BRIGHTPOINT INC
Form 10-Q/A
March 08, 2004

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

FORM 10-Q/A
(Amendment 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: September 30, 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	35-17785
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Iden
501 Airtech Parkway, Plainfield Indiana	46168
(Address of principal executive offices)	(Zip Cod

(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 October 24, 2003: 18,203,477 shares

BRIGHTPOINT, INC.

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BRIGHTPOINT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

Three Months Ended
September 30,

	2003	2002
Revenue		
Product distribution	$ 476,824	$ 288,948
Integrated logistics services	56,882	47,813
Total revenue	533,706	336,761
Cost of revenue		
Product distribution	460,222	278,633
Integrated logistics services	46,429	38,161
Total cost of revenue	506,651	316,794
Gross profit	27,055	19,967
Selling, general and administrative expenses	18,762	16,981
Facility consolidation charge	-	-
Operating income (loss) from continuing operations	8,293	2,986
Net interest expense	255	1,234
Impairment loss on long-term investment	-	8,305
(Gain) loss on debt extinguishment	100	(31,107)
Net other expenses	945	820
Income from continuing operations before income taxes	6,993	23,734
Income taxes	1,947	12,613
Income from continuing operations	5,046	11,121
Discontinued operations:		
Loss from discontinued operations	(170)	(347)
Gain (loss) on disposal of discontinued operations	(32)	(1,280)
Total discontinued operations	(202)	(1,627)
Total income (loss) before cumulative effect of an accounting change	4,844	9,494
Cumulative effect of a change in accounting principle, net of tax	-	-
Net income (loss)	$ 4,844	$ 9,494
Basic per share:		
Income from continuing operations	$ 0.28	$ 0.62
Discontinued operations	(0.01)	(0.09)
Cumulative effect of a change in accounting principle, net of tax	-	-
Net income (loss)	$ 0.27	$ 0.53
Diluted per share:		
Income from continuing operations	$ 0.27	$ 0.62
Discontinued operations	(0.01)	(0.09)
Cumulative effect of a change in accounting principle, net of tax	-	-

Net income (loss)	$ 0.26	$ 0.53	$
Weighted average common shares outstanding:			
Basic	18,074	18,009	
Diluted	18,932	18,009	

See accompanying notes.

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

	SEPTEMBER 30, 2003	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 61,621	$ 43,798
Pledged cash	16,924	14,734
Accounts receivable (less allowance for doubtful accounts of $6,499 and $5,328, respectively)	163,415	111,771
Inventories	105,431	73,472
Contract financing receivable	13,650	16,960
Other current assets	17,685	12,867
Total current assets	378,726	273,602
Property and equipment, net	29,210	35,696
Goodwill and other intangibles, net	17,347	14,153
Other assets	11,835	12,851
Total assets	$ 437,118	$ 336,302
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 226,189	$ 129,621
Accrued expenses	58,712	48,816
Unfunded portion of contract financing receivable	19,361	22,102
Convertible notes, short-term	-	12,017
Notes payable, other	40	51
Total current liabilities	304,302	212,607
Lines of credit	5,647	10,052
COMMITMENTS AND CONTINGENCIES		
Stockholders' equity:		
Common stock, $0.01 par value: 100,000 shares authorized; 18,204 and 18,048 issued and outstanding in 2003 and 2002, respectively	182	180

Additional paid-in capital	215,836	214,524
Retained earnings (deficit)	(83,154)	(89,466)
Accumulated other comprehensive loss	(5,695)	(11,595)
Total stockholders' equity	127,169	113,643
Total liabilities and stockholders' equity	$ 437,118	$ 336,302

See accompanying notes.

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

	Nine Months 2003
OPERATING ACTIVITIES	
Net income (loss)	$ 6,313
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation and amortization	9,692
Amortization of debt discount	33
Pledged cash requirements	(2,190)
Cumulative effect of a change in accounting principle, net of tax	-
Loss (gain) on debt extinguishment	365
Discontinued operations	227
Facility consolidation charge	4,461
Income tax benefits of exercise of stock options	111
Impairment loss on long-term investment	-
Changes in operating assets and liabilities, net of effects from acquisitions and divestitures:	
Accounts receivable	(41,647)
Inventories	(29,285)
Other operating assets	(4,342)
Accounts payable and accrued expenses	85,426
Net cash provided (used) by discontinued operations	29
Net cash provided by operating activities	29,193
INVESTING ACTIVITIES	
Capital expenditures	(3,283)
Cash effect of divestiture	1,328
Purchase acquisitions, net of cash acquired	(1,972)
Decrease in funded contract financing receivables, net	6,568
Decrease in other assets	562
Net cash provided by investing activities	3,203
FINANCING ACTIVITIES	
Net payments on revolving credit facilities	(6,474)
Repurchase of convertible notes	(11,980)
Proceeds from common stock issuances under employee stock	

option and purchase plans	1,204
Net cash used by financing activities	(17,250)
Effect of exchange rate changes on cash and cash Equivalents	2,677
Net increase (decrease) in cash and cash equivalents	17,823
Cash and cash equivalents at beginning of period	43,798
Cash and cash equivalents at end of period	$ 61,621

See accompanying notes.

BRIGHTPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 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 subsidiaries, all of which are wholly-owned. 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 and nine months ended September 30, 2003 and the unaudited Consolidated Statement of Cash Flows for the nine months ended September 30, 2003 are not necessarily indicative of the operating results or cash flows that may be expected for the entire year.

For the three months ended September 30, 2003, the Company did not experience any significant seasonal factors. However, in periods which seasonality is experienced, our interim results may not be indicative of annual results.

The carrying amounts at September 30, 2003 and December 31, 2002, of cash and cash equivalents, pledged cash, accounts receivable, contract financing receivable, other current assets, accounts payable, accrued expenses, unfunded portion of contract financing receivable and certain of the Company's credit facilities approximate their fair values because of the short maturity of those instruments. The carrying amount of long-term debt at September 30, 2003 and December 31, 2002 approximate the fair value as this debt is revolving and has a variable interest rate that fluctuates with market rates.

The Company has not changed its significant accounting policies from those disclosed in its Form 10-K for the year ended December 31, 2002, except for the adoption of recently issued accounting pronouncements, as disclosed below.

1. Basis of Presentation (continued)

GENERAL (CONTINUED)

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 for the year ended December 31, 2002.

EXPANDED REVENUE RECOGNITION POLICY

The Company recognizes revenue in accordance with SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). Under SAB 101 revenue is recognized when the title and risk of loss have passed to the customer, there is persuasive evidence of an arrangement, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectibility is reasonably assured.

