BRIGHTPOINT INC
Form 10-Q/A
November 25, 2003

UNITED STATES
SECURITIES & EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A
(AMENDMENT NO. 1)

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2003

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: ________________________ to ____________________

Commission file number: 0-23494

BRIGHTPOINT, INC.

(Exact name of registrant as specified in its charter)

Delaware | 35-177856

State or other jurisdiction of incorporation or organization | (I.R.S. Employer Identifica

501 Airtech Parkway, Plainfield Indiana | 46

(Address of principal executive offices) | (Zip

(317) 707-2355

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act) Yes [ ] No [X]

Number of shares of the registrant's common stock outstanding at May 12, 2003: 8,024,343 shares

BRIGHTPOINT, INC.
INDEX

		Page No.
PART I.	FINANCIAL INFORMATION	
	ITEM 1	
	Consolidated Statements of Operations Three Months Ended March 31, 2003 and 2002	3
	Consolidated Balance Sheets March 31, 2003 and December 31, 2002	4
	Consolidated Statements of Cash Flows Three Months Ended March 31, 2003 and 2002	5
	Notes to Consolidated Financial Statements	6
	ITEM 2	
	Management's Discussion and Analysis of Financial Condition and Results of Operations	25
	ITEM 3	
	Quantitative and Qualitative Disclosures About Market Risk	43
	ITEM 4	
	Controls and Procedures	43
PART II.	OTHER INFORMATION	
	ITEM 1	
	Legal Proceedings	44
	ITEM 5	
	Other Information	45
	ITEM 6	
	Exhibits	45
	Reports on Form 8-K	45
	Signatures	46

BRIGHTPOINT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED MARCH	
	2003	200
Revenue	$ 340,190	$ 295,
Cost of revenue	321,393	278,
Gross profit	18,797	16,
Selling, general and administrative expenses	16,111	18,
Facility consolidation charge	4,280	
Operating loss from continuing operations	(1,594)	(2,
Interest expense	371	2,
Loss on extinguishment of debt	265	
Other expenses	746	
Loss from continuing operations before income taxes	(2,976)	(4,
Income tax benefit	(716)	(1,
Loss from continuing operations	(2,260)	(3,
Discontinued operations:		
Loss from discontinued operations	(273)	(4,
Gain (loss) on disposal of discontinued operations	(315)	
Total discontinued operations	(588)	(3,
Loss before cumulative effect of a change in accounting principle	(2,848)	(7,
Cumulative effect of a change in accounting principle, net of tax	-	(40,
Net loss	$ (2,848)	$ (47,
Basic per share:		
Loss from continuing operations	$ (0.28)	$ (0
Discontinued operations	(0.07)	(0
Cumulative effect of a change in accounting principle, net of tax	-	(5
Net loss	$ (0.35)	$ (6
Diluted per share:		
Loss from continuing operations	$ (0.28)	$ (0
Discontinued operations	(0.07)	(0
Cumulative effect of a change in accounting principle, net of tax	-	(5
Net loss	$ (0.35)	$ (6
Weighted average common shares outstanding:		
Basic	8,023	7,

Diluted	8,023	7,

See accompanying notes.

BRIGHTPOINT, INC.
CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	MARCH 31, 2003	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 44,642	$ 43,798
Pledged cash	14,332	14,734
Accounts receivable (less allowance for doubtful accounts of $5,501 in 2003 and $5,328 in 2002)	99,574	111,771
Inventories	77,023	73,472
Contract financing receivable	18,811	16,960
Other current assets	12,390	12,867
Total current assets	266,772	273,602
Property and equipment	32,738	35,696
Goodwill and other intangibles	15,298	14,153
Other assets	12,480	12,851
Total assets	$ 327,288	$ 336,302
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 139,657	$ 129,621
Accrued expenses	46,924	48,816
Unfunded portion of contract financing receivable	19,502	22,102
Line of credit, short-term	49	51
Convertible notes, short-term	71	12,017
Total current liabilities	206,203	212,607
Long-term liabilities:		
Line of credit	8,356	10,052
Total long-term liabilities	8,356	10,052
COMMITMENTS AND CONTINGENCIES		
Stockholders' equity:		
Preferred stock, $0.01 par value: 1,000 shares		

authorized; no shares issued or outstanding	-	-
Common stock, $0.01 par value: 100,000 shares authorized; 8,024 and 8,021 issued and outstanding in 2003 and 2002, respectively	80	80
Additional paid-in capital	214,641	214,624
Retained earnings (deficit)	(92,314)	(89,466)
Accumulated other comprehensive loss	(9,678)	(11,595)
Total stockholders' equity	112,729	113,643
Total liabilities and stockholders' equity	$ 327,288	$ 336,302

See accompanying notes.

BRIGHTPOINT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

	THREE MONTHS ENDED MARCH	
	2003	200
OPERATING ACTIVITIES		
Net loss	$ (2,848)	$(47,
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	3,387	2,8
Amortization of debt discount	33	1,
Pledged cash requirements	402	(15,
Cumulative effect of a change in accounting principle, net of tax	-	40,
Loss on debt extinguishment	265	
Discontinued operations	588	3,
Facility consolidation charge	4,280	
Changes in operating assets and liabilities, net of effects from acquisitions and divestitures:		
Accounts receivable	15,322	22,
Inventories	(2,119)	41,
Other operating assets	622	2,
Accounts payable and accrued expenses	(4,850)	(65,
Net cash used by discontinued operations	(114)	(3,
Net cash provided (used) by operating activities	14,968	(18,
INVESTING ACTIVITIES		
Capital expenditures	(1,291)	(3,
Purchase acquisitions, net of cash acquired	(735)	
Decrease in funded contract financing receivables	1,582	12,
Decrease in other assets	195	
Net cash provided (used) by investing activities	(249)	9,
FINANCING ACTIVITIES		

Net payments on revolving credit facilities	(2,386)	(
Repurchase of convertible notes	(11,980)	
Proceeds from common stock issuances under employee stock option and purchase plans	17	
Net cash used by financing activities	(14,349)	(
Effect of exchange rate changes on cash and cash Equivalents	474	
Net increase (decrease) in cash and cash equivalents	844	(9,
Cash and cash equivalents at beginning of period	43,798	58,
Cash and cash equivalents at end of period	$ 44,642	$ 48,

See accompanying notes.

BRIGHTPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003
(UNAUDITED)

1. Basis of Presentation

GENERAL

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities Exchange Act of 1934. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results are likely to differ from those estimates, but management does not believe such differences will materially affect the Company's financial position or results of operations. In the opinion of the Company, all adjustments considered necessary to present fairly the consolidated financial statements have been included.

The Consolidated Financial Statements include the accounts of the Company and its wholly-owned or controlled subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation. Certain amounts in the 2002 Consolidated Financial Statements have been reclassified to conform to the 2003 presentation.

The consolidated balance sheet at December 31, 2002 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The unaudited consolidated statements of operations for the three months ended March 31, 2003 and the unaudited consolidated statement of cash flows for the three months ended March 31, 2003 are not necessarily indicative of the operating results or cash flows that may be expected for the entire year.

In the first quarter of 2003, the Company experienced a decrease in revenue as well as a reduction in wireless device units handled when compared to the fourth quarter of 2002. This reduction is primarily due to timing of local holidays that caused fourth quarter revenue and units handled to generally be seasonally higher than other quarters throughout the year. Due to these seasonal factors, the Company's interim results may not be indicative of annual results.

The Company has not changed its significant accounting policies from those disclosed in its Form 10-K/A for the year ended December 31, 2002.

For further information, reference is made to the audited Consolidated Financial Statements and the notes thereto included in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2002.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

On April 30, 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities ("SFAS No. 149"). SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133 and is to be applied prospectively to contracts entered into or modified after June 30, 2003. The Company is currently evaluating the effects, if any, that this standard will have on its results of operations and financial position.

In 2003, the Financial Accounting Standards Board issued Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities. FIN 46 defines a variable interest entity (VIE) as a corporation, partnership, trust or any other legal structure that does not have equity investors with a controlling financial interest or has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN 46 requires consolidation of a VIE by the primary beneficiary of the assets, liabilities, and results of activities effective for 2003. FIN 46 also requires certain disclosures by all holders of a significant variable interest in a VIE that are not the primary beneficiary. The broad-based effective date of FIN 46 is deferred for public companies until the end of periods ending after December 15, 2003. The Company does not believe the issuance of FIN No. 46 will have material impact on its financial position or results of operations.

In 2002, the Financial Accounting Standards Board issued Interpretation No. 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 requires guarantees to be recorded at fair value and requires a guarantor to make significant new disclosure, even when the likelihood of making any payments under the guarantee is remote. FIN 45's initial recognition and initial measurement provisions are applicable on a prospective basis to the guarantees issued or modified after December 31, 2002. However, its disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002.

The Company has issued certain guarantees on behalf of its subsidiaries with

regard to lines of credit and long-term debt, for which the liability is recorded in the Company's financial statements. Although the guarantees relating to lines of credit and long-term debt are excluded from the scope of FIN 45, the nature of these guarantees and the amount outstanding are described in footnote 8 to the consolidated financial statements.

In some circumstances, the Company purchases inventory with payment terms requiring letters of credit. As of March 31, 2003, the Company has issued $16.3 million in standby letters of credit. These standby letters of credit are generally issued for a one-year term and are supported by either availability under the Company's credit facilities or cash deposits. The underlying

obligations for which these letters of credit have been issued are recorded in the financial statements at their full value. Should the Company fail to pay its obligation to one or all of these suppliers, the suppliers may draw on the standby letter of credit issued for them. The maximum future payments under these letters of credit are $16.3 million.

Additionally, the Company has issued certain guarantees on behalf of its subsidiaries with regard to accounts receivable transferred, the nature of which is described is described in footnote 6. While the Company does not currently anticipate the funding of these guarantees, the maximum potential amount of future payments under these guarantees at March 31, 2003 is approximately $17.7 million.

The Company's Certificate of Incorporation and By-laws provide for it to indemnify its officers and directors to the extent permitted by law. In connection therewith, the Company entered into indemnification agreements with its executive officers and directors. In accordance with the terms of these agreements, the Company reimbursed certain of its current and former executive officers and intends to reimburse its officers and directors for their personal legal expenses arising from certain pending litigation and regulatory matters. During the three months ended March 31, 2003, pursuant to their respective indemnification agreements with Brightpoint, Inc. and the Company's Certificate of Incorporation and By-laws, approximately $1 thousand and $2 thousand in legal fees were paid on behalf of John P. Delaney, the Company's former Chief Accounting Officer, and Phillip A. Bounsall, the Company's former Chief Financial Officer, respectively. No legal fees were paid on behalf of John P. Delaney and Phillip A. Bounsall during the three months ended March 31, 2002.

In June of 2002, the FASB issued Statement of Financial Accounting Standards No. 146, Accounting for Costs Associated with Exit or Disposal Activities (SFAS No.146). SFAS No. 146 nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). SFAS No. 146 generally requires companies to recognize costs associated with exit activities when they are incurred rather than at the date of a commitment to an exit or disposal plan and is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The Company applied the provisions of SFAS No. 146 during the first quarter of 2003 based upon its decision to consolidate its call center activities and close its Richmond, California call center. See Note 2 to the Consolidated Financial Statements.

