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Annual report 2014

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# 1. MESSAGE TO SHAREHOLDERS

Dear Option Shareholders,

Option has transformed into a new type of company. Our full focus is on the "Internet of Things". With the CloudGate platform we have repositioned OPTION not only as a supplier of high end cellular gateways but also as solution provider for the M2M space.

The market of "Internet of Things" (IoT) is huge and growing in all major regions of the world and in all vertical segments. What is driving this phenomenon is that people and companies begin to understand that connecting millions, even billions, of smart communication devices can create the potential to change the way they work, learn, interact with customers and innovate. Helping people and companies realise that potential is what drives us and where we want to help build solutions.

The results of 2014 are not good. This is due to the slow conversion of design wins to substantial volume sales. We have added 100's of new customers to the CloudGate platform, combined amounting to a significant addressable market of 100's of thousands of units. The ramp-up from first install to volume deployments is lengthy and we currently see that it can take up 12 months. This is more than we anticipated.

As new vertical segments are created continuously – each with their own applications, services and products – new opportunities arise for OPTION. This required OPTION to become a 'solution provider of M2M solutions ' serving its customers by delivering end-2-end applications, by providing the CloudGate platform to the ecosystem and, finally, by supporting our customers in their IoT application design through engineering services focussed on wireless connectivity.

OPTION's go-to-market strategy has radically changed and is now organized along 3 axes:

1. **Application development & deployment within the ecosystem**  
We have invested and continue to invest heavily into the CloudGate platform to cover the full breadth of required solutions and to simplify application development. Within the ecosystem tens of end-2-end solutions were developed and OPTION has brought these to market in close cooperation with its partners;
2. **Providing these applications to our worldwide network of sales partners**  
An important part of our efforts went to tapping into a completely new customer base for these solutions and changing the organisation to reflect this;
3. **Engaging with key mobile operators to define, develop & deploy applications**  
The partnership with the most important operators in our core markets (e.g. Deutsche Telecom, AT&T, Verizon, etc.) was intensified. 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.

We have embarked upon a new journey which positions OPTION in the midst of one of the most promising business opportunities of the last decades: the Internet of Things. I would like to thank our shareholders and bondholders for their continued financial support. Without it we could not do this. The road is still long and there are still many challenges to overcome but it is in our DNA to adapt to new realities, to change and to persevere.

Jan Callewaert  
Executive Chairman

## 2. CONSOLIDATED AND STATUTORY REPORT 2014 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 2014.

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) <sup>1</sup>, 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.

<sup>1</sup> Option France has been deconsolidated as from December 2014 due to the loss of control.

### **OVERVIEW OF RESULTS AND ALLOCATION OF RESULTS OF THE COMPANY**

#### **Consolidated results**

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.

### **Statutory results**

Full year statutory operating income was EUR 8.8 million (based on EUR 4.6 million turnover, EUR 2.3 million capitalized development costs and EUR 1.9 million other operating intercompany income and recovery of expenses). This operating income increased compared to 2013 revenues of EUR 7.5 million (based on mainly EUR 1.2 million turnover, EUR 3.5 million capitalized development costs and EUR 3.5 million other operating intercompany income). In 2014 Cork business was transferred to Option NV, which is now the most important sales entity.

The operating charges decreased from EUR 19.6 million to EUR 18.4 million resulting in a negative operational result or EBIT of EUR 9.6 million compared to a negative EBIT of 12.1 million in 2013 representing an improvement of EUR 2.5 million. Included in this improvement is a reversal of the write off on intercompany positions for an amount of EUR 2.2 million.

The financial income is in line with 2013 and is negligible. The financial costs increased from EUR 0.5 million in 2013 to EUR 1.4 million in 2014. This is mainly due to the interests to be paid on the convertible bonds and unrealized currency translation differences.

Due to the above, the net result changed from a net loss of EUR 12.6 million in 2013 to a net loss of EUR 11.1 million in 2014. The extraordinary cost is the write off on the participation in Option France.

The intangible assets decreased from EUR 4.0 million to EUR 3.1 million. The tangible assets decreased from EUR 0.4 million to EUR 0.3 million due to general depreciations. The financial fixed assets decreased from EUR 1.4 million in 2013 to EUR 1.3 in 2014.

The inventory position increased from EUR 0.2 million to EUR 3.1 million, mainly due to the stock bought from our subsidiary in Cork.

The trade and other receivables increased from EUR 2.6 million in 2013 to EUR 6.4 million in 2014. This increase was mainly due to a lower write off on intercompany positions.

Cash and cash equivalents only increased over the year from EUR 1.0 million in 2013 to EUR 1.2 million at the end of 2014 despite the fact that the company received a convertible bond loan of 12.0 million in April 2014. This results in an increase of long term debts from EUR 9 million in 2013 to EUR 18 million in 2014.

The amounts payable within one year increased from EUR 8.0 million in 2013 to EUR 12.4 million at the end of 2014 due to the transfer of the supply chain and ordering from Cork to Option NV.

On a balance sheet total of EUR 15.4 million, the total equity as of 31 December 2014 amounted EUR (15.7) million.

### **Allocation of the statutory result**

The statutory accounts of the Company (Belgian GAAP) reported a net loss for the year 2014 of EUR 11.1 million, compared with a net loss of EUR 12.6 million in 2013.

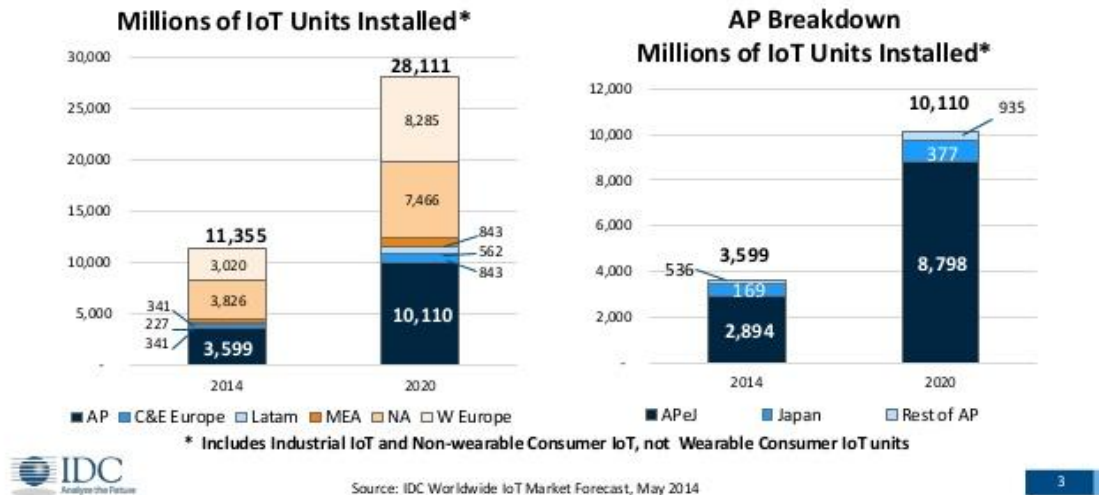
The Board of Directors proposes to add the non-consolidated net loss of EUR 11.1 million of 2014 to the loss carried forward from the previous years.

<b>Abridged allocation account (According to Belgian Accounting Standards)</b>		
December 31- in Thousands EUR	<b>2014</b>	<b>2013</b>
Profit/(loss) carried forward from previous year	(12 875)	(67 295)
Profit/(loss) for the period available for appropriation	(11 078)	(12 631)
Capital decrease, by incorporation of reserves	-	67 051
Profit/(loss) to be appropriated	(23 953)	(12 875)

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

### Market overview

# The Internet of Things Market Size



IoT/M2M awareness continues to increase in 2014. If anything opportunity size estimates have become more bullish rather than less as shown by the IDC market estimate for IoT market growth between 2014 and 2020.

However at the same time some companies selling into IoT markets see reasonable growth but a much more immature market. When asked about IoT market growth Joep van Beurden the CEO of CSR said: *"In relative terms, you might say the growth is impressive, but the base is still very small. In absolute size, the market for Internet of Things applications is much smaller than what everyone predicted three or four years ago."*

This issue is one of segmentation. IoT includes old M2M applications dating back 20 years, new business process driven commercial segments as well as new consumer connected products. This complexity leads to differing estimates of market size and progress.

Each segment has a different maturity level and hence a different sales cycle. In newer business segments the sales cycle is long since the solution must be prototyped to prove the return on investment. In more traditional M2M segments sales are driven by a need to upgrade devices due to the end of life of components or connectivity (POTs lines in the US for example) sales cycles can be quite short if it is possible to retrofit new devices and technologies with the interfaces of the devices that will be replaced. The consumer IoT market is still extremely immature with a lot of experimentation still in progress. Expectations in sales of wearable devices have not been met and attention is now turning to the consumer devices that may be connected to the internet.

The transition to 4G technology for M2M is picking up speed in the US driven by Verizon's extensive LTE coverage and the other US players moves to keep up with it. We expect LTE to be the predominant wireless backhaul technology for the US M2M market. In Europe where LTE deployment is slower and operator assurances on continued availability of 2G coverage we expect this transition to take longer. In Europe we are seeing the emergence of some "parallel" M2M networks such as SigFox and LoRa that are focussed on delivering very low per unit fixed and recurring cost and low power consumption for backhaul of very small quantities of data.

Continuing the trend from last year more Application Enablement Platform vendors acquisitions occurred in 2014, notably the purchase of Axeda by PTC. We continue to see a steady stream of new entrants into this market segment and expect consolidation to continue.

## **Option's position**

In 2014 Option continued the expansion of the market segments addressed by the CloudGate solution.

Option released new versions of firmware for the CloudGate every 3 to 4 weeks adding features and functionality to the product both responding to customer requests and building a basis for future products and services.

Option launched a completely refreshed version of its unique CloudGate Universe service. The new version offers a more intuitive user interface, reduced data consumption for units checking into the service and the ability to deploy the provisioning service inside customer's own private networks, improving the security of the solution.

Option continued to sign up hardware partners and has several partners deploying released versions of their products with CloudGate. BiPOM, Boiler Connect, Gypsy and Paksense released custom expansion cards. BiPOM even created 3 cards in 2014. At the same time in 2014 Option developed and released new cards such as the KNX card allowing use of the CloudGate in home automation applications in Europe.

Many more industry-leading Application Enablement Platforms are now compatible with the CloudGate gateway. ThingWorx (from PTC), Dalchymia (from Ubiquitous), ServiceSync (from Inventit), Toami (from NSW) and WebNMS (from Zoho) were added to the list.

To respond to the growing need for LTE gateways in the US market Option released a second version of the CloudGate hardware with a LTE multimode radio in 2014. Not only does this product address increasing demand for LTE driven by aggressive network roll out, it also enhances the core CloudGate hardware with expanded memory for developer applications and enhanced power control for telematics and solar applications.