For distribution revenue, which is recorded using the gross method, the criteria of SAB 101 are generally met upon shipment to customers, including title transfer, and, therefore, revenue is recognized at the time of shipment. In some circumstances, the customer may take legal title and assume risk of loss upon delivery and, therefore, revenue is recognized on the delivery date. In certain countries, title is retained by the Company for collection purposes only, which does not impact the timing of revenue recognition according to the provisions of SAB 101. Sales are recorded net of discounts, rebates, returns, and allowances. The Company does not have any material post-shipment obligations (e.g. customer acceptance), warranties or other arrangements. A portion of the Company's sales involves shipments of products directly from its suppliers to its customers. In such circumstances, the Company negotiates the price with the supplier and the customer, assumes responsibility for the delivery of the product and, at times, takes the ownership risk while the product is in transit, pays the supplier directly for the product shipped, establishes payment terms and bears credit risk of collecting payment from its customers. Furthermore, in these arrangements, the Company bears responsibility for accepting returns of products from the customer. Under these arrangements, the Company serves as the principal with the customer, as defined under Emerging Issues Task Force Issue No. 99-19 ("EITF 99-19"), Reporting Revenue Gross as a Principal versus Net as an Agent," and therefore recognizes the sale and cost of sale of the product upon receiving notification from the supplier that the product has shipped or in cases of FOB destination, CIP destination, or similar terms, the Company recognizes the sales upon confirmation of delivery to the customer at the named destination.

For integrated logistics service revenue, the criteria of SAB 101 are met when the Company's integrated logistics services have been performed and, therefore, revenue is recognized at that time. As a part of integrated logistics services the Company may, in certain circumstances, manage and distribute wireless equipment and prepaid recharge cards on behalf of various wireless network operators and assumes little or no ownership risk for the product, other than custodial risk of loss. Under these arrangements the Company has an agency relationship in the transaction as defined by EITF 99-19 and recognizes only the fee associated with serving as an agent. As part of the integrated logistics services, the Company may provide contract financing services to wireless network operators. In these arrangements, the service fee is

1. Basis of Presentation (continued)

EXPANDED REVENUE RECOGNITION POLICY (CONTINUED)

recorded net and is recognized when products have been shipped. In other integrated logistics services arrangements, the Company receives an activation commission for acquiring subscribers on behalf of wireless network operators through its independent dealer agents or through Company-owned stores. In the event the activation occurs through an independent dealer/agent, a portion of the commission is passed on to the dealer/agent. These arrangements may contain provisions for additional residual commissions based on subscriber usage. These agreements may also provide for the reduction or elimination of activation commissions if subscribers deactivate service within stipulated periods. The Company recognizes revenue for activation commissions upon activation of the subscriber's service and residual commissions when earned. An allowance is established for estimated wireless service deactivations as a reduction of accounts receivable and revenues. In circumstances when the Company acts as the obligor and determines the commission it will offer to independent dealer/agents, the Company recognizes the full commission earned from the wireless network operator using the gross method. In circumstances where the Company is acting as an agent for wireless network operators as defined by EITF 99-19, the Company recognizes the revenue using the net method.

CONCENTRATIONS OF RISK

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of trade accounts receivable. These receivables are generated from product distribution revenue and fee-based integrated logistics services revenue. The Company performs periodic credit evaluations of its customers and provides credit in the normal course of business to a large number of its customers. However, consistent with industry practice, the Company generally requires no collateral from its customers to secure trade accounts receivable with the exception of secured letters of credit from certain customers. The Company's Asia-Pacific division represents 55% of total revenue for the nine months ended September 30, 2003. The loss or a significant reduction in business activities in this division could have a material adverse affect on the Company's revenue and results of operations. For the three months ended September 30, 2003, one customer from the Asia-Pacific division, Reliance Industries Limited, represented 14.7% of the Company's revenue. For the nine months ended September 30, 2003, there were no customers that represented greater than 10% of the Company's revenue.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In 2003, Emerging Issues Task Force Issued No. 00-21 ("EITF 00-21"), Revenue Arrangements with Multiple Deliveries. EITF 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. Specifically, this EITF 00-21 addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. In applying this EITF 00-21, separate contracts with the same entity or related parties that are entered into at or near the same time are presumed to have been negotiated as a package and should, therefore, be evaluated as a single arrangement in considering whether there are one

1. Basis of Presentation (continued)

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (CONTINUED)

or more units of accounting. EITF 00-21 is effective for revenue arrangements entered into in periods (including quarterly periods) beginning after June 15, 2003. The Company adopted this standard on a prospective basis. The adoption of EITF 00-21 related to new agreements did not have an impact on the Company.

In 2003, the Financial Accounting Standards Board ("FASB") 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 adoption of FIN No. 46 did not have material impact on the financial position or results of operations of the Company.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity ("SFAS No. 150"). SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify certain financial instruments as a liability (or as an asset in some circumstances). SFAS No. 150 was effective for the Company at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have material impact on the financial position or results of operations of the Company.

In April, 2003, the 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 adoption of SFAS No. 149 did not have material impact on the financial position or results of operations of the Company.

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. The Company has issued certain guarantees on behalf of its subsidiaries with regard to lines of credit and long-term debt, for which the

1. Basis of Presentation (continued)

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (CONTINUED)

liability is recorded in the Company's financial statements. These guarantees are excluded from the scope of FIN 45 because they are a parent's guarantee of a consolidated subsidiary's debt to a third party. In some circumstances, the Company purchases inventory with payment terms requiring standby letters of credit. As of September 30, 2003, the Company has issued $24.0 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 more of these suppliers, the suppliers may draw on the standby letter of credit issued to them. The maximum future payments under these letters of credit are $24.0 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 in Note 6. While we do not currently anticipate the funding of these guarantees, the maximum potential amount of future payments under these guarantees at September 30, 2003 is approximately $26.5 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 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 nine months ended September 30, 2003, pursuant to their respective indemnification agreements with Brightpoint, Inc. and the Company's Certificate of Incorporation and By-laws, $1,428 and $26,606 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. For the same period in 2002, pursuant to their respective indemnification agreements with Brightpoint, Inc. and the Company's Certificate of Incorporation and By-laws, $92,743 and $44,502 in legal fees were paid on behalf of John P. Delaney and Phillip A. Bounsall, respectively.

In June 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 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 2003 to the consolidation of its call center activities in Richmond, California. See Note 2 to the Consolidated Financial Statements.

1. Basis of Presentation (continued)

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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 INCOME (LOSS) PER SHARE

Basic net income (loss) per share is based on the weighted average number of common shares outstanding during each period, and diluted net income (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.

On July 29, 2003, the Board of Directors approved a three-for-two split of the Company's outstanding common stock. The stock split was accomplished through a 50% stock dividend, providing stockholders with one additional share of common stock for every two shares they held. The stock dividend was paid on August 25, 2003, to holders of record on August 11, 2003.