In April of 2002, the FASB issued Statement of Financial Accounting Standards No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections ("SFAS No. 145"). SFAS No. 145 rescinds both FASB Statement No. 4, Reporting Gains and Losses from Extinguishment of Debt ("FASB Statement No. 4"), and an amendment to that Statement, FASB Statement No.64, Extinguishments of Debt Made to Satisfy Sinking Fund Requirements ("FASB Statement No. 64"). FASB Statement No. 4 required that all

gains and losses from the extinguishment of debt be aggregated and, if material, be classified as an extraordinary item, net of the related income tax effect. Upon the adoption of SFAS No. 145, all gains and losses on the extinguishment of debt for periods presented in the financial statements would be classified as extraordinary items only if they meet the criteria in APB Opinion No. 30, Reporting the Results of Operations - Reporting the Effects of disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions (APB No. 30). The provisions of SFAS No. 145 related to the rescission of FASB Statement No. 4 and FASB Statement No. 64 shall be applied for fiscal years beginning after May 15, 2002. The Company adopted SFAS No. 145 on January 1, 2003 and classified amounts previously reported as extraordinary gains or losses on debt extinguishment as a separate line item before Income from Continuing Operations for all periods presented. The provisions of SFAS No. 145 related to the rescission of FASB Statement No. 44, the amendment of FASB Statement No. 13 and Technical Corrections became effective as of May 15, 2002 and did not have a material impact on the Company.

NET LOSS PER SHARE

Basic net loss per share is based on the weighted average number of common shares outstanding during each period, and diluted net loss per share is based on the weighted average number of common shares and dilutive common share equivalents outstanding during each period. The Company's common share equivalents consist of stock options and the Convertible Notes described in Note 8 to the Consolidated Financial Statements. At March 31, 2003 and 2002, the Company's net losses resulted in no dilution of shares, therefore, no reconciliation has been provided.

STOCK OPTIONS

The Company uses the intrinsic value method to account for stock options as opposed to the fair value method. Under the intrinsic value method, no compensation expense has been recognized for stock options granted to employees. The table below presents a reconciliation of the Company's pro forma net loss giving effect to the estimated compensation expense related to stock options that would have been reported if the Company utilized the fair value method (in thousands, except per share data):

	THREE MONTHS E
	2003

Net loss as reported	$ (2,848)
Stock-based employee compensation cost, net of related tax effects, that would have been included in the determination of net loss if the fair value method had been applied	(267)
Pro forma net loss	$ (3,115)

BRIGHTPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2003
(UNAUDITED)

	THREE MONTHS E 2003
Basic and diluted per share:	
Net loss	$ (0.35)
Stock-based employee compensation cost, net of related tax effects, that would have been included in the determination of net loss if the fair value method had been applied	(0.04)
Pro forma net loss	$ (0.39)

COMPREHENSIVE LOSS

Comprehensive loss is comprised of net loss and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized losses on derivative financial instruments and gains or losses resulting from currency translations of foreign investments. The details of comprehensive loss for the three months ended March 31, 2003 and 2002 are as follows:

	THREE MONTHS ENDED MARCH 31 2003	2002
Net loss	$ (2,848)	$(47,953)
Unrealized loss on derivatives	-	(50)
Foreign currency translation amounts	1,917	(693)
Comprehensive loss	$ (931)	$(48,696)

2. Facility Consolidation Charge

During the first quarter of 2003, the Company began to consolidate its Richmond, California call center operation into its Plainfield, Indiana facility to reduce costs and increase productivity and profitability in its Americas division. The

Company intends to seek a sub-lease of the Richmond, California facility. The facility consolidation affects the Company's Americas reporting segment. The Company recorded a pre-tax charge of $4.3 million which includes approximately $2.8 million for the present value of estimated lease costs, net of an anticipated sublease, non-cash losses on the disposal of assets of approximately $1.1 million and severance and other costs of approximately $0.4 million. At March 31, 2003, the Company had $3.2 million of reserves related to the facility consolidation. In the second quarter of 2003, the Company anticipates it will complete the consolidation and will record additional amounts of up to $0.2 million relating to severance and other costs associated with the facility consolidation. Total cash outflows relating to the charge were approximately $0.05 million in the first quarter of 2003 and are expected to be approximately $0.7 million in the second quarter of 2003. Additional expenses may be incurred if the Company is unable to find a sublessee for the Richmond, California facility. The details of the charge are presented below (in thousands):

	Quarter Ended March 31, 2003
Cash Items:	
Lease termination costs	$2,829
Employee termination costs	173
Other exit costs	176
Total cash items	3,178
Non-cash items:	
Disposal of fixed assets	$1,102
Total non-cash items	1,102
Total consolidation charge	$4,280

The reserve activity for facility consolidation as of March 31, is as follows (in thousands):

Facility Consolidation Charge Reserve	Lease Termination Costs	Fixed Assets	Employee Termination Costs	Other Exit Costs	Tot
January 1, 2003	$ -	$ -	$ -	$ -	$
Provisions	2,829	1,102	173	176	4
Non-cash usage	-	(1,102)	-	-	(1
March 31, 2003	2,829	-	173	176	3

3. Discontinued Operations

The Company adopted Statement of Financial Accounting Standards No. 144 (SFAS No. 144) at the beginning of 2002. In connection with the adoption of SFAS No. 144, the results of operations and related disposal costs, gains and losses for business units that we have eliminated or sold are classified in discontinued operations, for all periods presented.

During the fourth quarter of 2002, the Company and certain of its subsidiaries sold certain operating assets of Brightpoint de Mexico, S.A. de C.V. and their respective ownership interests in Servicios Brightpoint de Mexico, S.A. de C.V. to Soluciones Inteligentes para el Mercado Movil, S.A. de C.V., an entity which is wholly-owned and controlled by Brightstar de Mexico S.A. de C.V. Pursuant to the transaction, the Company received cash consideration totaling approximately $1.7 million and a short-term promissory note from Soluciones Inteligentes para el Mercado Movil, S.A. de C.V. totaling approximately $1.1 million that matured in December 2002. The repayment of the promissory note was guaranteed by Brightstar de Mexico S.A. de C.V. The Company recorded a net loss on the transaction of $2.2 million in 2002, which included

a $3.5 million non-cash write-off of cumulative foreign currency translation adjustments and $3.4 million in tax benefits to be realized pursuant to the transaction. In addition, during the fourth quarter of 2002, the Company committed to a plan to sell its Puerto Rico operations, which sale was completed in February of 2003. Consequently, the financial results of Puerto Rico are presented in the Consolidated Statement of Operations as "Discontinued Operations."

During the third quarter of 2002, the Company and certain of its subsidiaries sold their respective ownership interests in Brightpoint Middle East FZE, and its subsidiary Fono Distribution Services LLC, and Brightpoint Jordan Limited to Persequor Limited, an entity controlled by the former Managing Director of the Company's operations in the Middle East and certain members of his management team. Pursuant to the transaction, the Company received two subordinated promissory notes with face values of $1.2 million and $3.0 million that mature in 2004 and 2006, respectively. The notes bear interest at 4% per annum and were recorded at a discount to face value for an aggregate carrying amount at December 31, 2002 of $3.4 million. In addition, under the Sale and Purchase Agreement, the Company may receive additional proceeds, which are contingent upon collection of accounts receivable from a certain customer. The Company received $0.3 million in contingent consideration during the fourth quarter of 2002 related to the transaction. There can be no assurance the Company will receive any additional proceeds. The Company recorded an initial loss on the transaction of $1.6 million, including the recognition of accumulated foreign currency translation gains of $0.3 million. This loss and the results of operations of the Company's former Middle East operations are reflected in discontinued operations and prior periods have been reclassified accordingly. Concurrent with the completion of this transaction, $5 million of cash, which was pledged by Brightpoint Holdings B.V. to support letters of credit utilized by the Company's operations in the Middle East, was released and was classified as unrestricted. The Company has paid and will pay management fees, including performance based bonuses, to Persequor for providing management services relating to the Hong Kong-based sales activities of Brightpoint Asia Limited which the Company retained pursuant to the transaction.

During 2001, the Company's board of directors approved a restructuring plan (2001 Restructuring Plan) that the Company began to implement in the fourth quarter of 2001. The primary goal in adopting the 2001 Restructuring Plan was to better position the Company for long-term and more consistent success by improving its cost structure and divesting or closing operations in which the Company believed potential returns were not likely to generate an acceptable return on invested capital. Certain markets in which the Company operated, including Brazil, Jamaica, South Africa, Venezuela and Zimbabwe, had unusually high risk profiles due to many factors, including among other things, high importation duties, currency restrictions and volatile political and economic environments. The Company determined that the risks of operating in these markets could no longer be justified given the profitability potential of its operations in those markets, therefore, these operations were sold or otherwise discontinued

pursuant to the 2001 Restructuring Plan. During the fourth quarter of 2001, the Company completed the sale of its former operations in Jamaica (Brightpoint Jamaica Limited) pursuant to the 2001 Restructuring Plan. The Company incurred a loss on this disposal of approximately $1.3 million ($0.8 million, net of tax).

Additionally, pursuant to the 2001 Restructuring Plan, the Company completed in January 2002, through certain of its subsidiaries, the formation of a joint venture with Hong Kong-based Chinatron Group Holdings Limited ("Chinatron"). Chinatron is involved in the wireless telecommunications and data industry and, is beneficially owned, in part, by the former managing director of Brightpoint China Limited and by a former executive of Brightpoint, Inc. In addition, Jerre L. Stead, a director of Brightpoint, Inc. became and remains a director of Chinatron, pursuant to the transaction. The Company's Chairman of the Board and Chief Executive Officer, Robert J. Laikin, and the former managing director of Brightpoint China Limited were founding shareholders of Chinatron. Prior to the Company entering into the agreement to form the joint venture, Mr. Laikin, disposed of his interest in Chinatron primarily through the sale of his interest to a company owned by the former managing director of Brightpoint China Limited and by a former executive of Brightpoint, Inc. In exchange, Mr. Laikin, received the unconditional promise from their company to pay him $350,000 ($300,000 of which has been paid to date). In exchange for a 50% interest in Brightpoint China Limited pursuant to the formation of the joint venture, the Company received preference shares in Chinatron with a face value of $10 million. On April 29, 2002, the Company announced that it had completed the sale of its remaining 50% interest in Brightpoint China Limited to Chinatron. Pursuant to this transaction, the Company received additional preference shares in Chinatron with a face value of $11 million. The Company currently estimates that its aggregate amount of Chinatron preference shares have a fair value of approximately $2 million. Pursuant to these transactions, Chinatron and the Company entered into a services agreement, whereby Chinatron provides warehouse management services in Hong Kong supporting the Company's Hong Kong-based Brightpoint Asia Limited operations managed by Persequor. The Company recorded losses related to the sale of Brightpoint China Limited to Chinatron of approximately $8.5 million during the three months ended March 31, 2002. Upon adoption of SFAS 142, as discussed below, the Company reclassified these losses to cumulative effect of a change in accounting principle effective January 1, 2002 as they related to goodwill that was required to be written-off pursuant

the transitional impairment test.

The 2001 Restructuring Plan was also intended to improve the Company's cost structure and, accordingly, the Company's former North America and Latin America divisions were consolidated in 2001 and are managed as one division, referred to as the Americas. Warehouse and logistics functions formerly based in Miami were transferred to Indianapolis and the warehouse in Miami was closed. Additionally the Company's operations and activities in Germany, the Netherlands and Belgium, including regional management, were consolidated into a new facility in Germany. In total, the 2001 Restructuring Plan resulted in a headcount reduction

of approximately 350 employees across most areas of the Company, including marketing, operations, finance and administration. In addition, the Miami business and its sales office were closed during the second quarter of 2002. This closure is reflected in discontinued operations and prior periods have been reclassified accordingly.

For the three months ended March 31, 2003 and 2002, discontinued operations experienced net losses of $0.3 million and $4.3 million, respectively, on revenue of $0.3 million and $56.0 million, respectively. In addition, these operations also experienced a net loss on disposal of discontinued operations of approximately $0.3 million during the three months ended March 31, 2003 and a net gain of $0.4 million during the three months ended March 31, 2002. As of March 31, 2003 the actions called for by the 2001 Restructuring Plan were substantially complete, however, the Company expects to continue to record adjustments through discontinued operations as necessary.

Further details of discontinued operations are as follows (in millions):

	THREE MONTHS ENDED MARCH 31	
	2003	2002
Revenue	$ 0.3	$ 56.0
Net operating loss	$ (0.1)	$ (4.5)
Restructuring Plan charges	(0.4)	0.6
Net loss related to Mexico sale	(0.1)	-
Total discontinued operations	$ (0.6)	$ (3.9)

At March 31, 2003, the Company had approximately $0.9 million in restructuring reserves related to the 2001 Restructuring Plan.