Fueled by the expansion of technical capabilities and partnerships, the list of customer engagements grew at an impressive rate in 2014. Sales cycles are often long, especially for the bigger projects where you need to go through several deployment phases but many of these seeds will start to grow in 2015. Where Option was a relative newcomer in the IoT gateway market early 2014 we are now an established name in this industry segment, leading to easier sales cycles and access to more opportunities.

## **Engineering**

In line with the plan set forth in 2013, the Company established a dedicated team that focuses on building end-to-end solutions using CloudGate as the fundamental building block. This team strongly interacts with the end customers, in a consulting role as well as actual developers. This positions the Company to provide the connectivity and also the final application, effectively becoming a "one stop shop" for M2M and IoT solutions.

For those cases where customers choose to build up their own application, it was felt that there was a need to lower the technical threshold for developers to get involved with the CloudGate platform. Even though the Company provides tools, SDK's and extensive documentation, a simpler approach to create applications is desirable in order to reach a broader audience.

To that end, the Company has introduced LuvitRED, a graphical tool that enables users to wire together predefined functional blocks of hardware devices, services and APIs. Using this tool, applications can be built very efficiently and require virtually no programming experience.

LuvitRED's focus is not just the most simple of applications, but it is also highly suitable for more complex solutions. It can be easily extended to provide more functionality, either created by Option or 3<sup>rd</sup> parties, to stay true to the philosophy behind CloudGate as a platform.

Development of CloudGate continued in 2014, with the introduction of an LTE model and several new expansion cards, such as a Telematics card and an improved WiFi card. The LTE device has received approval from all the major carriers worldwide.

To provide a more streamlined experience for our CloudGate Universe users, this service has received a major overhaul in 2014. The main goal was to provide a significant improvement in usability, as well as create a solid foundation for future enhancement to CloudGate Universe.



In terms of Lab & Engineering services, an activity started in 2013, it was seen that more customers called upon the team to provide consultancy, mostly in the RF domain. Our engineers helped to finalize a number of challenging projects for several well-known names in the wireless industry.

### **Organization**

With the CloudGate platform OPTION is repositioned not only as a supplier of high end cellular gateways but also as solution provider for the M2M space. This has had an impact on the development and product focus, on the staff and the different sites operated by the Group.

To reflect to new go-to-market strategy a new solutions department was created focused on application development within the ecosystem.

The repositioning of the company required a new sales approach with new partners. To realize this, the sales team in the United States, Japan and Europe was rejuvenated with around 50% of new staff members.

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.

### **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. All 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 Belgium and in China.

## **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 January 1<sup>st</sup> and April 27<sup>th</sup> of the financial year 2015:

### ***Financial notifications***

In March 2015, the Company entered into a bridge loan agreement with different lenders, including inter alia existing bondholders, for an aggregate amount of 2 775 000 EUR at an interest rate of 7.00% and with a term of 24 months.

On April 21, 2015, following the continued review by its statutory auditor of the cash position of the Company and its continuity, the Company issued a press release in order to inform the market about the reasons why the continuity can, in its opinion, be maintained. The Company further provided the market with some additional guidance in relation to its financial situation and possible strategic options.

## **CRITICAL JUDGEMENTS**

### *Going concern*

The company received a letter dated 27 March 2015 within the framework of Article 138 of the Belgian Company Code, in which the auditor set forth his concerns in relation to Option's current financial situation.

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 March 2015 by a bridge loan agreement with different lenders that effectively secured an amount of € 2.7 million.

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 cellular 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 already saw 67 million cellular M2M devices shipped in 2013 (source Berg Insight). This segment is expected to be one of the important growth markets with yearly growth rates varying between 20 to 30 %.

In the last three years, Option has heavily invested in its CloudGate platform, a cellular gateway aimed to address the market of "Internet of Things" and more specifically the machine-to-machine ("M2M") communication market. Option has not only significantly invested in the technology platform as such but also in the go-to-market strategy hereof. The take-off of the CloudGate platform in this new M2M market has however proven to be a difficult challenge and was substantially slower than originally anticipated and forecasted. This has put a strain on the company's cash reserves. However, given the current view on the sales pipeline and taking into account the overall market potential, the Company remains convinced that the CloudGate platform will gain sufficient traction and sales in the first half of 2015. The company anticipates selling between 13 000 and 20 000 CloudGate units in the first half of 2015, the majority of which in Q2, 2015. Combined with maintaining the Company's current working capital condition and the bridge loan agreement this is a prerequisite to support its going concern and overall cash position.

The IoT market is new, dynamic and very fragmented. The market is so diverse, that no individual industrial group can steer its course. This makes it a challenge for OPTION to fully realize its potential building on its own resources. For that reason the Company is currently exploring different strategic options to further strengthen its current financial position and to ensure its ability to successfully pursue and maximize its potential in the Internet of Things market.

## **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, and can be consulted on <http://www.corporategovernancecommittee.be/library/documents/final%20code/CorporateGovUKCode2009.pdf>.

Option explicitly adheres to said 2009 Code and has published on its website [www.option.com](http://www.option.com) under the "corporate governance" section an updated Corporate Governance Charter, outlining its corporate governance structure and policies, in line with the 2009 Code, see [http://www.option.com/download/Option\\_Corp\\_Gov\\_Charter\\_EN.pdf](http://www.option.com/download/Option_Corp_Gov_Charter_EN.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 reinforcement 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).
- *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.

### **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 2014, the Board was composed of seven members, namely:

Mr. Jan Callewaert, executive Chairman
FDVV Consult BVBA, represented by Mr. Frank Deschuytere (permanent representative), executive director, CEO
FVDH Beheer BVBA, represented by Mr. Francis Vanderhoydonck (permanent representative), non-executive independent director
An Other Look To Efficiency SPRL, represented by Mr. Olivier Lefebvre (permanent representative), non-executive independent director
Qunova BVBA, represented by Mr. Jan Vorstermans (permanent representative), non-executive independent director
Dimitri Duffeleer BVBA, represented by Mr. Dimitri Duffeleer (permanent representative), non-executive director
Sabine Everaet, non-executive independent director

As per the Board Meeting of 25 May 2012, Mr. Jan Callewaert was appointed as executive Chairman of the Board. The Board Meeting of 26 November 2013 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.

The term of office of An Other Look To Efficiency SPRL, represented by Mr. Olivier Lefebvre (permanent representative) and FVDH Beheer BVBA represented by Mr. Francis Vanderhoydonck (permanent representative) will expire immediately after this year's Annual General Meeting, which will be asked to approve the annual accounts for the year ending in 2014. The re-appointment of FVDH Beheer BVBA as non-executive independent director is included as item on the agenda of the annual meeting.

The term of office of all other Board members will expire after the Annual General Meeting of the Company which will be asked to approve the annual accounts for the year ending in 2016.

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 a second female director in due time.

### **Functioning of Board of Directors**

In 2014, the Board of Directors met twelve times, six times in person and six times via conference call.

The average attendance rate amounts to 94.44% (2013: 90.59%), with the following individual attendance rate figures:

Name	Board meetings attended		
	<i>Physical attendance</i>	<i>calls</i>	<i>%</i>
Jan Callewaert	6/6	6/6	100%
FDVV Consult BVBA	4/4	2/2	100%
FVDH Beheer BVBA	5/6	6/6	91.67%
An Other Look To Efficiency SPRL	5/6	5/6	83.33%
Qunova BVBA	4/4	2/2	100%
Sabine Everaet	3/4	2/2	83.33%
Dimitri Duffeleer BVBA	4/4	2/2	100%
Lawrence Levy	2/2	4/4	100%
Q-List BVBA	2/2	4/4	100%

In the course of 2014 the non-executive directors met on a regular basis in order to discuss and permanently evaluate the relationship with the 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 2014 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 and various financing options, developed by way of an interactive process between the Board and Option's management.

### **Related parties transactions – Conflict of interest procedure**

During 2014, the conflict of interest procedure foreseen in Article 523 of the Belgian Code of Companies was applied by the Board of Directors on 11 April 2014 (issue of convertible bonds within the authorized capital). 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. *The co-operative limited liability company "QUAEROQ", located at 8790 Waregem, Franklin Rooseveltlaan 180, RPR Kortrijk 0862.330.988, for an amount of € 4.000.000,00;*
2. *The public limited liability company "VERMEC", located at 3191 Hever, Salvialaan 3, RPR Leuven 0473.749.780, for an amount of € 1.500.000,00;*
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, for an amount of € 100.000,00;*
4. *The public limited liability company "DESPIEGELAERE PROJECTS", located at 8300 Knokke-Heist, Boslaan 24, RPR Brugge 0865.360.853, for an amount of € 500.000,00;*
5. *The public limited liability company "MYLECKE MANAGEMENT, ART & INVEST", located at 8570 Vichte (Anzegem), Waregemstraat 26, RPR Kortrijk 0839.876.577, for an amount of € 300.000,00;*
6. *The public limited liability company "ALYCHLO", located at 8570 Vichte (Anzegem), Waregemstraat 26, RPR Kortrijk 0895.140.645, up to € 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. *The public limited liability company "CYTINDUS", located at 1180 Brussel (Ukkel), Goudenregenlaan 6, RPR Brussel 0460.724.264, for an amount of € 500.000,00;*
10. *Mr. DE BLAISER Joris, Achiël, Josée, residing at 2801 Heffen (Mechelen), Nuffelstraat 23, for an amount of € 200.000,00;*
11. *Mr. SCHROEDERS Freddy, Jozef, residing at 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. *The private limited liability company "FDVV Consult", located at 9120 Beveren-Waas, Bosdamlaan 5, RPR Dendermonde 0477.538.324, for an amount of € 200.000,00; and*
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 part of the proposed issue of convertible bonds directly in his own name and for his own account.

Although the conversion price, in accordance with Article 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 an interest in having an as low as possible conversion price as well as a as high as possible interest rate, 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 convertible bonds.

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 by the Board of Directors in accordance with Article 583 and Article 596 iuncto 598 of the Belgian Code of Companies.

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.

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.