On September 15, 2003, the Board of Directors approved a three-for-two split of

the Company's outstanding common stock. The stock split was accomplished through a 50% stock dividend, providing stockholders with one additional share of common stock for every two shares they held. The stock dividend was paid on October 15, 2003, to holders of record on September 30, 2003.

The Board of Directors approved the above referenced stock splits primarily to increase the liquidity of the stock by increasing the number of shares in the market, to improve the affordability of the stock for investors and to provide institutional investors an opportunity to purchase a larger number of shares before

they would become subject to the reporting obligations under Section 13(d) of the Securities Exchange Act of 1934.

1. Basis of Presentation (continued)

NET INCOME (LOSS) PER SHARE (CONTINUED)

The following is a reconciliation of the numerators and denominators of the basic and diluted net income (loss) per share computations for the three and nine months ended September 30, 2003 and 2002 (amounts in thousands, except per share data):

	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002	
Income from continuing operations	$ 5,046	$ 11,121	$
Discontinued operations	(202)	(1,627)	
Cumulative effect of a change in accounting principle, net of tax	-	-	
Net income (loss)	$ 4,844	$ 9,494	$
Basic:			
Weighted average shares outstanding	18,074	18,009	
Per share amount:			
Income from continuing operations	$ 0.28	$ 0.62	$
Discontinued operations	(0.01)	(0.09)	
Cumulative effect of a change in accounting			

principle, net of tax	-	-	
Net income (loss)	$ 0.27	$ 0.53	$
Diluted:			
Weighted average shares outstanding	18,074	18,009	
Net effect of dilutive stock options, based on the treasury stock method using average market price	858	-	
Total weighted average shares outstanding	18,932	18,009	
Per share amount:			
Income from continuing operations	$ 0.27	$ 0.62	$
Discontinued operations	(0.01)	(0.09)	
Cumulative effect of a change in accounting principle, net of tax	-	-	
Net income (loss)	$ 0.26	$ 0.53	$

BRIGHTPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
(UNAUDITED)

1. Basis of Presentation (continued)

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 income (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 ended September 30,	
	2003	2002
Net income (loss) as reported	$ 4,844	$ 9,494
Stock-based employee compensation benefit (cost), net of related tax effects, that would have been included in the determination of net income (loss) if the fair value method had been applied	205	(218)
Pro forma net income (loss)	$ 5,049	$ 9,276
Basic earnings per share:		
Net income (loss) as reported	$ 0.27	$ 0.53
Stock-based employee compensation benefit (cost), net		

of related tax effects, that would have been included in the determination of net income (loss) if the fair value method had been applied	0.01	(0.01)
Pro forma net income (loss)	$ 0.28	$ 0.52
Diluted earnings per share:		
Net income (loss) as reported	$ 0.26	$ 0.53
Stock-based employee compensation benefit (cost), net of related tax effects, that would have been included in the determination of net income (loss) if the fair value method had been applied	0.01	(0.01)
Pro forma net income (loss)	$ 0.27	$ 0.52

BRIGHTPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
(UNAUDITED)

1. Basis of Presentation (continued)

COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) is comprised of net income (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 income (loss) for the three and nine months ended September 30, 2003 and 2002 are as follows:

	Three months ended September 30,		Nin S
	2003	2002	2003
Net income (loss)	$ 4,844	$ 9,494	$ 6,
Unrealized loss on derivatives	-	-	
Foreign currency translation amounts	816	(886)	5,
Comprehensive income (loss)	$ 5,660	$ 8,608	$ 12,

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 completed the consolidation of the facility in April of 2003, however, it continues to search for a sub-lessee of the Richmond California premises. The facility consolidation affects the Americas operating segment. During the first six months of 2003, the Company recorded a pre-tax charge of $4.5 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 $0.6 million. At September 30, 2003, the Company had $2.6 million of reserves related to the facility consolidation. Total cash outflows relating to the charge were approximately $1.0 million through September 30, 2003. At this time, the Company does not expect to incur significant additional costs related to the facility consolidation. However, if the Company is unsuccessful in finding a sub-lessee or the terms of any such sub-lease are less than originally estimated, the Company may incur additional expenses. The details of the charge are presented below (in thousands):

2. Facility Consolidation Charge (continued)

	Quarter Ended March 31, 2003	Quarter Ended June 30, 2003	YEAR-TO SEPTEMBER
Cash items:			
Lease termination costs	$ 2,829	$ -	$
Employee termination costs	173	96	
Other exit costs	176	85	
Total cash items	3,178	181	
Non-cash items:			
Disposal of fixed assets	1,102	-	
Total non-cash items	1,102	-	
Total consolidation charge	$ 4,280	$ 181	$

Reserve activity for the facility consolidation as of September 30, 2003 is as follows (in thousands):

Facility Consolidation Charge Reserve	Lease Termination Costs	Fixed Assets	Employee Termination Costs	Other Exit Costs
January 1, 2003	$ -	$ -	$ -	$ -
Provisions	2,829	1,102	173	176
Non-cash usage	-	(1,102)	-	-
March 31, 2003	2,829	-	173	176
Provisions	-	-	96	85

Reclassification from accrued lease liability	289	-	-	-
Cash usage	(250)	-	(269)	(232
Non-cash usage	-	-	-	-
June 30, 2003	2,868	-	-	29
Cash usage	(252)	-	-	(12
Non-cash usage	-	-	-	-
SEPTEMBER 30, 2003	$ 2,616	$ -	$ -	$ 17

3. Impairment Loss on Long-Term Investment

During the third quarter of 2002 the Company recorded a non-cash impairment charge of $8.3 million relating to its investment in the Chinatron Group Holdings Limited ("Chinatron") Class B Preference Shares. Management was responsible for estimating the value of the Chinatron Class B Preference Shares. Based on the Company's estimates, which included external valuations, the Company's total investment in Chinatron Class B Preference Shares has an estimated fair market value of approximately $2 million.

4. Discontinued Operations

At the beginning of 2002, the Company adopted Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS No. 144"). In connection with the adoption of SFAS No. 144, the results of operations and related disposal costs, gains and losses for business units that the Company has eliminated or sold are classified in discontinued operations, for all periods presented.

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 of $3.1 million at September 30, 2003 and $3.4 million at December 31, 2002. In April 2003, the Company received an additional $1.3 million in contingent consideration related to the transaction, which is shown as an adjustment to the loss on the transaction within discontinued operations. There are no further significant amounts of additional contingent consideration due to the Company pursuant to the Sale and Purchase Agreement with Persequor Limited.

