sales, marketing and royalties expenses	(3 073)	(79)
General and administrative expenses	(5 049)	(8 273)
Total Operating expenses	(13 467)	(14 425)
Impact deconsolidation	166	
Result from operations	(11 020)	(11 054)
Finance costs	(2 753)	(892)
Finance income	951	267
Finance result-net	(1 802)	(625)
Profit / (loss) before income taxes	(12 822)	(11 679)
Income tax benefits / (expenses)	(34)	(24)
Net Result of the period attributable to the owners of the Company	(12 856)	(11 703)
Earnings per share		
Basic weighted average number of ordinary shares	87 929 977	82 498 592
Diluted weighted average number of ordinary shares	87 929 977	82 498 592
Basic earnings / (loss) per share	(0.15)	(0.14)
Diluted earnings / (loss) per share	(0.15)	(0.14)

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December	2014	2013
Thousands EUR		
Profit / (Loss) for the period	(12 856)	(11 703)
<u>Other comprehensive income</u>		
Exchange difference arising on translation on foreign operations	112	(62)
Other comprehensive income / (loss) for the period (net of tax)	112	(62)
Total comprehensive income / (loss) for the period attributable to the owners of the parent	(12 744)	(11 765)

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December	2014	2013
Thousands EUR		
Assets		
Intangible assets	3 051	4 005
Property, plant and equipment	255	454
Other financial assets	1 236	1 236
Other non-current assets	17	125
Total non-current assets	4 559	5 820
Inventories	3 139	3 410
Trade and other receivables	657	1 350
Cash and cash equivalents	1 554	1 623
Income tax receivable	10	25
Total current assets	5 360	6 408
Total assets	9 919	12 228
liabilities and shareholders' equity		
Issued capital	4 739	4 125
Share premium	3 763	1 078
Reserves and CTA	(23 769)	(11 051)
Total shareholders' equity attributable to the owners of the Company	(15 267)	(5 848)
Financial debt	17 574	8 060
Total non-current liabilities	17 574	8 060
Trade and other payables	7 353	8 912
Deferred revenue	-	200
Provisions	258	395
Other financial liabilities	-	507
Income tax payable	1	1
Total current liabilities	7 612	10 016
Total liabilities and shareholders' equity	9 919	12 228

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CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December

Thousands EUR

OPERATING ACTIVITIES

Net Result (A)

(12 856)

(11 703)

Amortisation of intangible assets

3 228

3 548

Depreciation of property, plant and equipment

266

398

Loss/(gains) on sale of property, plant and equipment

7

(98)

Loss/(gains) on financial fixed assets

(166)

-

(Reversal of) write-offs on current and non current assets

226

(1 398)

Impairment losses on intangible assets

4

104

Increase / (decrease) in provisions

10

(119)

Unrealized foreign exchange losses/(gains)

27

1

Interest (income)

-

(209)

Interest expense

1 775

705

Equity settled share based payment expense

26

-

Tax expense / (benefit)

19

(9)

Total (B)

5 422

2 923

Cash flow from operating activities before changes in working capital
(C)=(A)+(B)

(7 434)

(8 780)

Decrease / (increase) in inventories

44

2 023

Decrease / (increase) in trade and other receivables

805

2 053

Increase / (decrease) in trade and other payables

(1 613)

(3 493)

Increase / (decrease) in deferred revenue

(200)

-

Use of provisions

-

(66)

Total changes in working capital (D)

(964)

517

Cash generated from operation

(E)=(C) + (D)

(8 398)

(8 263)

Interests and other finance costs (paid) (F)

(833)

(48)

Interests and other finance revenue received (G)

20

58

Income tax (paid)/received (H)

(15)

(31)

CASH FLOW FROM OPERATING ACTIVITIES (i)=(e)+(f)+(g)+(h)

(9 226)

(8 284)

INVESTING ACTIVITIES

Expenditures on product development, net of grants received	(2 348)	(2 788)
Investment in non-consolidated companies	-	(45)
Acquisition of property, plant and equipment	(5)	(20)
Acquisition of a business, net of cash disposed of	-	(7)
Proceeds from sale of property, plant and equipment	-	143

CASH FLOW USED IN INVESTING ACTIVITIES (j)

(2 353)	(2 717)
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FINANCING ACTIVITIES

Proceeds from borrowings	12 000	9 500
Finance lease liabilities	(7)	(14)
Repayment of borrowings	(500)	-

CASH FLOW PROVIDED BY/(USED I) FINANCING ACTIVITIES (k)

11 493	9 486
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Net increase/(decrease) of cash and cash equivalents = (I)+(J)+(K)

	(86)	(1 515)
Cash and cash equivalents at beginning of year	1 623	3 147
Effect of foreign exchange difference	16	(9)
Cash and cash equivalents at end of period	1 554	1 623
Difference	(86)	(1 515)

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Thousands EUR	Issued capital	Share premium	Share-based payment reserve	currency translation reserves	Share Issue costs	Retained earnings / (losses)	Total
At 1 January 2013	12 232	57 961	720	23	(1 635)	(64 453)	4 848
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	-
At 31 December 2013	4 125	1 078	-	(39)	(2 617)	(8 395)	(5 848)
Net result	-	-	-	-	-	(12 856)	(12 856)
Other comprehensive income for the year, net of income tax	-	-	-	112	-	-	112
<i>Total comprehensive loss for the year</i>	-	-	-	112	-	(12 856)	(12 744)
Equity component of the convertible loan	-	(201)	-	-	-	-	(201)
Transfer from/to	-	-	-	-	-	-	-
Capital increase	614	2 886	-	-	-	-	3 500
Capital decrease	-	-	-	-	-	-	-
Share based payments	-	-	26	-	-	-	26
At 31 December 2014	4 739	3 763	26	73	(2 617)	(21 251)	(15 267)

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SEGMENT REPORT

	Revenues from external customers		Operating segment result	
Thousands EUR				
	2014	2013	2014	2013
Devices & Solutions	1 197	3 754	(449)	2 626
Embedded & Solutions	2 079	3 462	226	(2 070)
M2M	1 261	1 853	(1 938)	(721)
Other	693	325	655	(23)
Totals	5 230	9 394	(1 506)	(188)
Unallocated Operating Expenses			(9 514)	(10 865)
Finance (costs) / income			(1 802)	(625)
Income taxes / (expenses)			(34)	(24)
Net result			(12 856)	(11 703)

Option is currently finalizing its IFRS financial statements for the year ended 31 December 2014. The auditor has not yet completed his audit procedures as of today mainly with respect to the going concern. Should any material changes arise during the audit finalization, and additional press release will be issued. Option expects to be able to publish its fully audited Annual Financial Report for the year 2014 on or before April 24, 2015."

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 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 and maintains offices in Europe, the US, Greater China, Japan and Australia. More information: www.option.com

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