In 2015, the Board of Directors also applied the procedure foreseen in Article 523 of the Belgian Code of Companies on 9 March 2015. It was stated as follows:

*"Before further discussion on this item, Messrs. Jan Callewaert and Dimitri Duffeleer (as representative of Quaeroq) inform the Board in accordance with the provisions of Article 523 of the Code of Companies that as prospective lenders they 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. Therefore, in accordance with the provisions of the aforementioned Article 523 of the Code of Companies, Jan Callewaert and Dimitri Duffeleer leave the meeting and do not take part in the further discussion, deliberation and voting.*

*The Board discusses the terms and conditions of the draft loan agreements (all substantially in the form as attached). The bridge financing agreements foresee inter alia in different possible draw-downs by management (subject to prior approval by the AC chairman), have a fixed term of 24 months, and an interest rate of 7% per annum (to be accrued on the effectively draw-down amounts). In aggregate, the Company will be able to draw down moneys up to an amount of at least 2.5 million EUR by June 30, 2015 at the latest.*

*The Board considers these conditions to be very beneficial for the Company taking into account the current market conditions. Furthermore, the Board is of the opinion that entering into the loan agreements will provide the Company with a buffer that enables it to bridge the time required to successfully realize and close the envisaged sales.*

*Therefore, after discussion, the Board RESOLVES*

*To formally approve the entering into by the Company of the different loan agreements under the commercial conditions as described above*

*To mandate management to do what is necessary or useful for the execution and further implementation of the above mentioned loan agreement in accordance with the agreed upon terms and conditions."*

\*\*\*

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

### **Audit Committee**

As per 31 December 2014 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, Dimitri Duffeleer BVBA. FVDH Beheer BVBA acts as 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. 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.. 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 NV 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. Finally, Mr. Dimitri Duffeleer is Managing Director & Co-founder of the investment fund Quaeroq. Quaeroq actively invests in listed small- en mid-sized companies in different industries across Europe with a long term approach, all based on its own research and analysis. Mr. Duffeleer has acquired a broad knowledge of and experience in the ICT industry through his studies and professional activities. He is on the Board of Directors of several companies including RealDolmen, Generix Group, Fountain and Connect.

The Audit Committee met four times in 2014 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:

<b>Name</b>	<b>Audit Committees attended</b>	<b>%</b>
FVDH Beheer BVBA	4/4	100 %
An Other Look To Efficiency SPRL	4/4	100 %
Dimitri Duffeleer BVBA	1/2	50 %
Q-List BVBA <sup>1</sup>	2/2	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 half year, 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**

As per 31 December 2014, the Remuneration and Nomination Committee was composed of three non-executive, independent directors, being Mrs. Sabine Everaet (Chairwoman), FVDH Consult BVBA and Qunova BVBA. Mr. Larry Levy and Q-List BVBA were replaced as members of the Remuneration and Nomination Committee as per the decision of the Board of Directors of 17 June 2014.

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 one time on 22 April 2014 in relation to the issue of new Warrants Option 2014 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/she was member of the Committee) were as follows:

<b>Name</b>	<b>Remuneration Committees attended</b>	<b>%</b>
Larry Levy <sup>2</sup>	1/1	100%
Q-List BVBA <sup>3</sup>	1/1	100%
Sabine Everaet	0/0	N/A
FVDH Beheer BVBA	1/1	100 %
Qunova BVBA	0/0	N/A

<sup>1</sup> Replaced as member of the Committee by decision of the Board of Directors of 17 June 2014.

<sup>2</sup> Replaced as member c.q. chairman of the Committee by decision of the Board of Directors of 17 June 2014.

<sup>3</sup> Replaced as member of the Committee by decision of the Board of Directors of 17 June 2014.



## *Activity Report*

During the financial year 2014, the Remuneration and Nomination Committee has further examined and monitored a number of recurrent activities such as the remuneration policy for the executive management and various scenarios to ameliorate the retention of the staff. In addition, the Committee has discussed, advised and decided upon the implementation of a new 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 upon advice of the Remuneration Committee. The remuneration of executive management members 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 in accordance with the decision made by the general meeting of shareholders. 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.

The remuneration per director is limited to a maximum of 30 000 EUR (2013: 49k EUR) with an exception for the Chairman of the Audit Committee where the maximum remuneration is fixed at 32 000 EUR (2013: 52 750 EUR).

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 500 EUR per Board meeting via conference call, provided the above maximum amount of director's annual remuneration is not exceeded;
- an attendance fee of 500 EUR per Committee meeting, provided the above maximum amount of director's annual remuneration is not exceeded.

The remuneration of the Board members for 2014 was as follows.

<b>Name</b>	<b>Total Remuneration (EUR)</b>
Jan Callewaert	N/A (2013: N/A)
FDVV Consult BVBA	N/A (2013: N/A)
FVDH Beheer BVBA	25 800 (2013: 38 000)
An Other Look To Efficiency SPRL	24 550 (2013: 28 250)
Qunova BVBA	12 850 (2013: N/A)
Sabine Everaet	10 850 (2013: N/A)
Dimitri Duffeleer BVBA	13 350 (2013: N/A)
Lawrence Levy	11 958.30 (2013: 34 000)
Q-List BVBA	13 458.30 (2013: 36 250)

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 2014, the global compensation for the Board of Directors amounted to EUR 112 816.70 (2013: EUR 136k).

<b>Name</b>	<b>Board meetings attended</b>		<b>Audit Committees attended</b>	<b>Remuneration Committees attended</b>	<b>Total remuneration Thousands EUR</b>
	<b>Physical attendance</b>	<b>calls</b>			
Jan Callewaert	6/6	6/6	N/A	N/A	N/A (2013: N/A)
FDVV Consult BVBA	4/4	2/2	N/A	N/A	N/A (2013: N/A)
FVDH Beheer BVBA	5/6	6/6	4/4	1/1	25.80 (2013: 38.00)
An Other Look To Efficiency SPRL	5/6	5/6	4/4	N/A	24.55 (2013: 28.25)
Qunova BVBA	4/4	2/2	N/A	0/0	12.85 (2013: N/A)
Sabine Everaet	3/4	2/2	N/A	0/0	10.85 (2013: N/A)
Dimitri Duffeleer BVBA	4/4	2/2	1/2	N/A	13.35 (2013: N/A)
Lawrence Levy	2/2	4/4	N/A	1/1	11.96 (2013: 34.00)
Q-List BVBA	2/2	4/4	2/2	1/1	13.46 (2013: 36.25)

In line with the recommendations of the Corporate Governance Code no performance-related remuneration such as stock related long-term incentive schemes are granted to the non-executive directors.

At year end 2014 the following "Warrants 2014" were held by the executive members of the Board of Directors.

<b>Name</b>	<b>Number of Warrants 2014</b>
Jan Callewaert (via Mondo NV)	800 000
FDVV Consult BVBA	500 000

## **Executive Management Team**

As per 31 December 2014, the Executive Management Team was composed of the following members:

FDVV Consult BVBA represented by Mr. Frank Deschuytere, 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. In 2014, the CEO received EUR 241.5k fixed compensation and additional benefits for an amount of EUR 10k 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.

In 2014, Jan Callewaert received via his management company Mondo NV, a fixed remuneration of EUR 310k and a variable amount of EUR 100k for advisory and other services rendered to the Company in his capacity as executive Chairman of the Board of Directors.

For the year 2014, an aggregate gross amount of EUR 201 714 (2013: EUR 474 321.60) was attributed to the other members of the Executive Management Team. No variable pay was granted relating to 2014 performance.

For the members of the Executive Management Team, benefits include an extra-legal pension scheme, the cost of which amounted to EUR 16k (2013: EUR 29k). The members of the Executive Management Team received additional benefits for an amount of EUR 2k covering car, fuel, lump sum allowance and hospitalization insurance costs (2013: EUR 4K).

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 2014, no warrants were held by the current members of the Executive Management Team (not including the above members of the Board of Directors).

## **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 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.

In the past year, the Group heavily invested in extending the functionality of the CloudGate platform, in a unique, widespread CloudGate ecosystem and in a broader and more diversified sales channel consisting of VAD's, large industrial groups and mobile operators. The CloudGate platform has a complex and lengthy sales cycle involving application development and extended field trials prior to large scale deployment. All this has weakened the cash position of the Group and in consequence, the Group has less funds available for its operational activities. This 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 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.
- (5) 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.
- (6) 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:
  - o the ability of the Group to attract and retain skilled technical employees;
  - o the availability of critical components from third parties;
  - o the ability of the Group to successfully complete the development of products in a timely manner;
  - o 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.

- (7) 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.

- (8) 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.
- (9) 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.
- (10) 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.

- (11) 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:
- o 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;
  - o 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 2014 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<sup>1</sup> 2013 Framework:

- o Control environment;
- o Risk assessment;
- o Control activities;
- o Information and communication;
- o Monitoring activities.

### **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 assessment**

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:

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

### 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, 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.

### **Monitoring activities**

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 27<sup>th</sup>, 2015

The Board of Directors

### **3. FINANCIAL REVIEW**

The Capital of the Company amounts to EUR 4 738 964.50 and is represented by 94 779 290 shares. The shares are listed on the "NYSE Euronext Brussels" stock exchange under the code BE0003836534.

At year-end 2014, all shares, except 1 (one) which existed in registered form, were dematerialized.

At year-end 2014, the Company had the following significant shareholders in accordance with the received transparency declarations:

<b>Identity of the person, entity or group of persons or entities</b>	<b>Number of shares</b>	<b>Percentage of financial instruments held</b>
Jan Callewaert	14 809 008	15.62%
Free float	79 970 282	84.38%
Total outstanding shares	94 779 290	100%

#### **DISCUSSION OF THE CONSOLIDATED ANNUAL ACCOUNTS**

The consolidated accounts include the following subsidiaries:

- o Option Wireless Ltd, Cork (Ireland)
- o Option Germany GmbH, Augsburg (Germany)
- o Option Japan KK (Japan)
- o Option Wireless Hong Kong Limited (China)
- o Option Wireless Technology (Suzhou) Co. Ltd. (China)
- o Option Wireless Hong Kong Limited Taiwan Branch (Taiwan)
- o Option Wireless USA Inc. (United States of America)
- o Option France SAS (France) (until the end of October 2014)

Due to cost reduction measures activities in the sites Augsburg, France and Cork were transferred or ceased in the past two years. The entities in France and Augsburg were put into liquidation, however these liquidations were not yet finalized at the end of 2014.

The cork site is dormant now, the Paris site is under "liquidation judiciaire"<sup>1</sup> as of 30 December 2014. Option France has been deconsolidated as from December 2014 due to the loss of control.

#### **REVENUES**

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

#### **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 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. This increase is due to a higher share of M2M in total sales.

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<sup>1</sup> It concerns a judicial liquidation where a liquidator was appointed.

## OPERATING EXPENSES

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%. The reduced expenses are the result of the downsizing of the Company, combined with effective cost control within the Group.

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.

## RESULT FROM OPERATIONS (EBIT)

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%.

## EBITDA

EBITDA amounted to EUR (7 234k) for the full year 2014, compared to EUR (7 092k) for 2013, representing a decrease of EUR 142k.

## FINANCE RESULT

The Group carried a negative financial result of EUR 1 802k (2013: negative of EUR 625k). The 2014 net exchange rate result amounted to EUR (119k) and was mainly related to the USD. The financial costs of EUR 2 753k are mainly related to interests on the convertible bond loans, interests on rental agreements, bank charges and penalty fees (2013: EUR 892k).

## 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 2014.

Tax expenses in 2014 amounted to EUR 34k (2013: EUR 24k).