As of September 30, 2003, the actions called for by the 1999 and 2001 Restructuring Plans 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 thousands):

	Three months ended September 30, 2003	Three months ended September 30, 2002	N 20
Revenue	$ -	$ 22,379	$
Loss from discontinued operations			
Net operating loss	$ (86)	$ (461)	$
Restructuring plan charges	(27)	114	
Other	(57)	-	
Total loss from discontinued operations	(170)	(347)	
Gain (loss) on disposal of discontinued operations			
Restructuring plan charges	(27)	394	(1
Other	(5)	183	
Net loss on sale of Middle East operations	-	(1,857)	
Recovery of contingent receivable	-	-	1
Total gain (loss) on disposal of discontinued operations	(32)	(1,280)	
Total discontinued operations	$ (202)	$ (1,627)	$

BRIGHTPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
(UNAUDITED)

4. Discontinued Operations (continued)

The Company recorded losses related to the 1999 and 2001 Restructuring Plans during the three and nine months ended September 30, 2003 and 2002, are presented below (in thousands):

	Three months ended September 30, 2003	Three months ended September 30, 2002	Nine month Septembe 2003
Cash charges (credits):			
Employee termination costs	$ 15	$ (18)	$ 20
Lease termination costs	-	(16)	-
Other exit costs	14	81	(15)
Total cash charges (credits)	29	47	5
Non-cash charges (credits):			
Loss on investment	-	-	-
Impairment of accounts receivable and inventories of restructured			

operations	(1)	(161)	11
Impairment of fixed and other assets	-	-	72
Income tax effect of restructuring actions	-	-	(125)
Write-off of cumulative foreign currency translation adjustments	27	(394)	982
Total non-cash charges (credits)	25	(555)	940
Total restructuring plan charges	$ 54	$ (508)	$ 945

Utilization of the 2001 Restructuring Plan charges discussed above is as follows (in thousands):

	Lease Termination Costs	Employee Termination Costs	Other Exit Costs	Total
December 31, 2002	$ 195	$ 100	$ 1,099	$ 1,394
Provisions	-	-	140	140
Cash usage	(69)	(25)	(281)	(375)
Non-cash usage	-	(75)	(233)	(308)
March 31, 2003	126	-	725	851
Provisions	6	-	-	6
Cash usage	(66)	-	(177)	(243)
Non-cash usage	-	-	84	84
June 30, 2003	66	-	632	698
PROVISIONS	-	-	-	-
CASH USAGE	(66)	-	(83)	(149)
NON-CASH USAGE	-	-	(20)	-
SEPTEMBER 30, 2003	$ -	$ -	$ 529	$ 529

BRIGHTPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
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4. Discontinued Operations (continued)

Net assets, including reserves, related to discontinued operations are classified in the Consolidated Balance Sheets as follows (in thousands):

	SEPTEMBER 30,	December 31,

	2003	2002
Total current assets	$ 1,442	$ 8,113
Other non-current assets	120	177
Total assets	$ 1,562	$ 8,290
Accounts payable	$ 152	$ 898
Accrued expenses and other liabilities	2,821	5,141
Total liabilities	$ 2,973	$ 6,039

5. 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. During the first quarter of 2002, as a result of the initial transitional impairment test, the Company recorded an impairment charge of approximately $40.7 million, which is presented as a cumulative effect of a change in accounting principle, net of tax, for the three and nine months ended September 30, 2002. On October 1, 2002, the Company performed the required annual impairment test on its remaining goodwill and incurred no significant additional impairment charges. During the fourth quarter of 2003, the Company will be performing the annual impairment test. The impairment, if any, will be recorded in the fourth quarter of 2003.

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 September 30, 2003, these intangibles total $1.9 million, net of accumulated amortization of $1.2 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.

5. Cumulative Effect of a Change in Accounting Principle (continued)

The changes in the carrying amount of goodwill by operating segment for the nine months ended September 30, 2003 are as follows (in thousands):

	Europe	Asia-Pacific	
Balance at December 31, 2002	$ 12,778	$ 280	$
Goodwill from acquisitions	315	595	

Effects of foreign currency fluctuation	1,441	41	
Balance at September 30, 2003	$ 14,534	$ 916	$

6. Accounts Receivable Transfers

During the nine months ended September 30, 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 September 30, 2003 and 2002 totaled $75.4 million and $55.0 million, respectively. Fees, in the form of discounts, incurred in connection with these sales totaled $0.3 million and $0.3 million during the three months ended September 30, 2003 and 2002, respectively. Net funds received from the sales of accounts receivable during the nine months ended September 30, 2003 and 2002 totaled $200.4 million and $150.0 million, respectively. Fees, in the form of discounts, incurred in connection with these sales totaled $1.1 million and $1.5 million during the nine months ended September 30, 2003 and 2002, respectively. These fees were recorded as losses on the sale of assets and are included as a component of "Net other expenses" 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. In certain circumstances, the Company may be required to repurchase accounts receivable sold 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. The potential maximum future payments the Company may be required to repurchase is equal to the outstanding amounts for the respective periods. In 2002, the Company repurchased $150 thousand of receivables from banks or other third party financing institution. In the first quarter of 2003, the Company repurchased $900 thousand of accounts receivable sold related to its arrangement in Ireland. This liability was accrued at December 31, 2002. Concurrently, the receivable was written off to bad debt. The

6. Accounts Receivable Transfers (continued)

Company does not believe any further significant repurchases will be required, therefore, no liability has been recorded at September 30, 2003. 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 $26.5 million and $30.1 million of trade accounts receivable were sold to and held by banks and other third-party financing institutions at

September 30, 2003 and December 31, 2002, respectively.

7. Inventories

Inventories consist of wireless handsets, wireless data devices and accessories and are stated at the lower of cost (first-in, first-out method) or market. At each balance sheet date, the Company evaluates its ending inventory for excess quantities and obsolescence, considering any stock balancing or rights of return that it may have with certain suppliers. This evaluation includes analyses of sales levels by product and projections of future demand. The Company writes off inventories that are considered obsolete. Remaining inventory balances are adjusted to approximate the lower of cost or market value. During the nine months ended September 30, 2002, the Company made inventory valuation adjustments of approximately $3.6 million to adjust inventories to their estimated net realizable value or lower of cost or market. During the nine months ended September 30, 2003, the Company had no significant inventory valuation adjustments.

8. Acquisitions and Divestitures

See Note 4 to the Consolidated Financial Statements for discussions of the Company's divestiture activities during 2002.

During the first quarter of 2003, one of the Company's subsidiaries in France acquired certain net assets of three entities that provided 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 cash. As a result of these acquisitions, the Company recorded goodwill and other intangible assets totaling approximately $0.7 million.

Additionally, during the second quarter of 2003, the Company recorded $0.6 million of goodwill related to the payment of certain earn-out arrangements on prior acquisitions in the Asia-Pacific division.

The impact of the acquisitions discussed above was not material in relation to the Company's consolidated results of operations. Consequently, proforma information is not presented.

9. Lines of Credit and Long-term Debt

In the first quarter of 2003, the Company repurchased 21,803 of the 21,932 zero coupon, subordinated, convertible notes (Convertible Notes) then outstanding. 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. 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 for the year ended December 31, 2002.