Net assets related to discontinued operations are classified in the Consolidated Balance Sheet at March 31, 2003 as follows (in millions):

Total current assets	$ 7.8
Other non-current assets	0.1
Total assets	$ 7.9

BRIGHTPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2003
(UNAUDITED)

Accounts payable	$ 0.6
Accrued expenses and other liabilities	3.3
Total liabilities	$ 3.9

4. Cumulative Effect of a Change in Accounting Principle

As of January 1, 2002, the Company adopted SFAS No. 142. Pursuant to the provisions of SFAS 142 the Company stopped amortizing goodwill as of January 1, 2002 and performs an impairment test on its goodwill at least annually. During the second quarter of 2002, the Company completed the transitional impairment test required under SFAS No. 142. The initial step of the impairment test was to identify potential goodwill impairment by comparing the fair value of the Company's reporting units to their carrying values including the applicable goodwill. These fair values were determined by calculating the discounted free cash flow expected to be generated by each reporting unit taking into account what the Company considers to be the appropriate industry and market rate assumptions. If the carrying value exceeded the fair value, then a second step was performed, which compared the implied fair value of the applicable reporting unit's goodwill with the carrying amount of that goodwill, to measure the amount of goodwill impairment, if any. As a result of the initial transitional impairment test, the Company recorded an impairment charge of approximately $40.7 million during the first quarter of 2002, which is presented as a cumulative effect of a change in accounting principle, net of tax, for the three months ended March 31, 2003. On October 1, 2002, the Company performed the required annual impairment test on its remaining goodwill and incurred no significant additional impairment charges.

In addition to performing the required transitional impairment test on the Company's goodwill, SFAS No. 142 required the Company to reassess the expected useful lives of existing intangible assets including patents, trademarks and trade names for which the useful life is determinable. At March 31, 2003, these intangibles total $1.4 million, net of accumulated amortization of $0.9 million and are currently being amortized as required by SFAS 142 over three to five years at approximately $0.4 million per year. The Company incurred no impairment charges as a result of SFAS No. 142 for intangibles with determinable useful lives which are subject to amortization.

The changes in the carrying amount of goodwill by operating segment for the three months ended March 31, 2003 are as follows (in thousands):

BRIGHTPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2003
(UNAUDITED)

	Europe	Asia-Pacific	Total
Balance at December 31, 2002	$ 12,778	$ 280	$ 13,058
Goodwill from acquisitions	307	-	307
Effects of foreign currency fluctuation and other	480	15	495
Balance at March 31, 2003	$ 13,565	$ 295	$ 13,860

5. Accounts Receivable Transfers

During the three months ended March 31, 2003 and 2002, the Company entered into certain transactions or agreements with banks and other third-party financing organizations in France, Ireland, Sweden, Australia and Mexico with respect to a portion of its accounts receivable in order to reduce the amount of working capital required to fund such receivables. These transactions have been treated as sales pursuant to current accounting principles generally accepted in the United States and, accordingly, are accounted for as off-balance sheet arrangements.

Net funds received from the sales of accounts receivable during the three months ended March 31, 2003 and 2002 totaled $58.1 million and $40.7 million, respectively. Fees, in the form of discounts, incurred in connection with these sales totaled $0.4 million and $0.9 million during the three months ended March 31, 2003 and 2002, respectively, and were recorded as losses on the sale of assets. Approximately $0.4 million and $0.2 million during the three months ended March 31, 2003 and 2002, respectively, of these fees relate to continuing operations and are included as a component of "Other expenses" in the Consolidated Statements of Operations. The remainder of the fees during the three months ended March 31, 2002 relate to the Company's former Mexico operation and are included in net loss from discontinued operations in the Consolidated Statements of Operations. The Company is the collection agent on behalf of the bank or other third-party financing organization for many of these arrangements and has no significant retained interests or servicing liabilities related to accounts receivable that it has sold. The Company may be required to repurchase certain accounts receivable sold in certain circumstances, including, but not limited to, accounts receivable in dispute or otherwise not collectible, accounts receivable in which credit insurance is not maintained and a violation of, the expiration or early termination of the agreement pursuant to which these arrangements are conducted. These agreements require the Company's subsidiaries to provide collateral in the form of pledged assets and/or in certain situations the Company may provide a guarantee of its subsidiaries obligations. Pursuant to these arrangements, approximately $24.2 million and $30.1 million of trade accounts receivable were sold to and held by banks and other third-party financing institutions at March 31, 2003 and December 31, 2002, respectively.

BRIGHTPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2003
(UNAUDITED)

The Company offers financing of inventory and receivables to certain network operator customers and their authorized dealer agents and wireless equipment manufacturers under contractual arrangements. Under these arrangements, the Company records the accounts receivable from sales on behalf of these customers and inventory and accounts payable for product purchased under these arrangements, however, the Company has the ability to require these customers, subject to certain limitations, to assume the accounts receivable or repurchase the inventory that we have purchased on their behalf. Consequently, the Company is financing these receivables and inventory and has a receivable from these customers for amounts it has financed. The amount financed pursuant to these arrangements is recorded as a current asset under the caption "Contract financing receivables" and any trade accounts payable pursuant to the arrangements is recorded as a current liability under the heading "Unfunded portion of contract financing receivable." The Company charges a fee for providing these contract financing services and records revenue for these integrated logistics services at the amount of the net margin rather than the gross amount of the transactions. In addition, the Company has commitments under certain contracts to provide inventory financing for these customers pursuant to various limitations and provisions as defined in the applicable service agreements. At March 31, 2003 and December 31, 2002, contract financing receivables of $18.8 million and $17.0 million, respectively, included $6.1 million and $5.5 million, respectively, of wireless products located at the Company's facilities. In addition, at March 31, 2003 and December 31, 2002, the Company had $19.5 million and $22.1 million, respectively, in vendor payables related to purchases made for these arrangements which it considers to be the unfunded portion of these receivables.

The Company's contract financing activities are provided to wireless network operators and their authorized dealer agents and wireless equipment manufacturers located primarily throughout the United States. Decisions to grant credit under these arrangements are generally at the discretion of the Company, are made within guidelines established by the wireless network operators and wireless equipment manufacturers and are subject to the Company's normal credit granting and ongoing credit evaluation process.

6. Acquisitions and Divestitures

See Note 3 to the Consolidated Financial Statements for discussions of the Company's divestiture activities during 2002.

During the first quarter of 2003, the Company acquired certain net assets of three entities that provide activation and other services to the wireless telecommunications industry in France. The purpose of these acquisitions was to expand the Company's customer base and geographic presence in France. These transactions were accounted for as purchases and, accordingly, the Consolidated Financial Statements include the operating results of these businesses from the effective dates of the acquisitions. The combined purchase price consisted of $0.6 million in

BRIGHTPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

cash. As a result of these acquisitions, the Company recorded goodwill and other intangible assets totaling approximately $0.7 million.

7. Lines of Credit and Long-term Debt

On March 11, 1998, the Company completed the issuance of zero-coupon, subordinated, convertible notes due in the year 2018 (Convertible Notes) with an aggregate face value of $380 million ($1,000 per Convertible Note) and a yield to maturity of 4.00%. The Convertible Notes were subordinated to all existing and future senior indebtedness of the Company and all other liabilities, including trade payables of the Company's subsidiaries. The Convertible Notes resulted in gross proceeds to the Company of approximately $172 million (issue price of $452.89 per Convertible Note) and required no periodic cash payments of interest. The proceeds were used initially to reduce borrowings under the Company's revolving credit facility and to invest in highly-liquid, short-term investments pending use in operations.

In the first quarter of 2003, the Company repurchased 21,803 of the 21,932 Convertible Notes then outstanding. Of the repurchased Convertible Notes, 4,201 were repurchased pursuant to the exercise of a put option on March 11, 2003 by the holders of the Convertible Notes that required the Company to repurchase outstanding Convertible Notes at an accreted value of approximately $552 per Convertible Note. The aggregate purchase price for all of these repurchases was $12 million ($549 per Convertible Note) which approximated their accreted value. As of March 31, 2003 the Company had repurchased all but 129 Convertible Notes outstanding with an accreted value of approximately $0.07 million. On April 30, 2003, the Company redeemed all of the remaining Convertible Notes.

On October 31, 2001, the Company's primary North American operating subsidiaries, Brightpoint North America L.P. and Wireless Fulfillment Services, LLC (the Borrowers), entered into a new revolving credit facility, with General Electric Capital Corporation (GE Capital) which was amended on December 21, 2001, September 27, 2002, December 13, 2002, and March 27, 2003 (the Revolver) to provide capital for its North American operations. GE Capital acted as agent for a syndicate of banks (the Lenders). The Revolver replaces the Company's former Bank One multicurrency facility, does not prohibit the Company from borrowing additional funds outside of the United States and expires in October of 2004. The Revolver provides borrowing availability, subject to borrowing base calculations and other limitations, of up to a maximum of $70 million and currently bears interest, at the Borrowers' option, at the prime rate plus 1.50% or LIBOR plus 3.00%. The applicable interest rate that the Borrowers are subject to can be adjusted quarterly based upon certain financial measurements defined in the Revolver. The Revolver is guaranteed by Brightpoint, Inc. and is secured by, among other things, all of the Borrowers' assets in North America. The Company also has pledged certain intellectual property and the capital stock of certain of its subsidiaries as collateral for the Revolver. The Revolver is a secured asset-based facility where a borrowing base is calculated periodically using

eligible accounts receivable and inventory, subject to certain adjustments.

Eligible accounts receivable and inventories fluctuate over time which can increase or decrease borrowing availability. The terms of the Revolver include negative covenants that, among other things, limit the Borrowers' ability to sell certain assets and make certain payments outside the normal course of business, as well as prohibit us from amending the terms of the Convertible Notes or the Company's distribution agreement with Nokia Inc. in the United States without the prior written consent of GE Capital. The provisions of the Revolver are such that if the Company's borrowing availability falls between $12.5 million and $10.0 million, the Company is subject, during such time, to a minimum fixed charge coverage ratio as defined in the Revolver. If the Company's borrowing availability falls below $10.0 million, the Company is then subject at all times thereafter to a minimum fixed charge coverage ratio as defined in the Revolver. The provisions of the Revolver require the Company to maintain at all times a minimum borrowing availability of $7 million. Any of the following events could cause the Company to be in default under the Revolver, including but not limited to, (i) the expiration or termination of the Company's distribution agreement in the United States with Nokia Inc., (ii) a change in control of the Company, (iii) failure to maintain a tangible net worth, subject to certain adjustments, of at least $75 million, (iv) the borrowing availability under the Revolver falling below $7 million or (v) the violation of the fixed charge coverage ratio, if applicable. In the event of default, the Lenders may (i) terminate all or a portion of the Revolver with respect to further advances or the incurrence of further letter of credit obligations, (ii) declare all or any portion of the obligations due and payable and require any and all of the letter of credit obligations be cash collateralized, or (iii) exercise any rights and remedies provided to the Lenders under the loan document or at law or equity. Additionally, the Lenders may increase the rate of interest applicable to the advances and the letters of credit to the default rate as defined in the agreement.

At March 31, 2003 and December 31, 2002, there were no amounts outstanding under the Revolver and available funding, net of the applicable required availability minimum at March 31, 2003 and December 31, 2002, was $21.4 million and $29.5 million, respectively.