## NET RESULT AND EARNINGS PER SHARE

The earnings per share were as follows in 2014:

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.

## BALANCE SHEET

At year-end 2014, total assets amounted to EUR 9 919k compared to EUR 12 228k at the end of the previous year.

Cash and cash equivalents decreased over the year from EUR 1 623k to EUR 1 554k at the end of 2014.

Trade and other receivables decreased from EUR 1 350k to EUR 848k at the end of 2014. This decrease was attributable to the trade receivables which decreased due to lower revenues over the full year 2014. 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 3 410k to EUR 3 139k at the end of 2014. 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 2 007k compared to EUR 3 189k in 2013.

The net book value of intangible fixed assets was EUR 3 051k at the end of 2014, compared with EUR 4 005k as at 31 December 2013. The value of the R&D projects is determined based on an estimate of the projected contributions from the development projects in the coming quarters.

During 2014, the total investments in tangible assets were negligible (2013: EUR 20k) and the Group invested EUR 2 348k (2013: EUR 2 795k) in intangible assets all for capitalized development projects (2013: EUR 2 788k).

Total current liabilities decreased during the year to EUR 7 803k in 2014, compared with EUR 10 015k in 2013. This decrease is mainly driven by a decrease in trade and other payables and the repayment of a short-term loan.

Non-current liabilities increased to EUR 17 574k, mainly due to the emission of a convertible bond of EUR 12 million, with capitalization of interest and decreased by the conversion of 3.5 million of the convertible bond of 2013.

On a balance sheet total of EUR 10 110k, the total shareholders' equity represented EUR (15 267k). Therefore, at the end of 2014, the Group solvency ratio was (154%), compared to (48%) in 2013.

The cash flow generated from operating activities during 2014 represented EUR (9 227) compared to EUR (8 284k) 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 2014 of EUR 11.1 million, compared with a net loss of EUR 12.6 million in 2013.

The Board of Directors proposes to add the non-consolidated net loss of EUR 11.1 million of 2014 to the loss carried forward from the previous years.

<b>Abridged allocation account (According to Belgian Accounting Standards)</b>		
December 31 - in Thousands EUR	<b>2014</b>	<b>2013</b>
Profit/(loss) carried forward from previous year	(12 875)	(67 295)
Profit/(loss) for the period available for appropriation	(11 078)	(12 631)
Capital decrease, by incorporation of reserves	-	67 051
Profit/(loss) to be appropriated	(23 953)	(12 875)



## 4. FINANCIAL REPORT – IFRS

### 4.1. Consolidated Financial Statements

#### 4.1.1. Consolidated Income Statement

Year ended 31 December Thousands EUR	Note	2014	2013
<b>Revenues</b>	3	<b>5 230</b>	<b>9 393</b>
Cost of products sold	4	(2 949)	(6 022)
<b>Gross Margin</b>		<b>2 281</b>	<b>3 371</b>
Research and Development expenses	4-5	(5 345)	(6 073)
Sales, marketing and royalties expenses	4-5	(3 073)	( 79)
General and administrative expenses	4-5	(5 049)	(8 273)
<b>Total Operating expenses</b>		<b>(13 467)</b>	<b>(14 425)</b>
Impact deconsolidation		166	
<b>Result from operations</b>		<b>(11 020)</b>	<b>(11 054)</b>
Finance costs	6	(2 753)	( 892)
Finance income	6	951	267
<b>Finance result-net</b>		<b>(1 802)</b>	<b>( 625)</b>
<b>Profit / (loss) before income taxes</b>		<b>(12 822)</b>	<b>(11 679)</b>
Income tax benefits / (expenses)	7	( 34)	( 24)
<b>Net Result of the period attributable to the owners of the Company</b>		<b>(12 856)</b>	<b>(11 703)</b>
<b>Earnings per share</b>			
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	19	(0.15)	(0.14)
Diluted earnings / (loss) per share	19	(0.15)	(0.14)

## 4.1.2. Consolidated statement of comprehensive income

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

### 4.1.3. Consolidated statement of financial position

Year ended 31 December		2014	2013
Thousands EUR	Note		
<b>Assets</b>			
Intangible assets	8	3 051	4 005
Property, plant and equipment	9	255	454
Other financial assets	11	1 236	1 236
Other non-current assets	10	17	125
<b>Total non-current assets</b>		<b>4 559</b>	<b>5 820</b>
Inventories	12	3 139	3 410
Trade and other receivables	10	848	1 350
Cash and cash equivalents	13	1 554	1 623
Income tax receivable	7	10	25
<b>Total current assets</b>		<b>5 551</b>	<b>6 408</b>
<b>Total assets</b>		<b>10 110</b>	<b>12 228</b>
<b>liabilities and shareholders' equity</b>			
Issued capital	18	4 739	4 125
Share premium	18	3 763	1 078
Reserves and CTA	18	(23 769)	(11 051)
<b>Total shareholders' equity attributable to the owners of the Company</b>		<b>(15 267)</b>	<b>(5 848)</b>
Financial debt	14	17 574	8 060
<b>Total non-current liabilities</b>		<b>17 574</b>	<b>8 060</b>
Trade and other payables	15	7 544	8 912
Deferred revenue	15	-	200
Provisions	16	258	395
Other financial liabilities	14	-	507
Income tax payable	7	1	1
<b>Total current liabilities</b>		<b>7 803</b>	<b>10 016</b>
<b>Total liabilities and shareholders' equity</b>		<b>10 110</b>	<b>12 228</b>

## 4.1.4. Consolidated statement of cash flows

Year ended 31 December

Thousands EUR	Note	2014	2013
<b>OPERATING ACTIVITIES</b>			
<b>Net Result (A)</b>		<b>(12 856)</b>	<b>(11 703)</b>
Amortisation of intangible assets	8	3 228	3 548
Depreciation of property, plant and equipment	9	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	8	4	104
Increase / (decrease) in provisions	16	10	( 119)
Unrealized foreign exchange losses/(gains)		27	1
Interest (income)	6	( 13)	( 209)
Interest expense	6	1 676	705
Equity settled share based payment expense	18	26	-
Tax expense / (benefit)	7	34	( 9)
<b>Total (B)</b>		<b>5 325</b>	<b>2 923</b>
<b>Cash flow from operating activities before changes in working capital (C)=(A)+(B)</b>		<b>(7 531)</b>	<b>(8 780)</b>
Decrease / (increase) in inventories	12	44	2 023
Decrease / (increase) in trade and other receivables	10	522	2 053
Increase / (decrease) in trade and other payables	15	(1 368)	(3 493)
Increase / (decrease) in deferred revenue	16	( 200)	-
Use of provisions		-	( 66)
<b>Total changes in working capital (D)</b>		<b>(1 002)</b>	<b>517</b>
<b>Cash generated from operation (E)=(C) + (D)</b>		<b>(8 533)</b>	<b>(8 263)</b>
Interests and other finance costs (paid) (F)		( 692)	( 48)
Interests and other finance revenue received (G)		13	58
Income tax (paid)/received (H)		( 15)	( 31)
<b>CASH FLOW FROM OPERATING ACTIVITIES (i)=(e)+(f)+(g)+(h)</b>		<b>(9 227)</b>	<b>(8 284)</b>

<b>INVESTING ACTIVITIES</b>			
Expenditures on product development, net of grants received	8	(2 348)	(2 788)
Investment in non-consolidated companies	11	-	( 45)
Acquisition of property, plant and equipment	9	( 5)	( 20)
Acquisition of intangible assets		-	( 7)
Proceeds from sale of property, plant and equipment	9	-	143
<b>CASH FLOW USED IN INVESTING ACTIVITIES (j)</b>		<b>(2 353)</b>	<b>(2 717)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings	14	12 000	9 500
Finance lease liabilities	15	( 7)	( 14)
Repayment of borrowings	14	( 500)	-
<b>CASH FLOW PROVIDED BY/(USED I) FINANCING ACTIVITIES (k)</b>		<b>11 493</b>	<b>9 486</b>
<b>Net increase/(decrease) of cash and cash equivalents = (l)+(j)+(k)</b>		<b>( 87)</b>	<b>(1 515)</b>
Cash and cash equivalents at beginning of year	13	1 623	3 147
Effect of foreign exchange difference		16	( 9)
Cash and cash equivalents at end of period	13	1 554	1 623
<b>Difference</b>		<b>( 86)</b>	<b>(1 515)</b>

## 4.1.5. 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>4 848</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	-	-	-	-	-	(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
<b>At 31 December 2014</b>	<b>4 739</b>	<b>3 763</b>	<b>26</b>	<b>73</b>	<b>(2 617)</b>	<b>(21 251)</b>	<b>(15 267)</b>

## 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 2014 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 27 April 2015 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. Control exists when the Group has the power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

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**

No changes were made on the presentation, nor classification and disclosures in the accounting policies.

### **Standards and Interpretations effective in the current period**

All standards below are effective 1 January 2014 unless otherwise mentioned.

- IFRS 10 *Consolidated Financial Statements*,
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*;
- IAS 28 *Investment in Associates and Joint Ventures*;
- IAS 32 *Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities*;
- IAS 36 *Impairment of Assets: Recoverable Amounts Disclosures for Non-Financial Assets*;
- IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*;

### **Early adoption of Standards and Interpretations**

List of standards and interpretations issued not yet effective in the current year to be included, as well as a comment on impact at initial adoption.

List of standards not yet effective at 31 December 2014:

- *Annual Improvements 2010 – 2012 Cycle: Amendment to IFRS 13 Fair Value Measurement*;
- *Annual Improvements 2011 – 2013 Cycle: Amendment to IFRS 1 First-Time Adoption of International Financial Reporting*.
- *Amendment to IAS 19 ("employee benefits – Employee contributions"*
- *Amendment to IAS 16/38 (clarification of acceptable methods of amortization and depreciation)*
- *IFRIC 21 Levies, effective for financial years beginning on or after 17 June 2014*;
- *IFRS 15 Revenue from contracts with customers*

Based on its current assessment IFRIC 21, 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 benefit by its own actions. This might impact the Group's half-year reporting.

The Group has elected not to adopt any Standards or Interpretations in advance of their effective dates.

### **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. This sublease contract was ended in May 2014.

#### *Going concern*

The company received a letter dated 27 March 2015 within the framework of Article 138 of the Belgian Company Code, in which the auditor set forth his concerns in relation to Option's current financial situation.

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 March 2015 by a bridge loan agreement with different lenders that effectively secured an amount of € 2.7 million.

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 cellular 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 already saw 67 million cellular M2M devices shipped in 2013 (source Berg Insight). This segment is expected to be one of the important growth markets with yearly growth rates varying between 20 to 30 %.