On July 7, 2003, the Company amended the Credit Agreement between Brightpoint North America, L.P., Wireless Fulfillment Services LLC, the other Credit Parties and General Electric Capital Corporation. The amendment provides consent to join Brightpoint Activation Services LLC and to become joinder of the Credit Agreement as other Credit Parties.

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 with GE Commercial Finance in Australia. At September 30, 2003 and December 31, 2002, there was $5.6 million and $10.1 million outstanding, respectively, under the facility at an interest rate of approximately 7.8% at September 30, 2003 and December 31, 2002. At September 30, 2003 there was approximately $15.7 million of unused availability under the facility. Letters of credit in the amount of $3.5 million have been issued under this 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 $1.9 million U.S. Dollars at September 30, 2003) and bears interest at 3.75%. The facility is supported by a guarantee provided by the Company and a mortgage on Brightpoint Sweden AB's assets. At September 30, 2003 and December 31, 2002, there were no amounts outstanding under this facility.

At September 30, 2003 and December 31, 2002, there was $5.6 million and $10.1 million outstanding under all credit agreements, respectively. Available funding, net of the applicable required availability minimum at September 30, 2003 and December 31, 2002, was $42.4 million and $41.9 million, respectively. At September 30, 2003 and December 31, 2002, the Company was in compliance with the covenants in all of its credit agreements.

10. Operating Segments

The Company operates in markets worldwide as 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 devices with related accessories and fees for the performance 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 and includes allocated corporate selling, general and administrative expenses. A summary of the Company's operations by segment is presented below (in thousands):

	2003		
	REVENUES FROM EXTERNAL	OPERATING INCOME FROM CONTINUING	Revenues from

	CUSTOMERS	OPERATIONS	External Customer
THREE MONTHS ENDED SEPTEMBER 30:			
The Americas	$ 132,645	$ 2,464	$ 127,343
Asia-Pacific	314,294	4,369	141,457
Europe	86,767	1,460	67,961
	$ 533,706	$ 8,293	$ 336,761
NINE MONTHS ENDED SEPTEMBER 30:			
The Americas (1)	$ 328,300	$ 937	$ 381,727
Asia-Pacific	694,019	9,435	372,954
Europe	230,983	1,791	179,708
	$ 1,253,302	$ 12,163	$ 934,389

	SEPTEMBER 30, 2003	December 31, 2002
TOTAL SEGMENT ASSETS:		
The Americas (2) (3)	$ 166,489	$ 173,371
Asia-Pacific (3)	180,291	84,920
Europe (3)	90,338	78,011
	$ 437,118	$ 336,302

(1) Includes $4.5 million facility consolidation charge for the nine months ended September 30, 2003, see Note 2 for additional detail.

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

(3) Includes assets held for sale or disposal of discontinued operations at December 31, 2002.

BRIGHTPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
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11. Contingencies and Legal Proceedings

In October 2003, the Company settled the action brought against it by Chanin Capital Partners LLC ("Chanin") on November 25, 2002 in the United States District Court for the Southern District of Indiana Civil Action No. 1:02-CV-1834-JDT-WTL. Pursuant to the settlement the Company paid Chanin $725,000 and the action was dismissed with prejudice. Net of amounts accrued in 2002, an additional $100,000 was recorded as a loss on debt extinguishment.

In September 2003, the Company settled with the United States Securities and Exchange Commission ("SEC") the previously disclosed investigation conducted by

the SEC. Pursuant to the settlement, the Company, without admitting or denying any of the SEC's allegations, consented to the entry of an administrative order to cease and desist from violations of the anti-fraud, books and records, internal controls and periodic reporting provisions of the Securities Exchange Act of 1934 and the anti-fraud provisions of the Securities Act of 1933. The Company also paid a fine of $450,000 pursuant to an order entered in the United States District Court for the Southern District of New York. The administrative cease and desist order alleged that the Company, through the actions of John Delaney, its former Controller and Chief Accounting Officer and Timothy Harcharik, its former Director of Risk Management, committed fraud through the purchase and use of a purported insurance policy to misrepresent the Company's losses as insured losses. The Company restated its annual financial statements for 1998, 1999, 2000 and the interim periods of 2001 on November 13, 2001 and January 31, 2002 to account for payments made under the purported insurance policy. Delaney and Phillip Bounsall, the Company's former Chief Financial Officer, also reached settlements with the SEC. During the third quarter of 2003 the fine was recorded in net other expense.

In the ordinary course of conducting its business, the Company is from time to time, also involved in certain legal proceedings. 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 statements, including earnings and liquidity.

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 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

11. Contingencies and Legal Proceedings (continued)

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. The potential assessment is not estimable and, therefore, is not reflected as a liability or recorded as an expense.

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

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. 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 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 for the year ended December 31, 2002.

The operating results of the Company 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.

For the three months ended September 30, 2003, we did not experience any significant seasonal factors. However, in periods which seasonality is experienced, interim results are not indicative of annual results.

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

OVERVIEW AND RECENT DEVELOPMENTS

Entry into India

During the third quarter of 2003, our Asia-Pacific division entered into India to meet the needs of one of the fastest growing markets for wireless devices in the world. This entry was a significant step in implementing our overall growth strategy. We have established our headquarters in New Delhi, recruited key members of the management team and other employees and entered into a supply agreement with Nokia India Private Limited. Additionally, our Brightpoint Asia Ltd subsidiary has entered into a handset supply agreement with Reliance Industries Limited, a network operator in India.

Settlement with SEC

In September 2003, the Company settled with the SEC the previously disclosed investigation conducted by the SEC. Pursuant to the settlement, the Company, without admitting or denying any of the SEC's allegations, consented to the entry of an administrative order to cease and desist from violations of the anti-fraud, books and records, internal controls and periodic reporting provisions of the Securities Exchange Act of 1934 and the anti-fraud provisions of the Securities Act of 1933. The Company also paid a fine of $450,000 pursuant to an order entered in the United States District Court for the Southern

District of New York. The administrative cease and desist order alleged that the Company, through the actions of John Delaney, its former Controller and Chief Accounting Officer and Timothy Harcharik, its former Director of Risk Management, committed fraud through the purchase and use of a purported insurance policy to misrepresent the Company's losses as insured losses. The Company restated its annual financial statements for 1998, 1999, 2000 and the interim periods of 2001 on November 13, 2001 and January 31, 2002 to account for payments made under the purported insurance policy. Delaney and Phillip Bounsall, the Company's former Chief Financial Officer, also reached settlements with the SEC. During the third quarter of 2003 the fine was recorded in net other expense.