In December of 2002, the Company's primary Australian operating subsidiaries, Brightpoint Australia Pty Ltd and Advanced Portable Technologies Pty Limited, entered into a revolving credit facility (the Facility) with GE Commercial Finance in Australia. The Facility, which matures in December of 2005, provides borrowing availability, subject to borrowing base calculations and other limitations, of up to a maximum amount of $50 million Australian Dollars (approximately $30.2 million U.S. Dollars at March 31, 2003). Borrowings on the Facility were used to repay borrowings under the Company's former Westpac overdraft facility and to repay intercompany loans with Brightpoint Holdings B.V., the Company's primary foreign finance subsidiary. Future borrowings under the Facility will be used for general working capital purposes. The Facility is subject to certain financial covenants, which include maintaining a minimum fixed charge coverage ratio and bears interest at the Bank Bill Swap Reference rate plus 2.9%. The Facility is a secured

asset-based facility where a borrowing base is calculated periodically using eligible accounts receivable and inventory, subject to certain adjustments. Eligible accounts receivable and inventories fluctuate over time which can

increase or decrease borrowing availability. At March 31, 2003 and December 31, 2002, there was $8.4 million and $10.1 million outstanding, respectively, under the Facility at an interest rate of approximately 7.6% at March 31, 2003 and 7.8% at December 31, 2002. At March 31, 2003 there was approximately $13.1 million of unused availability under the Facility.

Another of the Company's subsidiaries, Brightpoint Sweden AB, has a short-term line of credit facility with SEB Finans AB. The facility has borrowing availability of up to 15 million Swedish Krona (approximately $1.8 million U.S. Dollars at March 31, 2003) and bears interest at 4.5%. The facility is supported by a guarantee provided by the Company. At March 31, 2003 and December 31, 2002, there were no amounts outstanding under this facility.

At March 31, 2003 and December 31, 2002, the Company was in compliance with the covenants in its credit agreements.

Cash-secured letters of credits of approximately $13.0 million supporting the Company's Brightpoint Asia Limited and Brightpoint Philippines vendor credit lines were issued by financial institutions on behalf of the Company and are outstanding at March 31, 2003. The related cash collateral has been reported under the heading "Pledged Cash" in the Consolidated Balance Sheet.

8. Operating Segments

The Company operates in markets worldwide and has three operating segments. These operating segments represent the Company's three divisions: the Americas, Asia-Pacific and Europe. These divisions all derive revenues from sales of wireless handsets, accessory programs and fees from the provision of integrated logistics services. The divisions are managed separately because of the geographic locations in which they operate.

The Company evaluates the performance of, and allocates resources to, these segments based on operating income (loss) from continuing operations including allocated corporate selling, general and administrative expenses. As discussed in Note 2 to the Consolidated Financial Statements, during the fourth quarter of 2001 the Company implemented a restructuring plan that provided for selling or otherwise disposing of certain operations. In January of 2002, the Company adopted SFAS No. 144 which changed the presentation of discontinued operations. See Notes 1 and 2 to the Consolidated Financial Statements for further discussion. A summary of the Company's operations by segment is presented below (in thousands):

20

BRIGHTPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2003
(UNAUDITED)

	2003		2002	
	REVENUES FROM EXTERNAL CUSTOMERS	OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS	REVENUES FROM EXTERNAL CUSTOMERS	OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS

THREE MONTHS ENDED MARCH 31:				
The Americas (1)	$ 94,827	$ (3,507)	$ 131,626	$ (501)
Asia-Pacific	176,405	1,656	111,708	1,131
Europe	68,958	257	51,773	(2,937)
	$ 340,190	$ (1,594)	$ 295,107	$ (2,307)

TOTAL SEGMENT ASSETS:	MARCH 31, 2003	DECEMBER 31, 2002
The Americas (2) (3)	$146,140	$204,510
Asia-Pacific (3)	106,487	58,815
Europe (3)	74,661	72,977
	$327,288	$336,302

(1) Includes $4.3 million facility consolidation charge for the three months ended March 31, 2003, which includes approximately $2.8 million for the present value of estimated lease costs, net of an anticipated sublease, non-cash losses on the disposal of assets of approximately $1.1 million and severance and other costs of approximately $0.4 million.

(2) Includes assets of the Company's corporate operations.

(3) Includes assets held for sale or disposal of discontinued operations at March 31, 2003.

9. Contingencies

The Company and several of its executive officers and directors were named as defendants in two complaints filed in November and December 2001, in the United States District Court for the Southern District of Indiana, entitled Weiss v. Brightpoint, Inc., et. al., Cause No. IP01-1796-C-T/K; and Mueller v. Brightpoint, Inc., et. al., Cause No. IP01-1922-C-M/S. In February 2002, the Court consolidated the Weiss and Mueller actions and appointed John Kilcoyne as lead plaintiff in this action which is now known as In re Brightpoint, Inc. Securities Litigation. A consolidated amended complaint was filed in April 2002. The amended complaint, among other things, added the Company's current independent auditors as a defendant. The action is a purported class action asserted on behalf of all purchasers of the Company's publicly traded securities between January 29, 1999 and January 31, 2002.

21

BRIGHTPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2003
(UNAUDITED)

On April 29, 2003, the parties to the litigation entered into a Stipulation of Settlement. The settlement provides for the Company's insurer, under the Company's directors and officers liability policy, to pay $5,050,000. These

funds will be used to make distributions to members of the class who timely file a proof of claim, and to pay plaintiff's attorney's fees and expenses. On May 1, 2003, the Court issued an order preliminarily approving the settlement and providing for notice of the settlement to the class. A hearing on final approval of the settlement has been scheduled for July 18, 2003.

In February 2002, Nora Lee, filed a complaint in the Circuit Court, Marion County, Indiana, Derivatively on Behalf of Nominal Defendant Brightpoint, Inc., vs. Robert J. Laikin, et. al. and Brightpoint, Inc. as a Nominal Defendant, Cause No. 49C01-0202-CT-000399. The parties previously have filed a stipulation agreeing to stay all proceedings in this derivative action pending a decision on the motions to dismiss the amended complaint in the In Re: Brightpoint, Inc. Securities Litigation action.

On April 30, 2003, a Stipulation of Settlement of this derivative action was filed with the Court. The settlement provides that the Company acknowledges it has made certain changes in its corporate governance policies and agrees to pay up to $275,000 for plaintiff's attorney's fees and expenses, as may be awarded by the Court. On May 2, 2003, the Court issued an order preliminarily approving the settlement and providing for notice of settlement. A hearing on final approval of the settlement has been scheduled for July 2, 2003.

A complaint was filed on November 23, 2001 against the Company and 87 other defendants in the United States District Court for the District of Arizona, entitled Lemelson Medical, Education and Research Foundation LP v. Federal Express Corporation, et.al., Cause No. CIV01-2287-PHX-PGR. The plaintiff claims the Company and other defendants have infringed 7 patents alleged to cover bar code technology. The case seeks unspecified damages, treble damages and injunctive relief. The Court has ordered the case stayed pending the decision in a related case in which a number of bar code equipment manufacturers have sought a declaration that the patents asserted are invalid and unenforceable. That trial concluded in January 2003, but the decision may not be issued for several months. The Company disputes these claims and intends to defend vigorously this matter.

A complaint was filed against the Company on November 25, 2002 in the United States District Court for the Southern District of Indiana, entitled Chanin Capital Partners LLC v. Brightpoint, Inc., Cause No. CV-1834-JDT. The plaintiff claims the Company breached a services contract with defendant under which the plaintiff alleges it was entitled to receive both a monthly advisory fee of $125,000 and an additional fee, due under certain specified circumstances, of $1.5 million less the amount of any previously-paid monthly advisory fees. The plaintiff seeks compensatory damages in an amount including, but not limited to $1.5 million, less advisory fees paid and payable, plus unreimbursed reasonable expenses, applicable pre-judgment and post-

judgment statutory interest, and reasonable costs of the action. In addition, the plaintiff claims that it is entitled to recover $125,000 for a monthly advisory fee on a theory of account stated. The Company disputes these claims and intends to defend this matter vigorously.

The Company has responded to requests for information and subpoenas from the Securities and Exchange Commission (SEC) in connection with an investigation of

certain matters including its accounting treatment of a certain contract entered into with an insurance company. In addition, certain of the Company's officers, directors and employees have provided testimony to the SEC.

The Company is from time to time, also involved in certain legal proceedings in the ordinary course of conducting its business. While the ultimate liability pursuant to these actions cannot currently be determined, the Company believes these legal proceedings will not have a material adverse effect on its financial position.

The Company's Certificate of Incorporation and By-laws provide for it to indemnify its officers and directors to the extent permitted by law. In connection therewith, the Company has entered into indemnification agreements with its executive officers and directors. In accordance with the terms of these agreements the Company has reimbursed certain of its former and current executive officers and intends to reimburse its officers and directors for their personal legal expenses arising from certain pending litigation and regulatory matters.

The Company's subsidiary in South Africa whose operations were discontinued pursuant to the 2001 Restructuring Plan has received an assessment from the South Africa Revenue Service ("SARS") regarding value-added taxes the SARS claims are due, relating to certain product sale and purchase transactions entered into by the Company's subsidiary in South Africa from 2000 to 2002. Although the Company's liability pursuant to this assessment by the SARS, if any, cannot currently be determined, the Company believes the range of the potential liability is between $0 and $1.2 million U.S. dollars (at current exchange rates) including penalties and interest.

10. Subsequent Events

As more fully described in Note 4 to the Consolidated Financial Statements, pursuant to the sale, through certain of the Company's subsidiaries, of the Company's interests in Brightpoint Middle East FZE, its subsidiary Fono Distribution Services LLC and Brightpoint Jordan Limited to Persequor Limited, the Company could receive additional proceeds, which were contingent upon collection of accounts receivable from a certain customer. In April of 2003, the Company received an additional $1.3 in contingent consideration from Persequor Limited related to the transaction. As of April 30, 2003, there were no further amounts of additional contingent consideration due to the Company pursuant to the Sale and Purchase Agreement with Persequor Limited.

On April 30, 2003, the Company and certain other parties, including certain of the Company's officers and directors, entered into a Release Agreement with the Company's insurance carrier relating to claims made by the Company under its directors and officers insurance policy to recover costs incurred by the Company, including reimbursement for costs and expenses of certain of the Company's current and former officers and directors, relating to the shareholder litigation and investigative matters described in Note 10 to the Consolidated Financial Statements. Pursuant to the Release Agreement the Company received $1.175 million in cash and agreed, among other things, not to pursue certain claims. The settlement amount of $1.175 million will be recorded in the Consolidated Statement of Operations in the second quarter of 2003.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW AND RECENT DEVELOPMENTS

This discussion and analysis should be read in conjunction with the accompanying Consolidated Financial Statements and related notes. Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis we review our estimates and assumptions. Our estimates were based on our historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions, but we do not believe such differences will materially affect our financial position or results of operations. Our critical accounting policies, the policies we believe are most important to the presentation of our financial statements and require the most difficult, subjective and complex judgments are outlined in our Annual Report on Form 10-K/A for the year ended December 31, 2002 and have not changed significantly. Certain statements made in this report may contain forward-looking statements. For a description of risks and uncertainties relating to such forward-looking statements, see the cautionary statements contained in Exhibit 99.1 to this report and our Annual Report on Form 10-K/A for the year ended December 31, 2002.

In the first quarter of 2003 we repurchased 21,803 of our 21,932 outstanding zero-coupon, subordinated convertible notes due in the year 2018 ("Convertible Notes"). Of the repurchased Convertible Notes, 4,201 were repurchased pursuant to the exercise of a put option on March 11, 2003 by the holders of the Convertible Notes that required us to repurchase outstanding Convertible Notes at an accreted value of approximately $552 per Convertible Note. The aggregate purchase price for all of these repurchases was $12 million ($549 per Convertible Note) which approximated their accreted value. On March 31, 2003, 129 Convertible Notes were outstanding with an accreted value of $0.07 million and on April 30, 2003, we redeemed all of the outstanding Convertible Notes.