In the last three years, Option has heavily invested in its CloudGate platform, a cellular gateway aimed to address the market of "Internet of Things" and more specifically the machine-to-machine ("M2M") communication market. Option has not only significantly invested in the technology platform as such but also in the go-to-market strategy hereof. The take-off of the CloudGate platform in this new M2M market has however proven to be a difficult challenge and was substantially slower than originally anticipated and forecasted. This has put a strain on the company's cash reserves. However, given the current view on the sales pipeline and taking into account the overall market potential, the Company remains convinced that the CloudGate platform will gain sufficient traction and sales in the first half of 2015. The company anticipates selling between 13 000 and 20 000 CloudGate units in the first half of 2015, the majority of which in Q2, 2015. Combined with maintaining the Company's current working capital condition and the bridge loan agreement this is a prerequisite to support its going concern and overall cash position.

The IoT market is new, dynamic and very fragmented. The market is so diverse, that no individual industrial group can steer its course. This makes it a challenge for OPTION to fully realize its potential building on its own resources. For that reason the Company is currently exploring different strategic options to further strengthen its current financial position and to ensure its ability to successfully pursue and maximize its potential in the Internet of Things market.

**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.

#### *Defined contribution pension plans*

By law, defined contribution pension plans in Belgium are subject to minimum guaranteed rates of return. Hence, strictly speaking, those plans classify as defined benefit plans. The IASB recognized that the accounting for such so-called "contribution-based plans" in accordance with the currently applicable defined benefit methodology is problematic. Considering as well

the uncertainty with respect to the future evolution of the minimum guaranteed rates of return in Belgium. A net liability of EUR 14k was recognized in the statement of financial position at December 31, 2014, based on the sum of the positive differences, determined by individual plan participant, between the minimum guaranteed reserves and the accumulated contributions based on the actual rates of return at the closing date.

#### *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 2014, the best estimate of the carrying amount of capitalized development costs was EUR 3 051k (2013: EUR 3 932k), 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 2014, the company has recognized impairment losses on the capitalized development projects for EUR 0k (2013: EUR 103k), 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. 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. 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 2014, the estimated provision for warranty is EUR 58k (2013: EUR 32k). 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). In 2014 no additional provision was recorded.

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. These provisions have been reversed as a result of ending contracts in Germany and the deconsolidation of Option France.

### *Intellectual Property Rights*

In 2014 no new contracts were signed and one contract expired. 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.

In 2013 the Group 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.

The group concluded that 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.

In 2014 no new contracts were signed and one contract expired. For 2014 a new assessment was made but the Group reconfirmed its earlier conclusion that no reliable estimate could be calculated.

## 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, 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

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

### **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 labor 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:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset;
- its ability to use or sell the intangible asset;
- 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);
- the availability of adequate technical, financial and other resource to complete the development and to use or sell the intangible asset; and
- 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.

#### **(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. The Group adopted a retrospective approach whereby the net liability recognized in the statement of financial position is based on the sum of the positive differences, determined by individual plan participant, between the minimum guaranteed reserves and the accumulated contributions based on the actual rates of return at the closing date.

## **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 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	
	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)
<b>Totals</b>	<b>5 230</b>	<b>9 394</b>	<b>(1 506)</b>	<b>( 188)</b>
Unallocated Operating Expenses			(9 514)	(10 865)
Finance (costs) / income			(1 802)	( 625)
Income taxes / (expenses)			( 34)	( 24)
<b>Net result</b>			<b>(12 856)</b>	<b>(11 703)</b>

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".

In % of total sales there are two customers who represent each more than 10%, one 17% and the other 13%. The top 5 represents 47% of total sales.

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. Mainly Europe (14% Turkey, 9% Belgium) and the Americas are targeted. The increase in Other is due to sales in Australia.

Revenues	2014	2013
Europe	47%	50%
Americas	34%	34%
Asia-Pacific	11%	15%
Other	8%	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	
	2014	2013	2014	2013	2014	2013	2014	2013
Cost of products sold	-	6	-	-	-	-	-	6
Operating Expenses including :								
- Research and development expenses	106	282	3 246	3 449	-	103	3 352	3 834
- Sales, marketing and royalties expenses	6	12	47	104	-	-	53	116
- General and administrative expenses	84	85	5	6	-	-	89	91
<b>Total</b>	<b>196</b>	<b>385</b>	<b>3 298</b>	<b>3 559</b>	<b>0</b>	<b>103</b>	<b>3 494</b>	<b>4 047</b>

In 2014, the Group reviewed the existing capitalized R&D projects which resulted in no additional impairment (2013: EUR 103k) having its source in changing technologies and fast changing market conditions.

The research and development expenses that were expensed as incurred amounted to EUR 2 348k (2013 EUR 3 582k).

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

Thousands EUR	2014	2013
Cost of products sold	-	46
Research and development expenses	2 562	1 547
Sales, marketing and royalties expenses	2 113	2 810
General and administrative expenses	981	4 086
<b>Total</b>	<b>5 656</b>	<b>8 490</b>

The most important reason for the decrease of general and administrative expenses is the closure of the plant in Cork. As explained in note 15, the sales, marketing and royalties expenses were positively impacted by EUR 3.2 million profits in 2013. The impact for 2014 is EUR 0k.

### Cost of products sold

At year-end 93.5%, or EUR 2 758k of the cost of product sold relates to materials (2013: 95.1% or EUR 5 724k).

## NOTE 5: Payroll and related benefits

Thousands EUR	2014	2013
Wages and salaries	4 352	4 892
Social security contributions	1 442	1 862
Other personnel expenses	358	357
Contributions to pension plan	238	299
Payroll related restructuring charges	( 47)	1 080
	6 343	8 490
a) Total number of people registered at year-end	97	107
b) Average number of people registered in full time equivalent	105	120
Employees	104	118
Management	1	2

The Company's employees participate in a defined contribution plans, funded through Delta Lloyd and Vivium. The employee contributions paid to the Delta Lloyd and Vivium is based on a fixed percentage of the salary.

By law, employers are required to provide an average minimum guaranteed rate of return over the employee's career, currently equal to 3.75% on employee contributions and 3.25% on employer contributions paid as from January 1, 2004 onwards. Those rates may be modified in the future by Royal Decree in which case legislation currently foresees that the new rates also apply to the accumulated past contributions as from the date of modification onwards. There is a risk that the Company may have to pay additional contributions related to past service. Any such additional contributions will depend on the actual investment returns as well as the future evolution of the minimum guaranteed rates of return.

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 223k (2013: EUR 299k).

A net liability of EUR 14k was recognized in the statement of financial position at December 31, 2014, based on the sum of the positive differences, determined by individual plan participant, between the minimum guaranteed reserves and the accumulated contributions based on the actual rates of return at the closing date.

## NOTE 6: Finance result

Thousands EUR	2014	2013
Interest income	13	209
Net foreign exchange gains	938	10
Other	-	48
<b>Finance income</b>	<b>951</b>	<b>267</b>
Interest expense	(1 676)	( 705)
Net foreign exchange losses	(1 067)	( 149)
Other, mainly bank charges and payment differences	( 10)	( 38)
<b>Finance costs</b>	<b>(2 753)</b>	<b>( 892)</b>
<b>Finance net result</b>	<b>(1 802)</b>	<b>( 625)</b>



## NOTE 7: Income tax

Thousands EUR	2014	2013
<b>Tax benefit/(expense) comprises:</b>		
Current tax benefit/(expense)	( 34)	( 24)
Deferred tax benefit/(expense)	-	-
<b>Total tax income/(expense)</b>	<b>( 34)</b>	<b>( 24)</b>
Result before tax	(12 822)	(11 679)
Tax benefit / (expense) calculated at 33.99%	(4 358)	(3 970)
Effect of non-taxable income	( 41)	-
Effect of expenses that are not deductible in determining taxable profit	105	150
Effect of concessions and other tax credits	( 88)	( 236)
Effect of unused tax losses not recognized during the year	3 517	4 480
Effect of previously recognized unused tax losses and deductible temporary differences written off in the current year	1 073	( 268)
Effect of different tax rates of subsidiaries operating in other jurisdictions	( 174)	( 132)
<b>Tax income/(expense) recognized in the income statement</b>	<b>( 34)</b>	<b>( 24)</b>

The tax rate used for the 2014 and 2013 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 192 123k, which are all transferable for an unlimited period of time, except for the notional interest deduction, for which the EUR 2 633k expires 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 2014
<b>Acquisition cost</b>				
<b>Balance at 1 January 2014</b>	<b>96 015</b>	<b>6 853</b>	<b>2 733</b>	<b>105 601</b>
Effect of movements in foreign exchange	-	-	-	-
Additions	-	-	-	-
Expenditures on product development, net of grants received	2 348	-	-	2 348
Transfer to other asset categories	-	-	-	-
Disposals	-	-	( 47)	( 47)
Other movements	-	-	-	-
<b>Balance at 31 December 2014</b>	<b>98 363</b>	<b>6 853</b>	<b>2 686</b>	<b>107 902</b>
<b>Amortization and impairment loss</b>				
<b>Balance at 1 January 2014</b>	<b>(92 083)</b>	<b>(6 796)</b>	<b>(2 717)</b>	<b>(101 596)</b>
Effect of movements in foreign exchange	-	-	-	-
Amortization	-	( 57)	( 12)	( 69)
Amortization for expenditures on product development	(3 229)	-	-	(3 229)
Impairment loss	-	-	-	-
Disposals	-	-	43	43
Transfer to other asset categories	-	-	-	-
<b>Balance 31 December 2014</b>	<b>(95 312)</b>	<b>(6 853)</b>	<b>(2 686)</b>	<b>(104 851)</b>
<b>Carrying amount</b>				
<b>at 1 January 2014</b>	<b>3 932</b>	<b>57</b>	<b>16</b>	<b>4 005</b>
<b>at 31 December 2014</b>	<b>3 051</b>	<b>-</b>	<b>-</b>	<b>3 051</b>
<b>Acquisition cost</b>				
<b>Balance at 1 January 2013</b>	<b>94 181</b>	<b>6 853</b>	<b>2 823</b>	<b>103 857</b>
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)
<b>Balance at 31 December 2013</b>	<b>96 015</b>	<b>6 853</b>	<b>2 733</b>	<b>105 601</b>
<b>Amortization and impairment loss</b>				
<b>Balance at 1 January 2013</b>	<b>(89 602)</b>	<b>(6 651)</b>	<b>(2 722)</b>	<b>(98 975)</b>
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
<b>Balance 31 December 2013</b>	<b>(92 083)</b>	<b>(6 796)</b>	<b>(2 717)</b>	<b>(101 596)</b>
<b>Carrying amount</b>				
<b>at 1 January 2013</b>	<b>4 579</b>	<b>202</b>	<b>101</b>	<b>4 882</b>
<b>at 31 December 2013</b>	<b>3 932</b>	<b>57</b>	<b>16</b>	<b>4 005</b>

### **Impairment of intangible assets with definite useful life**

On a yearly basis, the Group reviews the existing capitalized R&D projects which resulted in no additional impairment for 2014 (2013: EUR 1 034k), 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 2014. 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 135k at 31 December 2014 and a 4G project for an amount of EUR 916k which has been amortized for 6 months. The remaining amortization period is 18 months. Furthermore, the Group reports no Carrying amounts for server licenses and software.