Other Legal Settlement

In October 2003, the Company settled the action brought against it by Chanin Capital Partners LLC ("Chanin") on November 25, 2002 in the United States District Court for the Southern District of Indiana Civil Action No. 1:02-CV-1834-JDT-WTL. Pursuant to the settlement, the Company paid Chanin $725,000 and the action was dismissed with prejudice. Net of amounts accrued in 2002, an additional $100,000 was recorded as a loss on debt extinguishment.

Stock Splits

On July 29, 2003, the Board of Directors approved a three-for-two split of its outstanding common stock. The stock split was accomplished through a 50% stock dividend, providing stockholders with one additional share of common stock for every two shares they held. The stock dividend was paid on August 25, 2003, to holders of record on August 11, 2003.

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

OVERVIEW AND RECENT DEVELOPMENTS (CONTINUED)

On September 15, 2003, the Board of Directors approved a three-for-two split of its outstanding common stock. The stock split was accomplished through a 50% stock dividend, providing stockholders with one additional share of common stock for every two shares they held. The stock dividend was paid on October 15, 2003, to holders of record on September 30, 2003. The accompanying Consolidated Financial Statements and related notes reflect both stock splits.

RESULTS OF OPERATIONS

Revenue

Revenue for the three months ended:

(in thousands)	SEPTEMBER 30, 2003	PERCENT OF TOTAL	September 30, 2002	Percent of Total	June 30, 2003	Percen of Tot
The Americas	$132,645	25%	$127,343	38%	$100,828	26
Asia-Pacific	314,294	59%	141,457	42%	203,319	54
Europe	86,767	16%	67,961	20%	75,259	20

Total	$533,706	100%	$336,761	100%	$379,406	100

(in thousands)	SEPTEMBER 30, 2003	PERCENT OF TOTAL	September 30, 2002	Percent of Total	June 30, 2003
Product distribution (1)	$476,824	89%	$288,948	86%	$324,290
Integrated logistics services	56,882	11%	47,813	14%	55,116
Total	$533,706	100%	$336,761	100%	$379,406

(1) Product distribution referred to in this Form 10-Q includes wireless devices and related accessories.

Revenue was $534 million, which represented an increase of 58% from $337 million in the third quarter of 2002. Total wireless devices handled by the Company were approximately 6.0 million, an increase of 62% from approximately 3.7 million handled in the third quarter of 2002. Revenue grew in all three divisions. The growth was primarily attributable to continued strong market demand for our products and services and our entry into India. Strengthening of foreign currencies against the U.S. Dollar contributed 6 percentage points of the overall revenue growth. All divisions experienced product supply constraints for certain wireless handsets, of which the financial impact cannot be quantified.

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

RESULTS OF OPERATIONS (CONTINUED)

Revenue (continued)

As compared to the third quarter of 2002, the Asia-Pacific division's revenue grew by 122%. As compared to the third quarter of 2002, our revenues in the countries in the Asia-Pacific division that were operating in 2002 grew by 60% as demand for our products and services increased in response to aggressive pricing from manufacturers and promotional activities by the network operators. Revenue generated by our entry into India accounted for the remainder of the division's revenue growth. The initiation of a supply contract for CDMA products with Nokia and a handset supply agreement with Reliance Industries Limited were key drivers of our new business in India. As compared to the second quarter of 2003, Asia-Pacific division's revenue grew 55% for the reasons stated above.

As compared to the third quarter of 2002, the Europe division experienced a 28% growth in revenue of which 15 percentage points were caused by the strengthening of European currencies relative to the U.S. Dollar. In local currency terms, product distribution revenue grew by 15%, primarily driven by increased sales of wireless devices with enhanced features and capabilities, which increased our average selling prices of wireless devices. In local currency terms, integrated logistics services revenue grew 9% over the third quarter of 2002, primarily driven by increased sales of prepaid wireless airtime. As compared to the second quarter of 2003, the Europe division experienced 15% growth in revenue,

primarily from a 27% increase in wireless devices handled and a 10% increase in integrated logistics services. Currency fluctuations did not have a material impact when compared to the second quarter of 2003.

As compared to the third quarter of 2002, the Americas division experienced a 4% increase in revenue. While revenue growth was modest, total wireless devices handled increased by 20%, which occurred mostly through fee-based integrated logistics services. The Americas revenue growth in wireless devices was partially offset by a $7 million decrease in accessories revenue. As compared to the second quarter of 2003, revenue grew by 32%, driven by a 24% increase in wireless devices sold due to a successful launch of new Nokia CDMA wireless devices and a 12% increase in average selling prices. Additionally, wireless devices handled through integrated logistics services increased by 14% and the associated revenue increased by 15%.

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

RESULTS OF OPERATIONS (CONTINUED)

Revenue (continued)
Revenue for the nine months ended:

(in thousands)	SEPTEMBER 30, 2003	PERCENT OF TOTAL	September 30, 2002	Pe
The Americas	$ 328,300	26%	$381,727	
Asia-Pacific	694,019	55%	372,954	
Europe	230,983	19%	179,708	
Total	$1,253,302	100%	$934,389	

(in thousands)	SEPTEMBER 30, 2003	PERCENT OF TOTAL	September 30, 2002	Percen Tota
Product distribution	$1,089,302	87%	$798,289	85%
Integrated logistics services	164,000	13%	136,100	15%
Total	$1,253,302	100%	$934,389	100%

For the nine months ended September 30, 2003, revenue increased by 34% as compared to the same period in 2002. Total wireless devices handled by the Company were approximately 14.1 million, an increase of 28% from approximately 11.0 million handled in 2002.

The Asia-Pacific division experienced an 86% growth in revenue. Our revenues in the countries in the Asia-Pacific division that were operating in 2002 grew by 73%, where all markets experienced increased demand for our products and

services despite experiencing a brief slow down in demand related to the effect of Severe Acute Respiratory Syndrome (SARS) in the first half of 2003. Revenue generated by our entry into India accounted for the remainder of the division's revenue growth. As stated above, the initiation of a supply contract for CDMA products with Nokia in India and a handset supply agreement with Reliance Industries Limited were key drivers of our new business in India.

The Europe division experienced a 28% growth in revenue. Integrated logistic services revenue grew by 30% driven by increased sales of prepaid wireless airtime. Although wireless handset distribution units experienced a slight decline, the strengthening of European currencies relative to the U.S. dollar and an increase in average selling prices contributed to the revenue increase.

The Americas division experienced a 14% decline in revenue due to a sales mix shift from product distribution revenue to fee-based logistics services revenue and the lack of availability of certain CDMA-based wireless devices. The financial impact of the lack of certain CDMA handsets cannot be quantified. Total wireless devices handled grew by 9% over the prior year. Wireless devices sold decreased by 11%, offset by an 18% increase in wireless devices handled through fee-based integrated logistics services. As the wireless devices handled through integrated logistics services increased, the average service fee per unit decreased by 17%, causing revenue from integrated logistics services to be relatively flat.