On February 19, 2003, we announced that we would consolidate our Richmond, California call center operation into our Plainfield, Indiana, facility to reduce costs and increase productivity and profitability in our Americas division. We intend to seek a sublease of the Richmond, California facility. The facility consolidation affects our Americas reporting segment. By utilizing existing infrastructure in Plainfield, we expect to realize annual pre-tax cost savings, beginning in the second quarter of 2003, of approximately $2.0 million to $2.5 million. We recorded a pre-tax charge of $4.3 million relating to the facility consolidation which includes the present value of estimated lease costs, net of an anticipated sublease, non-cash losses on the disposal of assets, severance and other costs. In the second quarter of 2003, we anticipate completing the consolidation and will record additional amounts of up to $0.2 million relating to severance and other costs associated with the facility consolidation. Total cash outflows relating to the charge

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

were approximately $0.05 million in the first quarter of 2003 and are expected to be approximately $0.7 million in the second quarter of 2003. Additional expenses may be incurred if we are unable to find a sublesee for the Richmond, California facility.

Our operating results are influenced by a number of seasonal factors, which may cause our revenue and operating results to fluctuate on a quarterly basis. These fluctuations are the result of several factors, including, but not limited to:

- promotions and subsidies by wireless network operators;
- the timing of local holidays and other events affecting consumer demand;
- the timing of the introduction of new products by our suppliers and competitors;
- purchasing patterns of customers in different markets; and
- weather patterns.

In the first quarter of 2003, we experienced a decrease in revenue as well as a reduction in wireless device units handled when compared to the fourth quarter of 2002. This reduction is primarily due to timing of local holidays that cause fourth quarter revenue and units handled to generally be seasonally higher than other quarters throughout the year. Due to these seasonal factors, our interim results may not be indicative of annual results.

RESULTS OF OPERATIONS

This discussion includes certain non-GAAP financial measures that present operating results on a pro forma basis which exclude certain items. A "non-GAAP financial measure" is defined as a numerical measure of a company's financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and or presented in accordance with GAAP in the company's financial statements. We have chosen to provide the supplemental non-GAAP information in this discussion because we believe that it provides a meaningful comparison of our continuing operations for the periods presented. The non-GAAP financial measures used by us should not be considered in isolation or as a substitute for measures of financial performance prepared in accordance with GAAP. Reconciliations of GAAP results to non-GAAP measurements and details of the excluded items are provided in a supplemental table later in this discussion of results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Revenue

Revenue by Division (in thousands):

	Three Months Ended					
	MARCH 31, 2003	PERCENT OF TOTAL	March 31, 2002	Percent of Total	December 31, 2002	Perce of To
The Americas	$ 94,827	28%	$131,626	45%	$111,476	33
Asia-Pacific	176,405	52%	111,708	38%	154,545	45
Europe	68,958	20%	51,773	17%	75,657	22
Total	$340,190	100%	$295,107	100%	$341,678	100

** less than 1%

Revenue in the first quarter of 2003, was $340 million, an increase of 15% from $295 million in the first quarter of 2002. The increase in revenue was primarily attributable to strong market demand for our products in the Asia-Pacific division and the strengthening of foreign currencies against the U.S. dollar, which accounted for approximately six percentage points of the increase in revenue. These increases were offset by a decline in revenue in the Americas division due to a sales mix shift from product distribution revenue to fee-based logistics services revenue, the lack of availability of certain CDMA-based wireless devices, and the loss of customers due to industry consolidation. Total wireless devices handled in the first quarter of 2003 were approximately 3.9 million, an increase of 11% from approximately 3.5 million wireless devices handled in the first quarter of 2002. As compared to the fourth quarter of 2002, revenue declined by less than 1% as strong market demand for our products in the Asia-Pacific region was offset by declines in revenue in the Americas and Europe divisions. These declines were primarily due to the lack of availability of certain CDMA-based wireless devices in United States and seasonality. Total wireless devices handled in the first quarter of 2003 declined by 6% from approximately 4.2 million wireless devices handled in the fourth quarter of 2002.

Revenue by Service Line (in thousands):

	Three Months Ended					
	MARCH 31, 2003	PERCENT OF TOTAL	March 31, 2002	Percent of Total	December 31, 2002	Perc o Tot
Sales of wireless handsets	$271,713	85%	$227,098	77%	$279,361	8
Accessory programs	16,476	5%	30,442	10%	17,696	
Integrated logistics services	52,001	15%	37,567	13%	44,621	1
Total	$340,190	100%	$295,107	100%	$341,678	10

** Less than 1%

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Compared to the first quarter of 2002, we experienced an increase in revenue from wireless handset sales in the first quarter of 2003 due primarily to increased volumes in the Asia-Pacific division partially offset by decreased handset distribution volumes in the Americas division due the factors affecting divisional revenue discussed previously. When compared to the fourth quarter of 2002, revenues from wireless handset sales decreased slightly due primarily to seasonal factors and the lack of availability of certain CDMA-based wireless devices. Compared to the first quarter and fourth quarters of 2002, we experienced decreased revenue from accessory programs during the first quarter of 2003, particularly in the Americas division which experienced a sales mix shift from accessory program revenue to integrated logistics services. Additionally, many handsets now include accessories bundled with the product that would have previously been sold separately. This has diminished overall demand for our accessory programs. Additionally, technological advancements in wireless devices, including extended battery life, have reduced overall demand for certain accessory products. When compared to the first and fourth quarters of 2002, the increase in integrated logistics services revenues during the first quarter of 2003 reflects increased revenue from our services related to prepaid wireless airtime in Sweden and Norway and the addition of new logistics services customers in the United States.

Gross Profit

	Three Months Ended			Percent
(In thousands)	MARCH 31, 2003	March 31, 2002	December 31, 2002	Q1 2002 to Q1 2003
Gross profit	$ 18,797	$ 16,230	$ 21,343	16%
Gross margin	5.5%	5.5%	6.2%	

Gross profit for the first quarter of 2003, increased 16% when compared to the first quarter of 2002 and decreased 12% when compared to the fourth quarter of 2002. Gross margin was 5.5% for the first quarter of 2003 the same as in the first quarter of 2002, compared to gross margins of 6.2% for the fourth quarter of 2002. The decline in gross margin from the fourth quarter of 2002 is attributable to a higher proportion of revenue in the Asia-Pacific division, which experienced a reduction in supplier incentives due to program changes and which generally has lower gross margins than the Company as a whole. In addition, in the first quarter of 2003, annual supplier incentives recorded for certain Europe markets decreased when compared to the fourth quarter of 2002. We accrue annual incentives and rebates based on the terms of the specific vendor program and sales of qualifying products. Some of these programs may extend over one or more quarterly reporting periods. Actual rebates may vary based on volume, other sales achievement levels or negotiations with the vendor, which could result in an increase or reduction in the estimated amounts previously accrued.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Selling, General and Administrative Expenses

(In thousands)	Three Months Ended MARCH 31, 2003	March 31, 2002	December 31, 2002	Q1 2002 Q1 200
Selling, general and administrative expenses	$16,111	$18,537	$16,382	(13%
As a percent of revenue	4.7%	6.3%	4.8%	

Selling, general and administrative ("SG&A") expenses decreased by 13%, or $2.4 million, from the first quarter of 2002 to $16.1 million. SG&A declined by 2%, or $0.3 million, from $16.4 million in the fourth quarter of 2002. SG&A expenses declined to 4.7% of revenue from 6.3% in the first quarter of 2002 and from 4.8% in the fourth quarter of 2002. The improvement in SG&A, in dollars and as a percent of revenue, was driven by cost reduction action taken in 2002, which includes the reduction in personnel costs and corporate overhead costs.

Facility Consolidation Charge

On February 19, 2003, we announced that we would consolidate our Richmond, California call center operation into our Plainfield, Indiana, facility to reduce costs and increase productivity and profitability in our Americas division. We recorded a pre-tax charge of $4.3 million ($3.2 million, net of tax) relating to the facility consolidation which includes approximately $2.8 million for the present value of estimated lease costs, net of an anticipated sublease, non-cash losses on the disposal of assets of approximately $1.1 million and severance and other costs of approximately $0.4 million. In the second quarter of 2003, we anticipate recording additional amounts of up to $0.2 million relating to severance and other costs associated with the facility consolidation. See Note 2 to the Consolidated Financial Statements for further discussion.

Operating Income (Loss) from Continuing Operations

(In thousands)	Three Months Ended MARCH 31, 2003	March 31, 2002	Decem 2
Operating income (loss) from continuing operations	$ (1,594)	$ (2,307)	$ 4
As a percent of revenue	(0.5%)	(0.8%)	

Operating loss from continuing operations (including the facility consolidation charge) for the first quarter of 2003 was $1.6 million, an improvement of $0.7 million from the first quarter of 2002 and a decline of $6.6 million from the

fourth quarter of 2002.

Excluding the facility consolidation charge, pro forma operating income from continuing operations was $2.7 million, an improvement of $5.0 million from the first quarter of 2002 and a decline of $2.3 million from the fourth quarter of 2002. The improvement in pro forma operating income from continuing operations from the first quarter of 2002 is due to the increase in revenue and the reduction in SG&A as described above. The decline in pro forma operating

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

income from continuing operations from the fourth quarter of 2002 is attributable to the reduction in gross margin as described above.

Income (Loss) from Continuing Operations

	Three Months Ended		
(In thousands)	MARCH 31, 2003	March 31, 2002	Decem 2
Income (loss) from continuing operations	$ (2,260)	$ (3,297)	$ 3
As a percent of revenue	(0.7%)	(1.1%)	

Loss from continuing operations for the first quarter of 2003 was $2.3 million compared to a loss from continuing operations of $3.3 million in the first quarter of 2002 and income from continuing operations of $3.5 million for the fourth quarter of 2002 and was primarily attributable to the factors discussed above in the analyses of revenue, gross margin, SG&A and the facility consolidation charge. In addition, interest expense for the first quarter of 2003 decreased $2.1 million and $0.2 million from the first and fourth quarters of 2002, respectively. These reductions are the direct result of the Convertible Note repurchases discussed above and the reduction of other debt. Other expenses for the first quarter of 2003 were $0.7 million, an increase of $0.6 million from the first quarter of 2002. The increase from the first quarter of 2002 is due in part to our accrual of $0.3 million in connection with the preliminary settlement of the shareholder derivative action pending in Marion County Circuit Court, Indianapolis, Indiana as previously announced on April 30, 2003 and fees relating to an increased level of accounts receivable sales. As compared to the fourth quarter of 2002, other expenses increased by $0.3 million primarily due to the shareholder derivative action settlement costs. Loss per diluted share from continuing operations was $0.28 for the first quarter of 2003 compared to a loss per diluted share from continuing operations of $0.41 in the first quarter of 2002 and income per diluted share from continuing operations of $0.44 in the fourth quarter of 2003.

Pro Forma Income (Loss) from Continuing Operations

In addition to the GAAP results provided throughout this document, we have provided non-GAAP measurements, which present operating results on a pro forma basis excluding certain specified items. Details of the excluded items are

presented in the table below. The non-GAAP measures do not replace the presentation of our GAAP financial results. We have provided this supplemental non-GAAP information because it provides meaningful comparisons of our continuing operations for the periods presented in this document. These measures are not in accordance with, or an alternative for, generally accepted accounting principles and may be different from pro forma measures used by other companies.

Management uses these non-GAAP measures internally because they provide feedback of the ongoing part of the business where management dedicates the majority of its attention and these non-GAAP measures provide a means where management can track its progress relative to its

operating plans and prior periods. The transactions excluded in these non-GAAP measures either pertain to certain events relating to non-operating assets or liabilities or to certain other events that are significantly material so that exclusion of the events would, we in management's belief, significantly enhance a reader's ability to compare the unaffected parts of our business. We have found that investors have an interest in understanding the entire business, as well as, the ongoing part of the business. We believe that both GAAP and our non-GAAP measures provide an understanding in both areas. Additionally, we have the ability to make a determination of the probable tax consequences of these events, which an investor may not. The consequences of income taxes on items excluded in our non-GAAP measures have varied materially in the past from our average effective tax rate.