## NOTE 9: Property, plant and equipment

Thousands EUR	Machinery and computer equipment	Furniture and Vehicles	Leasehold improvements	Total 2014
<b>Acquisition cost</b>				
<b>Balance at 1 January 2014</b>	<b>22 215</b>	<b>1 581</b>	<b>1 014</b>	<b>24 810</b>
Effect of movements in foreign exchange	4	5	1	10
Additions	5	-	-	5
Disposals	( 70)	( 17)	( 3)	( 90)
Transfer to other asset categories	( 42)	40	-	( 2)
<b>Balance at 31 December 2014</b>	<b>22 112</b>	<b>1 609</b>	<b>1 012</b>	<b>24 733</b>
<b>Depreciation</b>				
<b>Balance at 1 January 2014</b>	<b>(21 845)</b>	<b>(1 501)</b>	<b>(1 009)</b>	<b>(24 355)</b>
Effect of movements in foreign exchange	( 4)	( 5)	( 1)	( 10)
Depreciation	( 142)	( 45)	( 2)	( 189)
Impairment loss	-	-	-	-
Disposals and cancellation	60	14	2	76
Transfer to other asset categories	35	( 35)	-	-
<b>Balance at 31 December 2014</b>	<b>(21 896)</b>	<b>(1 572)</b>	<b>(1 010)</b>	<b>(24 478)</b>
<b>Carrying amount</b>				
<b>at 1 January 2014</b>	<b>370</b>	<b>80</b>	<b>5</b>	<b>455</b>
<b>at 31 December 2014</b>	<b>216</b>	<b>37</b>	<b>2</b>	<b>255</b>
<b>Acquisition cost</b>				
<b>Balance at 1 January 2013</b>	<b>22 432</b>	<b>1 639</b>	<b>1 014</b>	<b>25 085</b>
Effect of movements in foreign exchange	( 2)	-	-	( 2)
Additions	18	3	-	20
Disposals	( 235)	( 60)	-	( 295)
Other movements	2	( 1)	-	1
<b>Balance at 31 December 2013</b>	<b>22 215</b>	<b>1 581</b>	<b>1 014</b>	<b>24 810</b>
<b>Depreciation</b>				
<b>Balance at 1 January 2013</b>	<b>(21 721)</b>	<b>(1 500)</b>	<b>(1 006)</b>	<b>(24 227)</b>
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)
<b>Balance at 31 December 2013</b>	<b>(21 845)</b>	<b>(1 501)</b>	<b>(1 009)</b>	<b>(24 355)</b>
<b>Carrying amount</b>				
<b>at 1 January 2013</b>	<b>711</b>	<b>139</b>	<b>8</b>	<b>857</b>
<b>at 31 December 2013</b>	<b>370</b>	<b>80</b>	<b>5</b>	<b>454</b>

## NOTE 10: Trade and other receivables

### CURRENT TRADE AND RECEIVABLES

Thousands EUR	2014	2013
Trade receivables	1 199	1 448
Allowance for doubtful accounts	( 544)	( 539)
<i>Subtotal</i>	655	909
Recoverable VAT	60	189
Other receivables	133	252
<i>Subtotal</i>	193	441
<b>Total</b>	<b>848</b>	<b>1 350</b>

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	
	2014	2013	2014	2013
< 60 days	547	596	-	-
60 - 90 days	34	10	-	-
90 - 120 days	-	-	-	-
> 120 days	618	841	( 544)	( 539)
	<b>1 199</b>	<b>1 448</b>	<b>( 544)</b>	<b>( 539)</b>

See also Note 21 for further information about credit risk.

### OTHER NON-CURRENT ASSETS

Thousands EUR	2014	2013
Cash guarantees	17	125
	<b>17</b>	<b>125</b>

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	2014	2013
Other financial assets	1 236	1 236
	<b>1 236</b>	<b>1 236</b>

In September 2011, Option invested EUR 1 043k (representing 6.67% ) in Autonet Mobile, Inc. to deliver the 1<sup>st</sup> 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 2012 and 2013, the Group participated in two capital increases of Autonet for a total of EUR 193K.

## NOTE 12: Inventories

Thousands EUR	2014	%	2013	%
Raw materials	605	19.3%	849	24.9%
Work in progress	1 385	44.1%	2 149	63.0%
Finished goods	3 156	100.5%	3 601	105.6%
Provision for inventories	(2 007)	63.9%	(3 189)	(93.5%)
	<b>3 139</b>		<b>3 410</b>	

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 3 410k to EUR 3 139k at the end of 2014. At the end of 2014, the total provision for inventories amounted to EUR 2 007k (2013: EUR 3 189k). This decrease is mainly explained by scrapping end-of-life products.

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	2014	2013
Short Term deposits	-	-
Bank current accounts	1 549	1 618
Cash	5	5
	<b>1 554</b>	<b>1 623</b>

At the end of 2013 and 2014 there are no short term deposits within the Group

## NOTE 14: Financial Liabilities

### OTHER FINANCIAL LIABILITIES

On 11 April 2014 the Board of Directors secured EUR 12 million via the issue of a convertible bond that has been subscribed by 16 parties. The 5-year convertible bond matures in April 2019, and can be converted into 61 544 958 new shares of Option NV at the option of the bondholder. The convertible bond has an annual interest rate of 9% with an initial conversion price of € 0.295 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 for the first time between 15 April 2015 and 30 April 2015, from then on there will be conversion periods from 15 April to 30 April and 15 October to 31 October.

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.

In 2013 a convertible bond was granted for a total amount of EUR 9 million. The five year convertible bond has an annual interest rate of 5%. The market interest rate used to calculate the fair value of the bond was 8%.

In 2014 EUR 3.5 million of the loan was converted into equity.

Thousands EUR	2014	2013
Proceeds of issue/at end Dec. 2014	5 500	9 000
Liability component at the date of issue/at end Dec. 2014	(4 623)	(7 922)
<b>Equity component</b>	<b>877</b>	<b>1 078</b>
Liability component at the date of issue/at end Dec. 2014	4 623	7 922
Interest charged calculated at an effective interest rate of 8%	1 128	475
Interest charged	( 716)	( 338)
<b>Liability component at 31 December</b>	<b>5 036</b>	<b>8 060</b>

On April 2014 a second convertible loan was granted for a total amount of EUR 12 million. The five year convertible bond has an annual interest rate of 9%. As the bond was subscribed to by external parties, the market rate is assumed to be equal to the annual interest rate. The interests are capitalized with the outstanding principle amount of the bond on a half yearly basis. This resulted in a long-term debt interest of EUR 539k and a short-term debt interest of EUR 243k at the end of 2014.

Thousands EUR	2014	2013
Leasing and similar obligations	-	7
Other loans	-	500
	-	<b>507</b>

The other short-term loan, granted in 2013 has an annual interest rate of 5%. The loan expired on the 31<sup>st</sup> of January 2014 but was extended until the 30<sup>th</sup> of April 2014 and paid back in April 2014.

In 2013 and 2014 the Company had neither facilities nor pledges on the Company's business.



## NOTE 15: Trade and other payables – deferred revenues

### TRADE AND OTHER PAYABLES

Thousands EUR	2014	2013
Trade payables	4 336	5 520
Salaries, tax and payroll related liabilities	2 271	2 564
Other payables and accrued expenses	938	829
	<b>7 545</b>	<b>8 912</b>

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.
- 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 the 2013 bond loan the settlement is yearly, for the 2014 bond loan interest is capitalized half yearly.
- For terms and conditions relating to related parties, refer to Note 23.

### DEFERRED REVENUES

Thousands EUR	2014	2013
Deferred revenues	-	200
	-	<b>200</b>

The deferred revenue in 2013 was the result of precharged rent for 2014 related to the sublease (see note 17 – leases as lessor).

## NOTE 16: Provisions

Thousands EUR	2013	Additions	(Use)	(Reversal)	2014
Warranty provision	32	26	-	-	58
Loss on supply agreements	180	20	-	-	200
Legal and other claims	-	-	-	-	-
Restructuring provisions	183	-	-	( 183)	-
	<b>395</b>	<b>46</b>	-	<b>( 183)</b>	<b>258</b>

The warranty provision has been increased with EUR 26k due to the transfer from Cork to Option NV in Leuven. For the same reason EUR 20k has been added to the loss on supply agreements.

The restructuring provision of EUR 183k was reversed for the closure of Option France and Option Germany.

## NOTE 17: Operating leases

### OPERATING LEASES

#### Leases as lessee

Non-cancelable operating lease rentals are payable as follows:

Thousands EUR	2014	2013
Less than one year	540	1 170
Between one and five years	224	727
More than five years	-	-
	<b>764</b>	<b>1 897</b>

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 2014, EUR 1 017k was recognized as an expense in the income statement in respect of operating leases (2013: EUR 1 492k).

#### Leases as lessor

Non-cancelable operating sublease rentals are receivable as follows:

Thousands EUR	2014	2013
Less than one year	-	200
Between one and five years	-	-
More than five years	-	-
	-	<b>200</b>

During 2014 the subleases with third party entered in 2011 came at end in May 2014.

None of the leases include contingent rentals. In 2014, EUR 200k (2013: EUR 480K) was recognized as rental income in the income statement.

## NOTE 18: Shareholders' equity

### CAPITAL STRUCTURE – ISSUED CAPITAL

As per year-end 2014, 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	15.62%
Free float	79 970 282	84.38%
Total outstanding shares	94 779 290	100%

The issued share capital, at the end of 2014 comprises 94 779 290 ordinary shares, for a total amount of EUR 4 738 964.50. The shares have no nominal value and have been fully paid-up. All shares held in the Company carry the same rights.

### SHARE PREMIUM

Thousands EUR	2014	2013
At 31 December	3 763	1 078

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

### WARRANTS

On 16 June 2014 the Extraordinary Shareholders' Meeting of the Company approved the issuance of 5 000 000 warrants "2014", to be offered to members of the Executive Management Team, employees and certain independent contractors designated by name. A total of 1 580 000 offered warrants "2014" has been accepted by its beneficiaries in 2014.

The main terms and conditions of the warrants plan "2014" governing the above warrants are as follows:

- the warrants 2014 are subject to a vesting scheme (25% vested 1 year after the grant date, 60% 2 years after the grant date, and 100% 3 years after the grant date);
- the exercise price of the above warrants 2014 amounts to EUR 0.52 per warrant granted to the designated members of the Executive Management Team, Directors and self-employed independent contractors; and EUR 0.34 per warrant granted to employees;
- the exercise must take place during exercise windows (i.e. May, September or December);
- upon conversion of their warrants the warrant holders receive one ordinary share of the Company per warrant;
- the plan provides for an accelerated vesting and exercise in the event of a change of control;
- the lifetime of the warrant is 5 years.