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

RESULTS OF OPERATIONS (CONTINUED)

Gross Profit

	Three Months Ended			Nine Months Ended		
(in thousands)	SEPTEMBER 30, 2003	September 30, 2002	June 30, 2003	September 30, 2003	September 30, 2002	Q3 Q
Product distribution	$ 16,602	$ 10,315	$ 12,215	$ 36,059	$ 18,596	
Integrated logistics services	10,453	9,652	10,163	32,171	32,055	
Gross profit	$ 27,055	$ 19,967	$ 22,378	$ 68,230	$ 50,651	
Gross margin	5.1%	5.9%	5.9%	5.4%	5.4%	

Gross profit for the third quarter of 2003 increased 35% when compared to the third quarter of 2002 and increased 21% when compared to the second quarter of 2003, primarily as a result of increased revenues globally. Gross margin was 5.1% for the third quarter of 2003, as compared to 5.9% for the third quarter of 2002 and 5.9% for the second quarter of 2003. The decline in gross margin from the third quarter of 2002 and the second quarter of 2003 is primarily the result of lower gross margins on CDMA wireless devices sold in India and an overall increase in distribution sales as a percentage of total revenue.

For the nine months ended September 30, 2003, gross profit increased $17.6 million, or 35%, as a result of increased volume in the Asia-Pacific division, including our recent entry into India, the effect of strengthening foreign currencies, improved product cost management and cost reduction actions.

Gross profit and gross margin from product distribution

As compared to the third quarter of 2002, gross profit from product distribution for the third quarter of 2003 increased $6.3 million, or 61%. The increased demand for wireless devices in the Asia-Pacific division and our entry into India accounted for 41 percentage points of this increase. The remaining 20 percentage points are primarily due to the positive effects of previous cost reduction actions in Europe and improved product cost management. During 2002, inventory valuation adjustments were recorded for approximately $3.6 million, to adjust inventories to estimated net realizable value or lower of cost or market. The Company sold or physically destroyed this inventory during 2002 at no material variance from the valuation adjustment. During the three months ended September 30, 2003, the Company had no significant inventory valuation adjustments. Gross margins declined due to increased sales of wireless devices in the Asia-Pacific division, including our entry into India, where we sold increased volumes of lower gross margin CDMA wireless devices, an overall increase in distribution sales as a percentage of total revenue and a reduction of supplier incentives in the Asia-Pacific division, offset by the effect of strengthening foreign currencies and improvements in costs in the Europe division.

As compared to the second quarter of 2003, gross profit from product distribution increased $4.4 million, or 36%. This increase is primarily the result of increased sales of wireless devices in the Asia-Pacific division, including additional units sold into India, and increased sales in the Americas division. The decrease in gross margin was due to the sale of lower margin CDMA wireless devices to Reliance, partially offset by an increase in gross margin in the Americas due to the sale of wireless devices with enhanced features and capabilities, which generally have higher gross margins.

Gross Profit (continued)

Gross profit and gross margin from product distribution (continued) For the nine months ended September 30, 2003, gross profit from product distribution increased $17.5 million, or 94%, as compared to the same period in 2002, primarily as a result of the reasons stated above. Gross profit for the nine months ended September 30, 2002 was negatively impacted by charges in the Americas division of $2.5 million for a purchase commitment related to an obligation to purchase a certain volume of accessories, which was not attained and the effect of recorded inventory valuation adjustments of approximately $3.6 million, to adjust inventories to their estimated net realizable value or lower of cost or market during 2002. The gross margin for product distribution increased due to improved inventory management in the Americas and Europe division, the positive effects of previous cost reduction action, offset by lower gross margins on CDMA wireless devices sold in India and a reduction of supplier incentives in the Asia-Pacific division.

Gross profit and gross margin from integrated logistics services

As compared to the third quarter of 2002, gross profit from integrated logistics services increased 8%. This increase is primarily from increased sales of prepaid wireless airtime in the Europe division offset by an expiration of a contract with a wireless network operator customer in the Europe division, which contributed approximately $900 thousand of gross profit in the third quarter of 2002. Gross profit was not materially affected by the 30% increase in wireless units handled in the Americas division due to a 17% decline in average service fee per unit. Gross margin decreased primarily as a result of increased sales of prepaid wireless airtime in the Europe division, which generate a relatively lower gross margin.

As compared to the second quarter of 2003, gross profit from integrated logistics services for the third quarter of 2003, increased 3%. Gross margin remained steady.

For the nine months ended September 30, 2003, the gross profit remained steady as compared to the same period in 2002. Increases in gross profit from increased sales of prepaid wireless airtime in the Europe division were offset by a loss of a wireless network operator customer in the Asia-Pacific division. Gross margin decreased primarily as a result of increased sales of prepaid wireless airtime in the Europe division, which generate a relatively lower gross margin and the loss of a wireless network operator customer in the Asia-Pacific division.

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

Selling, General and Administrative Expenses

	Three Months Ended			Nine Months Ended		
(in thousands)	SEPTEMBER 30, 2003	September 30, 2002	June 30, 2003	September 30, 2003	September 30, 2002	Q
Selling, general and administrative expenses	$ 18,762	$ 16,981	$16,733	$ 51,606	$ 54,866	
As a percent of revenue	3.5%	5.0%	4.4%	4.1%	5.9%	

As compared to the third quarter of 2002, selling, general and administrative ("SG&A") expenses increased by 10%, or $1.8 million, and declined from 5.0% of revenue to 3.5% of revenue. The decline as a percentage of revenue is a result of the overall increase in revenue. The increase in SG&A expenses is primarily due to costs associated with our entry into India, the expansion of our retail and activation management activities in France and variable costs associated with a 58% increase in revenue.

As compared to the second quarter of 2003, SG&A expenses increased by 12%, or $2.0 million, and declined from 4.4% of revenue to 3.5% of revenue. The increase in SG&A expenses is primarily due to our entry into India and variable costs associated with a 41% increase in revenue, partially offset by a $900 thousand legal expense recovery, which reduced the SG&A expenses in the second quarter of 2003 and no such recovery was obtained in the third quarter of 2003.

For the nine months ended September 30, 2003, SG&A expenses decreased by 6%, or

$3.3 million, and declined from 5.9% of revenue to 4.1% of revenue. The decrease was primarily due to reduced spending in the Americas division of approximately $4 million, the positive effect of cost reduction action taken in Europe of approximately $1 million and a $900 thousand legal expense recovery, offset by our entry into India and the expansion of our retail and activation management activities in France. Additionally, SG&A expenses in 2002 included severance payments of approximately $1.5 million.