More specifically, operating income excluding a facilities consolidation charge (non-GAAP) provides both management and investors with a view of the ongoing part of the business that was unaffected by the excluded event. The intent of the facilities consolidation was to reduce operating costs in the future and this non-GAAP measure provides both management and investors with comparative results to measure the effectiveness of the event on the ongoing part of the business in future periods. Income from continuing operations excluding the facilities consolidation charge, net of tax, and gains or losses on debt extinguishment, net of tax, in prior periods (non-GAAP) and Net income (loss) excluding the facilities consolidation charge, net of tax, and gains or losses on debt extinguishment, net of tax, and cumulative change in accounting principle, net of tax in prior periods (non-GAAP), provide both management and investors a comparative view of the ongoing part of the business in the current period relative to prior periods. This comparison distinguishes non-operating material transactions resulting from Convertible Notes, which were repurchased in full in 2003. We do not currently have any debt obligations of a similar nature or magnitude. As compared to the current period, in prior periods, GAAP required these material events to be treated as extraordinary items. Management and investors, we believe, had previously developed a meaningful understanding of the ongoing part of the business without the effect of these material non-operating events.

On a pro forma basis, income from continuing operations for the first quarter of 2003 would have been $1.1 million compared to a loss from continuing operations of $3.3 million in the first quarter of 2002 and income from continuing operations of $3.1 million for the fourth quarter of 2002. Pro forma income per diluted share from continuing operations would have been $0.14 for the first quarter of 2003 compared to a loss per diluted share from continuing operations of $0.41 in the first quarter of 2002 and pro forma income per diluted share from continuing operations of $0.38 in the fourth quarter of 2002. The pro forma

results for the first quarter of 2003 exclude the $4.3 million pre-tax facility consolidation charge ($3.2 million, net of tax) and a $0.2 million loss on extinguishment of debt, net of tax. The pro forma results for the first quarter of 2002 exclude the cumulative effect of a change in accounting principle (SFAS 142), net of tax, of $40.7 million. The pro forma results for the fourth quarter of 2002 exclude a $0.5 million gain on debt extinguishment, net of tax, which was reclassified to continuing operations in accordance with SFAS 145.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

A reconciliation of pro forma income from continuing operations to income (loss) from continuing operations in accordance with accounting principles generally accepted in the United States ("GAAP") is as follows:

RECONCILIATION OF PRO FORMA AMOUNTS TO GAAP
(in thousands, except per share data)

	Three Mo	
	March 31, 2003	Marc 20
Operating income (loss) from continuing operations - GAAP presentation	$ (1,594)	$
Facility consolidation charge	4,280	
Operating income (loss) from continuing operations - Pro Forma presentation	$ 2,686	$
Income (loss) from continuing operations - GAAP presentation	$ (2,260)	$
Facility consolidation charge, net of tax	3,231	
(Gain) loss on debt extinguishment, net of tax	158	
Income (loss) from continuing operations - Pro Forma presentation	$ 1,129	$
Net income (loss) - GAAP presentation	$ (2,848)	$
Facility consolidation charge, net of tax	3,231	
(Gain) loss on debt extinguishment, net of tax	158	
Cumulative effect of a change in accounting principle, net of tax	-	
Net income (loss) - Pro Forma presentation	$ 541	$

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS (CONTINUED)

Per Share Amounts:

Income (loss) from continuing operations - GAAP presentation	$	(0.28)	$
Facility consolidation charge, net of tax		0.40	
(Gain) loss on debt extinguishment, net of tax		0.02	
Income (loss) from continuing operations - Pro Forma presentation	$	0.14	$
Net income (loss) - GAAP presentation	$	(0.35)	$
Facility consolidation charge, net of tax		0.40	
(Gain) loss on debt extinguishment, net of tax		0.02	
Cumulative effect of a change in accounting principle, net of tax		-	
Net income (loss) - Pro Forma presentation	$	0.07	$

Discontinued Operations

During 2002, we took action to better position ourselves for long-term and more consistent success by divesting or closing operations in which potential returns were not likely to generate an acceptable return on invested capital. The action included; i) the sale, through certain of our subsidiaries, of our interests in Brightpoint China Limited to Chinatron, ii) the sale, through certain of our subsidiaries, of our interests in Brightpoint Middle East FZE, its subsidiary Fono Distribution Services LLC and Brightpoint Jordan Limited to Persequor Limited, iii) the sale, through certain of our subsidiaries, of certain operating assets of Brightpoint de Mexico. S.A. de C.V and our respective ownership interest in Servicios Brightpoint de Mexico, S.A. de C.V. to Soluciones Inteligentes para el Mercado Movil, S.A. de C.V. (SIMM), an entity which is wholly-owned and controlled by Brightstar de Mexico S.A. de C.V, iv) closure of our Miami sales office and v) the continued execution of our 2001 restructuring plan, which called for the elimination of operations in Brazil, Jamaica, South Africa, Venezuela and Zimbabwe and the consolidation of our operations and activities in Germany, the Netherlands and Belgium, including regional management, into a new facility in Germany. Net losses in the first quarter of 2003 resulting from these actions and the related losses from the operations of the entities eliminated by these actions totaled $0.6 million ($0.07 per share) compared to $3.9 million ($0.49 per share) in first quarter of 2002 and was comprised primarily of unrealized foreign currency translation losses caused by the strengthening of foreign currencies relative to the U.S. dollar. See Note 3 to the Consolidated Financial Statements for further discussion.

33

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Cumulative Effect of a Change in Accounting Principle

During the second quarter of 2002, we completed the goodwill and other intangible asset impairment testing required by the adoption of SFAS 142.

Consequently, we recorded in the first quarter of 2002 an impairment charge totaling $40.7 million relating to this change in accounting principle. Approximately $8.5 million of this charge related to the sale of Brightpoint China Limited to Chinatron Group Holdings Limited which was previously classified in discontinued operations in our March 31, 2002 financial statements and has now been reclassified to the cumulative effect of an accounting change as a part of the adoption of SFAS 142. See Note 4 to the Consolidated Financial Statements for further discussion.

Net Loss

As a result of the factors, charges and gains discussed above, our net loss for the first quarter of 2003 was $2.8 million, or $0.35 per diluted share, compared to a net loss of $48.0 million, or $6.01 per diluted share, in the first quarter of 2002 and net income of $0.8 million, or $0.16 per diluted share, for the fourth quarter of 2002.

LIQUIDITY AND CAPITAL RESOURCES

(In thousands)	March 31, 2003
Cash and cash equivalents (includes pledged cash)	$ 58,974
Working capital	$ 60,569
Current ratio	1.29 : 1

We have historically satisfied our working capital requirements principally through cash flow from operations, vendor financing, bank borrowings and the issuance of equity and debt securities. The slight decrease in working capital at March 31, 2003 compared to December 31, 2002 is comprised primarily of the effect of a decrease in accounts receivable and an increase in accounts payable partially offset by increases in inventory and funded contract financing activities. We believe that cash flow from operations and available bank borrowings will be sufficient to continue funding our short-term capital requirements. However, significant changes in our business model, significant operating losses or expansion of operations in the future may require us to seek additional and alternative sources of capital. Consequently, there can be no assurance that we will be able to obtain any additional funding on terms acceptable to us or at all.

Net cash provided by operating activities was $15.0 million for the first quarter of 2003, as compared to cash used by operating activities of $18.3 million in the first quarter of 2002. The increase in 2003 was primarily the result of the decreased net loss and by improved working capital management in the first quarter of 2003. Additionally, during the first quarter of 2003, average days sales outstanding in accounts receivable were approximately 25 days, compared to approximately 38 days and 28 days for the first and fourth quarters of 2002, respectively. During the first quarter of 2003, days inventory on-hand were 23 days, compared to 29 days and 22 days in the first and fourth quarters of 2002, respectively. Average days payable outstanding were 42

days for the first quarter of 2003, compared to 40 days and 39 days for the first and fourth quarters of 2002, respectively. These changes combined to create a decrease in cash conversion cycle days to 6 days in the first quarter of 2003 from 27 days in the first quarter of 2002 and 11 days in the fourth quarter of 2002. This reduction was primarily the result of our efforts to reduce accounts receivable. A cash conversion cycle of 6 days may not be sustainable. Details of our methodology for calculating cash conversion cycle days are included in our Annual Report on Form 10-K/A for the year ended December 31, 2002.

Unrestricted cash and cash equivalents at March 31, 2003 increased by approximately $0.8 million when compared to December 31, 2002 and pledged cash decreased by approximately $0.4 million at March 31, 2003 when compared to December 31, 2002. The increase in unrestricted cash is primarily the result of cash generated from operating activities offset by repurchases of Convertible Notes during the quarter. The reduction in pledged cash is primarily the result of the elimination of certain cash-secured letters of credit in Australia.

The reduction in accounts receivable during the first quarter of 2003 was attributable to the successful acceleration of our accounts receivable collection cycle and sales or financing transactions of certain accounts receivable to banks and other financing organizations. During the three months ended March 31, 2003 and 2002, we entered into certain transactions or agreements with banks and other financing organizations in Ireland, Sweden, Australia, Mexico and France with respect to a portion of our accounts receivable in order to reduce the amount of working capital required to fund such receivables. Certain of these transactions qualify as sales pursuant to current accounting principles generally accepted in the United States and, accordingly, are accounted for as off-balance sheet arrangements. Net funds received from the sales of accounts receivable during three months ended March 31, 2003 and 2002 totaled $58.1 million and $40.7 million, respectively.

We are the collection agent on behalf of the financing organization for many of these arrangements. We have no significant retained interests or servicing liabilities related to accounts receivable that we have sold, although, we may be required to repurchase certain accounts receivable in certain circumstances including, but not limited to, accounts receivable in dispute or otherwise not collectible, accounts receivable in which credit insurance is not maintained and a violation of, the expiration or early termination of the agreement pursuant to which these arrangements are conducted. These agreements require our subsidiaries to provide collateral in the form of pledged assets and/or in certain situations a guarantee of our subsidiaries obligations may be given by us. Pursuant to these arrangements, approximately $24.2 million and $30.1 million of trade accounts receivable were sold to and held by banks and other third-party financing institutions at March 31, 2003 and December 31, 2002, respectively. For more information on our accounts receivable transfers, see Note 5 to the Consolidated Financial Statements. The collection of our accounts receivable and our ability to accelerate our collection cycle through the sale of accounts receivable is affected by several factors, including, but not limited to, our credit granting policies, contractual provisions, our customers' and our overall credit rating as determined by various credit rating agencies, industry and economic conditions,

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

the ability of the customer to provide security, collateral or guarantees relative to credit granted by us, the customer's and our recent operating

results, financial position and cash flows and our ability to obtain credit insurance on amounts that we are owed. Adverse changes in any of these factors, certain of which may not be wholly in our control, could create delays in collecting or an inability to collect our accounts receivable which could have a material adverse effect on our financial position, cash flows and results of operations.

At March 31, 2003, our allowance for doubtful accounts was $5.5 million compared to $5.3 million at December 31, 2002, which we believe was adequate for the size and nature of our receivables at those dates. Bad debt expense as a percent of revenues was less than 1.0% for the first quarter of 2003. However, we have incurred significant accounts receivable impairments in connection with our 1999 and 2001 restructuring plans because we ceased doing business in certain markets, significantly reducing our ability to collect the related receivables. Also, our accounts receivable are concentrated with network operators, agent dealers and retailers operating in the wireless telecommunications and data industry and delays in collection or the uncollectibility of accounts receivable could have an adverse effect on our liquidity and working capital position. We believe that during 2001 and 2002 many participants in the wireless telecommunications and data industry, including certain of our customers, experienced operating results that were below previous expectations, decreases in overall credit ratings and increasing costs to obtain capital. We believe this trend may continue into 2003 and could have an adverse effect on our financial position and results of operations. We intend to offer open account terms to additional customers, which subjects us to further credit risks, particularly in the event that receivables are concentrated in particular geographic markets or with particular customers. We seek to minimize losses on credit sales by closely monitoring our customers' credit worthiness and by obtaining, where available, credit insurance or security on open account sales to certain customers.