The warrants were priced using the Black & Scholes model. Where relevant, the expected life used in the model has been adjusted on management's best estimate. Expected volatility is based on the historical share price volatility over the past 4 years. The risk free interest rate is based on the OLO Bonds as valued by the National Bank of Belgium.

The following inputs into the model were performed for the accepted warrants "2014" in the course of 2014 including the average weighted fair value of the warrants "2014"

Inputs into the model	Warrants 2014 granted to and accepted by Directors and EMT members	Warrants 2014 granted and accepted by self employed contractors	Warrants 2014 granted and accepted by Employees
Grant date	25/sep/14	25/sep/14	25/sep/14
Grant date share price	0.3	0.3	0.3
Exercise price	0.52	0.52	0.34
Expected volatility	64.38%	64.38%	64.38%
Expected lifetime of the warrants	5 years	5 years	3 years
Risk-free interest rate	0.20%	0.20%	0.20%
Number of warrants accepted	1 300 000	200 000	80 000
Number of shares outstanding	94 779 290	94 779 290	94 779 290
Average weighted fair value per warrant	0.12	0.12	0.12

The following reconciles the outstanding warrants "2014" granted and accepted under the plan at the beginning and end of the financial year 2014:

	Number of Warrants "2014"	Weighted average exercise price
<b>Balance at beginning of the financial year 2014</b>	-	-
Accepted during the financial year	1 580 000	0.51
Exercised during the financial year	-	-
Forfeited / lapsed during the financial year	-	-
<b>Balance at end of the financial year 2014</b>	<b>1 580 000</b>	<b>0.51</b>

The expense of the granted warrants "2014" for the financial year 2014 was calculated at EUR 26k.

None of the warrants "2014" were exercised during the financial year 2014.

All other warrants of the Company have lapsed.

## 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 NV 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.

By notarial deed of 2 June 2014 and 2 December 2014, the conversion of respectively 25 and 10 convertible bonds and subsequent capital increase was ascertained by the board of directors.

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.

For more detail see Note 1 under 4.2.

## 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:

<b>Earnings per common share</b>	2014	2013
Net result (in Thousands EUR)	(12 856)	(11 703)
Weighted average shares of common stock outstanding:		
Basic	87 929 977	82 498 592
Diluted	87 929 977	82 498 592
<b>Per Share (in EUR)</b>		
Basic earnings per share	(0.15)	(0.14)
Diluted earnings per share	(0.15)	(0.14)

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 2014, 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:

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

The Group's overall strategy and objectives remain unchanged during the years ended 31 December 2014 and 31 December 2013.

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.

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 € 0.285 which equalled the average share price during the 30 days prior to the issuing of the convertible bond.

By notarial deed of 2 June 2014 and 2 December 2014, the conversion of respectively 25 and 10 convertible bonds and subsequent capital increase was ascertained by the board of directors

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.

In 2014 the debt, which is defined as long- and short-term borrowings (excluding derivatives) has increased with EUR 8 500k, due to the issuance of a convertible bond of € 12 million and a conversion of the previous bond into equity of € 3.5 million, giving a net increase of EUR 9 007k. (2013: increased with EUR 8 567k), The gearing ratio at year-end was as follows:

Thousands EUR	2014	2013
Current portion of financial liabilities	-	( 507)
Cash and cash equivalents	1 554	1 623
Net	1 554	1 116
Equity	(15 267)	(5 848)
<b>Gearing ratio</b>	<b>NA</b>	<b>NA</b>

## 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	2014	2013
<b>Financial assets measured at cost or amortized cost</b>			
Cash and cash equivalents	13	1 554	1 623
Trade receivables	10	655	909
Recoverable VAT	10	60	189
Income tax receivable	7	10	25
Other financial assets	11	1 236	1 236
<b>Financial liabilities measured at cost or amortized cost</b>			
Trade payables	15	4 336	5 520
Salaries, tax and payroll related liabilities	15	2 270	2 563
Current financial liabilities	14	-	507
Income tax payable	7	1	1

### 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 10% of the net trade receivables of the Group for the year ended 31 December 2014. The balances of 2 of these customers were not due at year end.

The average credit period on sales of goods is 45 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 2014.

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 108k (2013: EUR 311k) 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.

Aging of past due, but not impaired:

Thousands EUR	2014	2013
60 - 90 days	34	10
90 - 120 days	-	-
> 120 days	74	302
	<b>108</b>	<b>311</b>

Movement in the allowance for doubtful debts:

Thousands EUR	2014	2013
Balance at the beginning of the year	539	813
New reserves	5	186
(Write-offs)	-	( 460)
(releases)	-	-
	<b>544</b>	<b>539</b>

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	2014	2013
Gross amounts		
60 - 90 days	-	-
90 - 120 days	-	-
> 120 days	544	539
	<b>544</b>	<b>539</b>

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 bonds issued in 2013 and 2014 (see note 14). No credit lines were available for the Group.

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

Thousands EUR	2015	2016	2017	2018	2019
	<b>2015</b>				
Non-current financial debt	275	275	275	5 775	18 770
Trade payables	4 336	-	-	-	-
Salaries, tax and payroll related liabilities	2 271	-	-	-	-
Income tax payable	1	-	-	-	-
Credit facilities and other loans	-	-	-	-	-
	<b>6 883</b>	<b>275</b>	<b>275</b>	<b>5 775</b>	<b>18 770</b>

Thousands EUR	2014	2015	2016	2017	2018
	<b>2014</b>				
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	-	-	-	-
	<b>9 042</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>9 450</b>

#### 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:

2014	Closing rate December 31, 2014	Possible volatility in %	Possible closing rate December 31, 2014
EUR/USD	1.2141	5.93	1.1421 – 1.2861
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

The Group's exposure in USD as of 31 December 2014 and 2013 is as follows:

Carrying amounts - Thousands USD	31/Dec/14	31/Dec/13
Trade payables	(1 051)	(2 388)
Trade receivables	868	1 467
Cash and cash equivalents	278	427
	<b>95</b>	<b>( 494)</b>

If the USD had weakened/strengthened during 2014 by the above estimated possible changes against the euro, the 2014 net result would have been EUR 5k higher/lower.

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 32k 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

Certain higher executives have agreed to a reduction in remuneration in 2014. This reduction can be recovered in 2015 subject to certain conditions.

In March 2015, the Company entered into a bridge loan agreement with different lenders, including inter alia existing bondholders such as Mr. Jan Callewaert for an aggregate amount of 2 775 000 EUR at an interest rate of 7.00% and a term of 24 months.

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 2014, the global compensation for the Board of Directors amounted to EUR 113k (2013: EUR 136k).

Name	Board meetings attended		Audit Committees attended	Remuneration Committees attended	Total remuneration Thousands EUR
	Physical attendance	calls			
Jan Callewaert	6/6	6/6	N/A	N/A	N/A (2013: N/A)
FDVV Consult BVBA	4/4	2/2	N/A	N/A	N/A (2013: N/A)
FVDH Beheer BVBA	5/6	6/6	4/4	1/1	25.80 (2013: 38.00)
An Other Look To Efficiency SPRL	5/6	5/6	4/4	N/A	24.55 (2013: 28.25)
Qunova BVBA	4/4	2/2	N/A	0/0	12.85 (2013: N/A)
Sabine Everaet	3/4	2/2	N/A	0/0	10.85 (2013: N/A)
Dimitri Duffeleer BVBA	4/4	2/2	1/2	N/A	13.35 (2013: N/A)
Lawrence Levy	2/2	4/4	N/A	1/1	11.96 (2013: 34.00)
Q-List BVBA	2/2	4/4	2/2	1/1	13.46 (2013: 36.25)

In line with the recommendations of the Corporate Governance Code no performance-related remuneration such as stock related long-term incentive schemes are granted to the non-executive directors, e.g. by decision of the Extra-Ordinary Shareholders' Meeting of 16 June 2014, no Warrants 2014 were granted to non-executive directors of the Company.

At year end 2014 the following "Warrants 2014" were held by the executive members of the Board of Directors.

Name	Number of Warrants 2014
Jan Callewaert (via Mondo NV)	800 000
FDVV Consult BVBA	500 000

## **Executive management compensation**

The management company of Mr. Frank Deschuytere (FDVV Consult BVBA) is acting as CEO of the Group and performing management services for the Group.

In 2014, the CEO's received EUR 241k fixed compensation and additional benefits for an amount of EUR 10k. The CEO is not entitled to nor is he a beneficiary of any pension scheme which is paid for by the Company.

In 2014, Jan Callewaert received via his management company Mondo NV, a fixed remuneration of EUR 310k and a variable amount of EUR 100k for advisory and other services rendered to the Company in his capacity as executive Chairman of the Board of Directors.

For the year 2014, an aggregate gross amount of EUR 201 714.08 (2013: EUR 474 321.60) was attributed to the other members of the Executive Management Team, as defined under Remuneration Report . No variable pay was granted relating to 2014 performance.

For the members of the Executive Management Team, benefits include an extra-legal pension scheme, the cost of which amounted to EUR 16k (2013: EUR 29k). The members of the Executive Management Team received additional benefits for an amount of EUR 2k covering car, fuel, lump sum allowance and hospitalization insurance costs (2013: EUR 4K).

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 2014, no warrants were held by the current members of the Executive Management Team (not including the above members of the Board of Directors).

## **NOTE 24: Events after balance sheet date**

Subsequent to December 31, 2014, the following events or transactions occurred which require disclosure:

In March 2015, the Company entered into a bridge loan agreement with different lenders, including inter alia existing bondholders, for an aggregate amount of 2 775 000 EUR at an interest rate of 7.00% and with a term of 24 months.

On April 21, 2015, following the continued review by its statutory auditor of the cash position of the Company and its continuity, the Company issued a press release in order to inform the market about the reasons why the continuity can, in its opinion, be maintained. The Company further provided the market with some additional guidance in relation to its financial situation and possible strategic options.