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 completed the consolidation of the facility in April of 2003, however, continues to search for a sub-lessee. The facility consolidation affects the Americas operating segment. During the first six months of 2003, the Company recorded a pre-tax charge of $4.5 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 $0.6 million. At September 30, 2003, the Company had $2.6 million of reserves related to the facility consolidation. Total cash outflows relating to the charge were approximately $1.0 million through September 30, 2003. At this time, the Company does not expect to incur significant additional costs related to the facility consolidation. If the Company is unsuccessful in finding a sub-lessee or the terms are less than originally estimated, the Company may incur additional expenses.

Operating Income (Loss) from Continuing Operations

(in thousands)	Three Months Ended			Nine Months Ended	
	SEPTEMBER 30, 2003	September 30, 2002	June 30, 2003	September 30, 2003	September 2002
Operating income (loss) from continuing operations	$ 8,293	$ 2,986	$5,464	$ 12,163	($ 4,215
As a percent of revenue	1.6%	0.9%	1.4%	1.0%	(0.5

Operating income from continuing operations for the third quarter of 2003 was $8.3 million, an increase of $5.3 million, or 178%, from the third quarter of 2002. This increase was due to a 58% increase in revenue resulting from strong demand for our products and services in all divisions and our entry into the India market in the third quarter of 2003. The growth in revenue was partially offset by a decrease in gross margin from 5.9% to 5.1%, which was driven primarily by an incremental proportion of lower gross margin wireless handsets sold in India, and by a 10% increase in SG&A expenses. The increase in SG&A expenses was primarily caused by additional expenses related to our entry into India, additional expenses related to the expansion of our retail and activation

management activities in France and variable cost increases in proportion with the 58% revenue increase. Of the 178% increase in operating income from continuing operations from the third quarter of 2002, the strengthening of foreign currencies relative to the U.S. dollar accounted for 11 percentage points.

As compared to the second quarter of 2003, operating income from continuing operations increased by $2.8 million, or 52%. This increase was due to a 41% increase in revenue resulting from strong demand for our products and services in all divisions and our entry into the India market in the third quarter of 2003. The growth in revenue was partially offset by a decrease in gross margin from 5.9% to 5.1%, which was driven primarily by an incremental proportion of lower gross margin wireless handsets sold in India, and by a 12% increase in SG&A expenses. The increase in SG&A expenses was primarily caused by additional expenses related to our entry into India and variable cost increases in proportion with the 41% revenue increase. Fluctuating foreign currencies had no material effect.

For the nine months ended September 30, 2003, operating income from continuing operations (including the facility consolidation charge) increased by $16.4 million as compared to the same period of 2002. This increase was a result of a 34% increase in revenue, a 35% increase in gross profit and a 6% reduction in SG&A expenses. The revenue increase was attributable to an 86% increase in revenue in the Asia Pacific division, where all markets experienced an increase in demand for our products and services and which included additional revenue from our entry into the India market in the third quarter of 2003, and a 28% increase in revenue in the Europe division, which increased its sales of prepaid wireless airtime and benefited from the strengthening of European currencies relative to the U.S. dollar. Revenue growth during this period was partially offset by a 14% decline in the Americas division, which experienced a shift in sales mix from product distribution revenue to fee-based logistics services and was unable to meet product demand in certain circumstances due to the lack of certain CDMA-based wireless devices. The 35% increase in gross profit was closely associated with a 34% increase in revenue. The 6% reduction in SG&A expenses was the result of cost reduction action taken in 2002 and a $900 thousand legal expense

recovery in the second quarter of 2003. The decrease in SG&A expenses was partially offset by expenses associated with our entry into India and the expansion of our retail and activation management activities in France. Additionally, SG&A expenses in 2002 included severance payments of approximately $1.5 million.

RESULTS OF OPERATIONS (CONTINUED)

Income from Continuing Operations

	Three Months Ended	Nine Month

(In thousands)	SEPTEMBER 30, 2003	September 30, 2002	June 30, 2003	September 30, 2003
Income from continuing operations	$ 5,046	$ 11,121	$3,754	$ 6,540
As a percent of revenue	0.9%	3.3%	1.0%	0.5%

Income from continuing operations was $5.0 million, a decrease of $6.1 million, or 55%, from the third quarter of 2002. On a per diluted share basis, income from continuing operations decreased from $0.62 in the third quarter of 2002 to $0.27 in the third quarter of 2003. This decrease is attributable to a gain on debt extinguishment of $31.1 million in 2002 that did not occur in the third quarter of 2003, partially offset by an impairment loss on long-term investment of $8.3 million incurred in the third quarter of 2002 that did not occur in the third quarter of 2003, a $979 thousand reduction of interest expense and a $5.3 million increase in operating income from continuing operations. The reduction of interest expense was a direct result of the reduction of debt levels. The increase in operating income from continuing operations was due to a 58% increase in revenue resulting from strong demand for our products and services in all divisions and our entry into the India market in the third quarter of 2003. The growth in revenue was partially offset by a decrease in gross margin from 5.9% to 5.1%, which was driven primarily by an incremental proportion of lower gross margin wireless handsets sold in India, and by a 10% increase in SG&A expenses. The increase in SG&A expenses was primarily caused by additional expenses related to our entry into India, additional expenses related to the expansion of our retail and activation management activities in France and variable cost increases in proportion with the 58% revenue increase. Of the 178% increase in operating income from continuing operations from the third quarter of 2002, the strengthening of foreign currencies relative to the U.S. Dollar accounted for 11 percentage points.

As compared to the second quarter of 2003, income from continuing operations increased $1.3 million, or 34%. On a per diluted share basis, income from continuing operations increased from $0.20 in the second quarter of 2003 to $0.27 in the third quarter of 2003. This increase is due to a $2.8 million increase in operating income from continuing operations, partially offset by a $450 thousand fine paid in connection with the Company's previously announced settlement with the SEC and other items of lesser significance. The increase in operating income from continuing operations was due to a 41% increase in revenue resulting from strong demand for our products and services in all divisions and our entry into the India market in the third quarter of 2003. The growth in revenue was partially offset by a decrease in gross margin from 5.9% to 5.1%, which was driven primarily by an incremental proportion of lower gross margin wireless handsets sold in India, and by a 12% increase in SG&A expenses. The increase in SG&A expenses was primarily caused by additional expenses related to our entry into India and variable cost increases in proportion with the 41% revenue increase. Fluctuating foreign currencies had no material effect.

For the nine months ended September 30, 2003, income from continuing operations (including the facility consolidation charge) was $6.5 million as compared to $10.3 million for the same period in 2002. On a per diluted share basis, income from continuing operations decreased from $0.57 for the nine months

ended September 30, 2002 to $0.35 for the same period in 2003. The change in income from continuing operations is primarily attributable to a $43.6 million gain on debt extinguishment incurred in the nine months ended September 30, 2002, that did not occur in the same period in 2003, partially offset by an impairment loss on long-term investment of $8.3 million in the third quarter of