The increase in inventories and corresponding increase in days inventory on-hand during the first quarter of 2003 are due primarily to an increase in March 31, 2003 inventory levels in our Brightpoint Asia Limited operations, managed by Persequor Limited, partially offset by a decrease in our inventory levels in the United States. We believe the increased inventory levels in our Brightpoint Asia Limited operations were the result of decreased demand in certain Asia markets due to the uncertainty created by Severe Acute Respiratory Syndrome (SARS) in those markets. With regards to inventory levels in the United States, in December of 2002, we entered into an amendment to our distribution agreement with a significant vendor in the United States that, among other provisions, changed certain purchasing and invoicing processes to create a just-in-time inventory arrangement that has allowed us to reduce the amount of inventories of this vendor's products that we own at any given point in time. This arrangement allowed us to reduce our inventory levels at March 31, 2003. This arrangement is initially set to expire in June of 2003, which could impact our inventory levels and liquidity.

We offer financing of inventory and receivables to certain network operator customers and their agents and manufacturer customers under contractual arrangements. Under these contracts we

manage and finance inventories and receivables for these customers resulting in a contract financing receivable. Contract financing receivables increased to $18.8 million at March 31, 2003 from $17.0 million at December 31, 2002. In addition, we have vendor payables of $19.5 million and $21.1 million at March

31, 2003 and December 31, 2002, respectively that represent the unfunded portion of these contract financing receivables. The increase in contract financing receivables is due to slightly increased demand being experienced by some of these customers. These receivables included $6.1 million and $5.8 million of wireless products located at our facilities at March 31, 2003 and December 31, 2002 respectively. In addition, we have commitments under these contracts to provide inventory financing for these customers pursuant to various limitations defined in the applicable service agreements. See Note 6 to the Consolidated Financial Statements.

The increase in accounts payable at March 31, 2003 when compared to December 31, 2002 is due primarily to increased vendor payables in our Brightpoint Asia Limited operations, managed by Persequor Limited relating to certain inventory purchases near the end of the first quarter of 2003 and the increase in average days payables outstanding. We rely on our suppliers to provide trade credit facilities and favorable payment terms to adequately fund our on-going operations and product purchases. The payment terms received from our suppliers is dependent on several factors, including, but not limited to, our payment history with the supplier, the suppliers credit granting policies, contractual provisions, our overall credit rating as determined by various credit rating agencies, our recent operating results, financial position and cash flows and the supplier's ability to obtain credit insurance on amounts that we owe them. Adverse changes in any of these factors, certain of which may not be wholly in our control, could have a material adverse effect on our operations.

At March 31, 2003, net property and equipment decreased due primarily to depreciation expense recorded in first quarter of 2003 and the write-off of certain fixed assets in connection with the consolidation of our Richmond, California call center to our facility in Plainfield, Indiana as discussed previously. Capital expenditures totaled $1.3 million in the first quarter of 2003 as compared to $3.1 million in the first quarter of 2002.

The slight increase in goodwill and other intangibles at March 31, 2003 as compared to December 31, 2002 is primarily the result of certain small purchase acquisitions in France during the first quarter of 2003 and the effects of the translation of foreign currency denominated goodwill and other intangibles as foreign currencies strengthened against the U.S. dollar during the first quarter of 2003. See Note 7 to the Consolidated Financial Statements for further discussion regarding our acquisition activities.

Net cash used by investing activities for the first quarter of 2003 was $0.2 million compared to net cash provided by investing activities of $9.6 in the same period of 2002. The increase is due primarily to the slight increase in our funded contract financing activities in the first quarter of 2003 as compared to the large decrease in these activities in the first quarter of 2002.

In the first quarter of 2003 we repurchased 21,803 of our 21,932 outstanding zero-coupon, subordinated convertible notes due in the year 2018 ("Convertible Notes"). Of the repurchased Convertible Notes, 4,201 were repurchased pursuant to the exercise of a put option on March 11, 2003 by the holders of the Convertible Notes that required us to repurchase outstanding Convertible Notes at an accreted value of approximately $552 per Convertible Note. The aggregate purchase price for all of these repurchases was $12 million ($549 per Convertible Note) which approximated their accreted value. On March 31, 2003, 129 Convertible Notes were outstanding with an accreted value of $0.07 million

and on April 30, 2003, we redeemed all of the outstanding Convertible Notes.

On October 31, 2001, our primary North American operating subsidiaries, Brightpoint North America L.P. and Wireless Fulfillment Services, LLC (the Borrowers), entered into a new revolving credit facility, with General Electric Capital Corporation (GE Capital) which was amended on December 21, 2001, September 27, 2002, December 13, 2002, and March 27, 2003 (the Revolver) to provide capital for our North American operations. GE Capital acted as agent for a syndicate of banks (the Lenders). The Revolver replaces our former Bank One multicurrency facility, does not prohibit us from borrowing additional funds outside of the United States and expires in October of 2004. The Revolver provides borrowing availability, subject to borrowing base calculations and other limitations, of up to a maximum of $70 million and currently bears interest, at the Borrowers' option, at the prime rate plus 1.50% or LIBOR plus 3.00%. The applicable interest rate that the Borrowers are subject to can be adjusted quarterly based upon certain financial measurements defined in the Revolver. The Revolver is guaranteed by Brightpoint, Inc. and is secured by, among other things, all of the Borrowers' assets in North America. We also have pledged certain intellectual property and the capital stock of certain of our subsidiaries as collateral for the Revolver. The Revolver is a secured asset-based facility where a borrowing base is calculated periodically using eligible accounts receivable and inventory, subject to certain adjustments. Eligible accounts receivable and inventories fluctuate over time which can increase or decrease borrowing availability. The terms of the Revolver include negative covenants that, among other things, limit the Borrowers' ability to sell certain assets and make certain payments outside the normal course of business, as well as prohibit us from amending the terms of the Convertible Notes or our distribution agreement with Nokia Inc. in the United States without the prior written consent of GE Capital. The provisions of the Revolver are such that if our borrowing availability falls between $12.5 million and $10.0 million, we are subject, during such time, to a minimum fixed charge coverage ratio as defined in the Revolver. If our borrowing availability falls below $10.0 million, we are then subject at all times thereafter to a minimum fixed charge coverage ratio as defined in the Revolver. The provisions of the Revolver require us to maintain at all times a minimum borrowing availability of $7 million. Any of the following events could cause us to be in default under the Revolver, including but not limited to, (i) the expiration or termination of our distribution agreement in the United States with Nokia Inc., (ii) a change in control of us, (iii) our failure to maintain a tangible net worth, subject to certain adjustments, of at least $75 million, (iv) the borrowing availability under the Revolver falling below $7 million or (v) the violation of the fixed charge coverage ratio, if applicable. In the event of default, the Lenders may (i) terminate all or a portion of the

Revolver with respect to further advances or the incurrence of further letter of credit obligations, (ii) declare all or any portion of the obligations due and payable and require any and all of the letter of credit obligations be cash collateralized, or (iii) exercise any rights and remedies provided to the Lenders under the loan document or at law or equity. Additionally, the Lenders may increase the rate of interest applicable to the advances and the letters of credit to the default rate as defined in the agreement.

At March 31, 2003 and December 31, 2002, there were no amounts outstanding under the Revolver and available funding, net of the applicable required availability minimum at March 31, 2003 and December 31, 2002, was $21.4 million and $29.5

million, respectively.

In December of 2002, our primary Australian operating subsidiaries, Brightpoint Australia Pty Ltd and Advanced Portable Technologies Pty Limited, entered into a revolving credit facility (the Facility) with GE Commercial Finance in Australia. The Facility, which matures in December of 2005, provides borrowing availability, subject to borrowing base calculations and other limitations, of up to a maximum amount of $50 million Australian Dollars (approximately $30.2 million U.S. Dollars at March 31, 2003). Borrowings on the Facility were used to repay borrowings under the Westpac overdraft facility and to repay intercompany loans with Brightpoint Holdings B.V., our primary foreign finance subsidiary. Future borrowings under the Facility will be used for general working capital purposes. The Facility is subject to certain financial covenants, which include maintaining a minimum fixed charge coverage ratio and bears interest at the Bank Bill Swap Reference rate plus 2.9%. The Facility is a secured asset-based facility where a borrowing base is calculated periodically using eligible accounts receivable and inventory, subject to certain adjustments. Eligible accounts receivable and inventories fluctuate over time which can increase or decrease borrowing availability. At March 31, 2003 and December 31, 2002, there was $8.4 million and $10.1 million outstanding, respectively, under the Facility at an interest rate of approximately 7.6% at March 31, 2003 and 7.8% at December 31, 2002. At March 31, 2003 there was approximately $13.1 million of unused availability under the Facility.

Another of our subsidiaries, Brightpoint Sweden AB, has a short-term line of credit facility with SEB Finans AB. The facility has borrowing availability of up to 15 million Swedish Krona (approximately $1.8 million U.S. Dollars at March 31, 2003) and bears interest at 4.5%. The facility is supported by our guarantee. At March 31, 2003 and December 31, 2002, there were no amounts outstanding under this facility.

At March 31, 2003 and December 31, 2002, we were in compliance with the covenants in our credit agreements.

Cash-secured letters of credits of approximately $13.0 million supporting our Brightpoint Asia Limited and Brightpoint Philippines vendor credit lines have been issued by financial institutions on our behalf and are outstanding at March 31, 2003. The related cash collateral has been reported under the heading "Pledged Cash" in the Consolidated Balance Sheet.

Net cash used by financing activities during the first quarter of 2003 increased when compared to the same period in 2002 due to the repurchases of Convertible Notes discussed above.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

On April 30, 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities ("SFAS No. 149"). SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133 and is to be applied prospectively to contracts entered into or modified after June 30, 2003. We are currently evaluating the effects, if any, that this standard will have on our results of operations and financial position.

In 2003, the Financial Accounting Standards Board issued Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities. FIN 46 defines a variable interest entity (VIE) as a corporation, partnership, trust or any other legal structure that does not have equity investors with a controlling financial interest or has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN 46 requires consolidation of a VIE by the primary beneficiary of the assets, liabilities, and results of activities effective for 2003. FIN 46 also requires certain disclosures by all holders of a significant variable interest in a VIE that are not the primary beneficiary. The broad-based effective date of FIN 46 is deferred for public companies until the end of the period ending after December 15, 2003. We do not believe the issuance of FIN No. 46 will have a material impact on our financial position or results of operations.

In 2002, the Financial Accounting Standards Board issued Interpretation No. 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 requires guarantees to be recorded at fair value and requires a guarantor to make significant new disclosure, even when the likelihood of making any payments under the guarantee is remote. FIN 45's initial recognition and initial measurement provisions are applicable on a prospective basis to the guarantees issued or modified after December 31, 2002. However, its disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002.

We haves issued certain guarantees on behalf of its subsidiaries with regard to lines of credit and long-term debt, for which the liability is recorded in our financial statements. Although the guarantees relating to lines of credit and long-term debt are excluded from the scope of FIN 45, the nature of these guarantees and the amount outstanding are described in footnote 8 to the consolidated financial statements.

In some circumstances, we purchase inventory with payment terms requiring letters of credit. As of March 31, 2003, we have issued $16.3 million in standby letters of credit. These standby letters of credit are generally issued for a one-year term and are supported by either availability

under our credit facilities or cash deposits. The underlying obligations for which these letters of credit have been issued are recorded in the financial statements at their full value. Should we fail to pay its obligation to one or all of these suppliers, the suppliers may draw on the standby letter of credit issued for them. The maximum future payments under these letters of credit are $16.3 million.

Additionally, we have issued certain guarantees on behalf of our subsidiaries with regard to accounts receivable transferred, the nature of which is described in footnote 6. While we do not currently anticipate the funding of these guarantees, the maximum potential amount of future payments under these guarantees at March 31, 2003 is approximately $17.7 million.