## NOTE 25: Interests in Subsidiaries

### List of companies, integrally consolidated in the financial statements

Name of the subsidiary	Registered office	% of shareholding
<b>BELGIUM</b>		
OPTION NV	Gaston Geenslaan 14 3001 Leuven, België	Consolidating company
<b>IRELAND</b>		
OPTION WIRELESS Ltd, Cork	Kilbarry Industrial Park Dublin Hill, Cork	100%
<b>GERMANY</b>		
OPTION GERMANY GmbH	Beim Glaspalast 1 D-86153 Augsburg - Germany	100%
<b>UNITED STATES</b>		
OPTION WIRELESS USA INC.	1600 Gold Road Suite 1200 Rolling Meadows, IL 60008 Illinois, USA	100%
<b>JAPAN</b>		
OPTION WIRELESS JAPAN KK	5-1, Shinbashi 5-chome Minato-ku Tokyo 105-0004, Japan	100%
<b>CHINA</b>		
OPTION WIRELESS HONG KONG LIMITED	35/F Central Plaza 18 Harbour Road Wanchai Hong Kong, China	100%
<b>CHINA</b>		
OPTION WIRELESS TECHNOLOGY CO. LIMITED	909-1 Genway Building 188 Wangdun Road Suzhou Industrial Park (SIP) Suzhou 215123, Jiangsu Province, China	100%
<b>TAIWAN</b>		
OPTION WIRELESS HONG KONG LIMITED, TAIWAN BRANCH	4F Theta Building 10, Lane 360, Ne-Hu Road, Sec 1, Taipei City, TAIWAN	100%
<b>FRANCE</b>		
OPTION FRANCE SAS	6, Place de la Madeleine 75008 Paris, France	100%

On the 25 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 25 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. Option France has been deconsolidated as from December 2014 due to the loss of control.

**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	2014	2013	2012
Worldwide audit services for the annual financial statements	109	100	150
Worldwide tax and legal services	15	18	12
Other worldwide services	-	-	4
	<b>124</b>	<b>118</b>	<b>166</b>

## 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 2014**

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



## Option NV

### Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2014

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 2014, 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 – Disclaimer of 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 10.110 (000) EUR and the consolidated income statement shows a consolidated loss (group share) for the year then ended of 12.856 (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.

Because of the matter described below in the 'Basis for disclaimer of opinion' paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

*Basis for disclaimer of opinion*

During the past year, the group has been unable to realize the 2014 objectives it had initially set under the business plan of the board in terms of both turnover and gross margin. As a result, the group has again incurred significant negative cash flows which have severely impacted its financial and liquidity position per 31 December 2014. As a consequence there exists an important uncertainty with respect to the going concern. The group's ability to continue as a going concern on the short term will depend on the extent to which the group is able to:

- Gain sufficient traction and growth in its sales channel to meet the budgeted revenues in its 2015 business plan, being between 13.000 and 20.000 Cloudgate units in the first half of 2015 of which most are budgeted to be realized in the second quarter of 2015. These budgeted quantities represent a significant increase compared to the volumes realized in the past quarters and need to be sustained in subsequent quarters to reach the 2015 business plan;
- Sustain the assumptions used in the Group's cash forecast, o.a. maintaining the current favourable payment and financing conditions; and
- Strengthen the group's financial position through the different strategic options it is currently exploring.

The accumulation of conditions that need to be fulfilled present a fundamental uncertainty about the going concern of the group and about the relevance of the consolidated financial statements. No adjustments have been recorded herein with respect to the valuation or the classification of certain balance sheet items, which would be required, should the group no longer be able to continue its operations. In particular, the group's balance sheet includes capitalized development expenses amounting to 3.051 (000) EUR and inventories amounting to 3.139 (000) EUR, which could be subject to significant impairments in case the group would not be able to continue as a going concern.

Likewise, the valuation of the group's investment of 1.236 (000) EUR in Autonet Inc. is dependent on the successful realization of Autonet's business plan in the automotive market in the United States. The board of directors was unable to provide us with sufficient evidence to determine whether any adjustments were necessary in respect to valuation of the Group's share in Autonet.

*Disclaimer of opinion*

Because of the importance of the matters and the potential interaction of the uncertainties referred to in the 'Basis for disclaimer of opinion' paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and cannot assess the possible cumulative effect of those matters on the financial statements. Accordingly, we do not express an opinion on the financial statements.

*Emphasis of Matter*

Additionally, 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 its reasons for not recording a provision for essential patents.

**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, except for the effect on the director's report of the matters described in 'Basis for disclaimer of opinion' paragraph, is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Hasselt, 27 April 2015

**The statutory auditor**



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

## **6. ABBREVIATED STATUTORY ACCOUNTS OF OPTION NV AND EXPLANATORY NOTES**

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 a "disclaimer of opinion" on the non consolidated financial statements of Option NV for the year ended 31 December 2014.

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

Assets			
	2014	2013	2012
Thousands EUR			
<b>Fixed assets</b>	<b>4 662</b>	<b>5 836</b>	<b>6 906</b>
Intangible assets	3 115	4 000	4 777
Tangible assets	251	439	773
Financial assets	1 296	1 397	1 356
<b>Current Assets</b>	<b>10 773</b>	<b>3 715</b>	<b>4 519</b>
Stocks and contracts in progress	3 137	191	329
Accounts receivable within one year	6 385	2 555	2 681
Cash & cash investments	1 227	963	1 485
Deferred charges and accrued income	24	6	24
<b>Total Assets</b>	<b>15 435</b>	<b>9 551</b>	<b>11 425</b>
<b>Liabilities</b>			
Thousands EUR			
<b>Capital and reserves</b>	<b>(15 716)</b>	<b>(8 138)</b>	<b>4 493</b>
Capital	4 739	4 125	12 232
Share premium	2 886	0	58 944
Legal reserve	612	612	612
Profit/(loss) carried forward	(23 953)	(12 875)	(67 295)
<b>Provisions</b>	<b>46</b>	<b>0</b>	<b>98</b>
<b>Creditors</b>	<b>31 105</b>	<b>17 689</b>	<b>6 834</b>
Long term financial liabilities	18 039	9 000	7
Amounts payable within one year	12 471	8 022	6 693
Accrued charges and deferred income	595	667	134
<b>Total liabilities</b>	<b>15 435</b>	<b>9 551</b>	<b>11 425</b>

On a balance sheet total of EUR 15.4 million, the total equity as of 31 December 2014 amounted EUR (15.7) million.

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

abbreviated profit and loss account

	2014	2013	2012
Thousands EUR			
<b>I. Revenues</b>	<b>8 822</b>	<b>7 459</b>	<b>36 069</b>
Turnover	4 607	1 200	28 420
Increase (decrease) in stocks in finished goods, work and contracts in progress	-	-	160
Capitalized development costs	2 348	2 788	3 925
Other operating income (mainly intercompany transactions)	1 867	3 471	3 564
<b>II. Operating charges</b>	<b>18 418</b>	<b>19 589</b>	<b>34 233</b>
Raw materials, consumables and goods for resale	2 390	279	870
Services and other goods	6 344	7 404	13 257
Remuneration, social security costs and pensions	6 275	7 774	8 961
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	3 421	3 821	5 108
Increase, decrease in amounts written off stocks, contracts	-	-	-
Contracts in progress and trade debtors	( 76)	276	6 086
Provision for contingencies	46	( 98)	( 70)
Other operating charges	18	133	21
<b>III. Operating profit/(loss)</b>	<b>(9 596)</b>	<b>(12 130)</b>	<b>1 836</b>
<b>IV. Financial income</b>	<b>21</b>	<b>17</b>	<b>215</b>
<b>V. Financial charges</b>	<b>(1 397)</b>	<b>( 505)</b>	<b>( 197)</b>
<b>VI. Profit/(loss) on ordinary activities before taxes</b>	<b>(10 971)</b>	<b>(12 618)</b>	<b>1 854</b>
<b>VII. Exceptional income</b>	<b>-</b>	<b>98</b>	<b>-</b>
<b>VIII. Exceptional charges</b>	<b>( 100)</b>	<b>( 103)</b>	<b>(6 187)</b>
<b>IX. Profit/(loss) for the period before taxes</b>	<b>(11 071)</b>	<b>(12 623)</b>	<b>(4 333)</b>
<b>X. Income tax expense</b>	<b>7</b>	<b>8</b>	<b>10</b>
<b>XIII. Profit/(loss) for the period available for appropriation</b>	<b>(11 078)</b>	<b>(12 631)</b>	<b>(4 343)</b>
abbreviated appropriation account (According to Belgian accounting standards)			
Thousands EUR			
Profit/(loss) to be appropriated	(12 875)	(67 295)	(62 952)
Profit/(loss) for the period available for appropriation	(11 078)	(12 631)	(4 343)
Capital decrease, by incorporation of reserves	-	67 051	-
Profit/(loss) carried forward from previous year	(23 953)	(12 875)	(67 295)

## 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 1<sup>st</sup> 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:

- o An asset is developed that can be identified;
- o It is probable that the asset developed will generate future economic benefits; and
- o 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 2014. Transactions are converted at the daily exchange rate.

Exchange differences have been disclosed in the annual accounts as follows:

- o Positive exchange results in caption IV. Financial income of the profit and loss account;
- o 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/14	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%

\*This company is under "liquidation judiciaire" since 31 December 2014.

### STATEMENT OF CAPITAL

Issued Capital 31/Dec/14	Amounts (in EUR)	Number of shares
At the end of the preceding period	4 124 930	82 498 592
At the end of the period	4 738 965	94 779 290

#### Authorized capital

On 31 December 2014 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 2012-2014 on Euronext

	2014	2013	2012
Number of shares outstanding	94 779 290	82 498 592	82 498 592
Year-end share price	0.29	0.29	0.31
Market capitalization (million)	27	24	26
Share price High	0.78 (May 5, 2014)	0.34 (January 14, 2013)	0.84 (February 22, 2012)
Share price Low	0.26 (March 13, 2014)	0.19 (May 17, 2013)	0.29 (January 2, 2012)
Free float	84.38 %	82.05%	82.05%

During 2014, a total of 119 641 705 shares were traded on Euronext on 255 trading days, meaning an average for the year of 469 183 shares per day.

## 7.3. Financial calendar

Option intends to release its biannual financial information in 2015 on the following date – before market hours:

- Half Year 2015 results & Interim Financial Report: Thursday August 27, 2015

General Meeting of Shareholders 2015: Friday May 29, 2015 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](mailto: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, 2014 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, 2014 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 27, 2015

Frank Deschuytere  
CEO  
Option NV

Christine Pollie  
CFO  
Option NV

## 9. INFORMATION SHEET BY END 2014

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	<a href="mailto:investor@option.com">investor@option.com</a>
WEBSITE	<a href="http://www.option.com">www.option.com</a>
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	4 738 965 EUR
NUMBER OF SHARES	94 779 290
ANNUAL MEETING	Last business day of May
LISTING	Euronext – continuumarketStock – 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.

### **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.

### **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:

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

### Employment

We will not engage in any of the following activities:

- o use of children under the legal age for employment
- o use of forced, bonded or compulsory labour

### Discrimination

We will not discriminate against our employees in any of the following areas:

- o on the grounds of race, colour, sex, sexual orientation, religion, political opinion, age or nationality
- o 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:

- o have ethical standards that do not compromise any of the above
- o 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.

**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](http://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 which 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 which any such statement is based, unless such statement is required pursuant to applicable laws and regulations.