Our Certificate of Incorporation and By-laws provide for us indemnify our officers and directors to the extent permitted by law. In connection therewith, we entered into indemnification agreements with its executive officers and directors. In accordance with the terms of these agreements, we reimbursed

certain of our current and former executive officers and intend to reimburse its officers and directors for their personal legal expenses arising from certain pending litigation and regulatory matters. During the three months ended March 31, 2003, pursuant to their respective indemnification agreements with Brightpoint, Inc. and our Certificate of Incorporation and By-laws, approximately $1 thousand and $2 thousand in legal fees were paid on behalf of John P. Delaney, our former Chief Accounting Officer, and Phillip A. Bounsall, our former Chief Financial Officer, respectively. No legal fees were paid on behalf of John P. Delaney and Phillip A. Bounsall during the three months ended March 31, 2002.

In June of 2002, the FASB issued Statement of Financial Accounting Standards No. 146, Accounting for Costs Associated with Exit or Disposal Activities (SFAS No.146). SFAS No. 146 nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). SFAS No. 146 generally requires companies to recognize costs associated with exit activities when they are incurred rather than at the date of a commitment to an exit or disposal plan and is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. We applied the provisions of SFAS No. 146 during the first quarter of 2003 based upon our decision to consolidate call center activities and close our Richmond, California call center. See Note 2 to the Consolidated Financial Statements.

In April of 2002, the FASB issued Statement of Financial Accounting Standards No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections ("SFAS No. 145"). SFAS No. 145 rescinds both FASB Statement No. 4, Reporting Gains and Losses from Extinguishment of Debt ("FASB Statement No. 4"), and an amendment to that Statement, FASB Statement No.64, Extinguishments of Debt Made to Satisfy Sinking Fund Requirements ("FASB Statement No. 64"). FASB Statement No. 4 required that all gains and losses from the extinguishment of debt be aggregated and, if material, be classified as an extraordinary item, net of the related income tax effect. Upon the adoption of SFAS No. 145,

all gains and losses on the extinguishment of debt for periods presented in the financial statements would be classified as extraordinary items only if they meet the criteria in APB Opinion No. 30, Reporting the Results of Operations - Reporting the Effects of disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions (APB No. 30). The provisions of SFAS No. 145 related to the rescission of FASB Statement No. 4 and FASB Statement No. 64 shall be applied for fiscal years beginning after May 15, 2002. The Company adopted SFAS No. 145 on January 1, 2003 and classified amounts previously reported as extraordinary gains or losses on debt extinguishment as a separate line item before Income from Continuing Operations for all periods presented. The provisions of SFAS No. 145 related to the rescission of FASB Statement No. 44, the amendment of FASB Statement No. 13 and Technical Corrections became effective as of May 15, 2002 and did not have a material impact on us.

SUBSEQUENT EVENTS

As more fully described in Note 3 to the Consolidated Financial Statements, pursuant to the sale, through certain of our subsidiaries, of our interests in

Brightpoint Middle East FZE, its subsidiary Fono Distribution Services LLC and Brightpoint Jordan Limited to Persequor Limited, we could receive additional proceeds, which were contingent upon collection of accounts receivable from a certain customer. In April of 2003, we received an additional $1.3 in contingent consideration from Persequor Limited related to the transaction which will be shown as an adjustment to the loss on the transaction within discontinued operations in the second quarter of 2003. As of April 30, 2003, there were no further amounts of additional contingent consideration due to us pursuant to the Sale and Purchase Agreement with Persequor Limited.

On April 30, 2003, we and certain other parties, including certain of our officers and directors, entered into a Release Agreement with our insurance carrier relating to claims made by us under our directors and officers insurance policy to recover costs incurred by us , including reimbursement for costs and expenses of certain of our current and former officers and directors, relating to the shareholder litigation and investigative matters described in Note 10 to the Consolidated Financial Statements. Pursuant to the Release Agreement we received $1.175 million in cash and agreed, among other things, not to pursue certain claims. The settlement amount of $1.175 million will be recorded in our Consolidated Statement of Operations in the second quarter of 2003.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE AND FOREIGN CURRENCY EXCHANGE RATE RISKS

We are exposed to financial market risks, including changes in interest rates and foreign currency exchange rates. To mitigate interest rate risks, we have historically utilized interest rate swaps to convert certain portions of our variable rate debt to fixed interest rates. To mitigate foreign currency exchange rate risks, we periodically utilize derivative financial instruments under the Foreign Currency Risk Management Policy approved by our Board of Directors. We do not use derivative instruments for speculative or trading purposes.

We are exposed to changes in interest rates on our variable interest rate revolving lines of credit. A 10% increase in short-term borrowing rates during the three months ended March 31, 2003, would have resulted in only a nominal increase in interest expense. We did not have any interest rate swaps outstanding at March 31, 2003.

A portion of our revenue and expenses are transacted in markets worldwide and are denominated in currencies other than the U.S. Dollar. Accordingly, our future results could be adversely affected by a variety of factors, including changes in specific countries' political, economic or regulatory conditions and trade protection measures.

Our foreign currency risk management program is designed to reduce but not eliminate unanticipated fluctuations in earnings, cash flows and the value of foreign investments caused by volatility in currency exchange rates by hedging, where believed to be cost-effective, significant exposures with foreign currency exchange contracts, options and foreign currency borrowings. Our hedging programs reduce, but do not eliminate, the impact of foreign currency exchange rate movements. An adverse change (defined as a 10% strengthening of the U.S. Dollar) in all exchange rates would not have had a negative impact on our results of operations for March 31, 2003, due to the aggregate losses experienced in our foreign operations. At March 31, 2003, there were no cash flow or net investment hedges open. Our sensitivity analysis of foreign currency exchange rate movements does not factor in a potential change in volumes or

local currency prices of our products sold or services provided. Actual results may differ materially from those discussed above.

ITEM 4. CONTROLS AND PROCEDURES

Within the 90-day period prior to the filing of this report, an evaluation was carried out under the supervision and with the participation of our management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Subsequent to the date of their evaluation, there were no significant changes in our internal controls or in other factors that could significantly affect the internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

43

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We and several of our executive officers and directors were named as defendants in two complaints filed in November and December 2001, in the United States District Court for the Southern District of Indiana, entitled Weiss v. Brightpoint, Inc., et. al., Cause No. IP01-1796-C-T/K; and Mueller v. Brightpoint, Inc., et. al., Cause No. IP01-1922-C-M/S. In February 2002, the Court consolidated the Weiss and Mueller actions and appointed John Kilcoyne as lead plaintiff in this action which is now known as In re Brightpoint, Inc. Securities Litigation. A consolidated amended complaint was filed in April 2002. A consolidated amended complaint was filed in April 2002. The amended complaint, among other things, added our current independent auditors as a defendant. The action is a purported class action asserted on behalf of all purchasers of our publicly traded securities between January 29, 1999 and January 31, 2002.

On April 29, 2003, the parties to the litigation entered into a Stipulation of Settlement. The settlement provides for our insurer, under our directors and officers liability policy, to pay $5,050,000. These funds will be used to make distributions to members of the class who timely file a proof of claim, and to pay plaintiff's attorney's fees and expenses. On May 1, 2003, the Court issued an order preliminarily approving the settlement and providing for notice of the settlement to the class. A hearing on final approval of the settlement has been scheduled for July 18, 2003.

In February 2002, Nora Lee, filed a complaint in the Circuit Court, Marion County, Indiana, Derivatively on Behalf of Nominal Defendant Brightpoint, Inc., vs. Robert J. Laikin, et. al. and Brightpoint, Inc. as a Nominal Defendant, Cause No. 49C01-0202-CT-000399. The parties previously have filed a stipulation agreeing to stay all proceedings in this derivative action pending a decision on the motions to dismiss the amended complaint in the In Re: Brightpoint, Inc. Securities Litigation action.

On April 30, 2003, a Stipulation of Settlement of this derivative action was filed with the Court. The settlement provides that we acknowledge that we have made certain changes in our corporate governance policies and agree to pay up to $275,000 for plaintiff's attorney's fees and expenses, as may be awarded by the Court. On May 2, 2003, the Court issued an order preliminarily approving the

settlement and providing for notice of settlement. A hearing on final approval of the settlement has been scheduled for July 2, 2003.

A complaint was filed on November 23, 2001 against us and 87 other defendants in the United States District Court for the District of Arizona, entitled Lemelson Medical, Education and Research Foundation LP v. Federal Express Corporation, et.al., Cause No. CIV01-2287-PHX-PGR. The plaintiff claims that we and other defendants have infringed 7 patents alleged to cover bar code technology. The case seeks unspecified damages, treble damages and injunctive relief. The Court has ordered the case stayed pending the decision in a related case in which a number of bar code equipment manufacturers have sought a declaration that the patents asserted are invalid and unenforceable. That trial concluded in January 2003, but the decision may not be issued for several months. We dispute these claims and intends to defend vigorously this matter.

A complaint was filed against us on November 25, 2002 in the United States District Court for the Southern District of Indiana, entitled Chanin Capital Partners LLC v. Brightpoint, Inc., Cause No. CV-

44

1834-JDT. The plaintiff claims we breached a services contract with defendant under which the plaintiff alleges it was entitled to receive both a monthly advisory fee of $125,000 and an additional fee, due under certain specified circumstances, of $1.5 million less the amount of any previously-paid monthly advisory fees. The plaintiff seeks compensatory damages in an amount including, but not limited to $1.5 million, less advisory fees paid and payable, plus unreimbursed reasonable expenses, applicable pre-judgment and post-judgment statutory interest, and reasonable costs of the action. In addition, the plaintiff claims that it is entitled to recover $125,000 for a monthly advisory fee on a theory of account stated. We dispute these claims and intend to defend this matter vigorously.

We have responded to requests for information and subpoenas from the Securities and Exchange Commission (SEC) in connection with an investigation of certain matters including our accounting treatment of a certain contract entered into with an insurance company. In addition, certain of our officers, directors and employees have provided testimony to the SEC.

We are from time to time, also involved in certain legal proceedings in the ordinary course of conducting our business. While the ultimate liability pursuant to these actions cannot currently be determined, we believe these legal proceedings will not have a material adverse effect on our financial position.

Our Certificate of Incorporation and By-laws provide for us to indemnify our officers and directors to the extent permitted by law. In connection therewith, we have entered into indemnification agreements with our executive officers and directors. In accordance with the terms of these agreements we have reimbursed certain of our former and current executive officers and intend to reimburse our officers and directors for their personal legal expenses arising from certain pending litigation and regulatory matters.

Item 5. Other Information

Our Audit Committee has approved the provision by our external auditor, Ernst & Young, of the non-audit service of rendering tax advice. This disclosure is made pursuant to Section 10A(i)(2) of the Securities Exchange Act, as added by Section 202 of the Sarbanes-Oxley Act of 2002.

Item 6. Exhibits

(a) Exhibits

The list of exhibits is hereby incorporated by reference to the Exhibit Index on page 42 of this report.

(b) Reports on Form 8-K

During the quarter ended March 31, 2003, we filed a Current Report on Form 8-K for the event dated December 19, 2002 under Item 9 to report that our subsidiary had entered into an amendment to its distribution agreement with Nokia, Inc.

45

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amended report to be signed on its behalf by the undersigned thereunto duly authorized.

Brightpoint, Inc.
(Registrant)

Date: November 25, 2003

/s/ Frank Terence

Frank Terence
Executive Vice President,
Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: November 25, 2003

/s/ Lisa Kelley

Lisa Kelley
Sr. Vice President, Chief Accounting Officer and Corporate Controller
(Principal Accounting Officer)

46

EXHIBIT INDEX

Exhibit No.	Description
10.39	Amendment No. 5 dated July 7, 2003 to Credit Agreement among Brightpoint North America L.P., and Wireless Fulfillment Services LLC,, the other credit parties signatory thereto, the lenders signatory thereto and General Electric Capital Corporation (incorporated by reference to the exhibit filed with the initial filing of this Form 10-Q)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, implementing Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule

	13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Cautionary Statements