

OFFERING TO SUBSCRIBE FOR UP TO €17.5 MILLION IN NEWLY ISSUED SHARES WITH VVPR STRIPS

In connection with the Offering the Lead Manager was granted a Green shoe Option equal to 15% of the Base Shares.

THE OFFERED SHARES ARE OFFERED TO THE PUBLIC IN BELGIUM AND PURSUANT TO A PRIVATE PLACEMENT TO INSTITUTIONAL INVESTORS IN BELGIUM AND EUROPE.

ADMISSION TO LISTING ON EUROLIST BY EURONEXT BRUSSELS OF ALL EXISTING SHARES IN THE COMPANY, ALL NEW SHARES AS WELL AS ALL VVPR STRIPS.

In connection with the Offering, the Lead Manager is allowed to allocate an additional number of existing shares equal to maximum 15% of the Base Shares. The Lead Manager will be granted a Green shoe Option, exercisable as of the Listing Date and until 30 days thereafter, for the sole purpose of allowing the Lead Manager to cover these over-allotments, if any. The Green shoe Option consists of a warrant granted to the Lead Manager. The shares issued upon exercise of the Green shoe Option will be new shares of the Company.

The Offering and sale of the Offered Shares are subject to certain restrictions. See disclaimers and notices, beginning on page 28.

Investing in the Offered shares involves a high degree of risk. See "Risk factors" beginning on page 19. Punch Telematix was created through the acquisition of several companies and, as a consequence, intangible assets account for approximately 53% of its balance sheet total. Up to now, the Company has not been profitable and the recurrent revenues represented only a minor part of its total revenues.

Lead Manager



Selling Agent



The Offered Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended and may not be offered or sold in the USA or to or for the account or benefit of USA persons except pursuant to an exemption from such registration.

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SUMMARY

The following information does not purport to be complete and should be read as an introduction to the more detailed information appearing elsewhere in this Prospectus. It contains selected information about Punch Telematix, its business and the Offering. It does not include all the information that may be relevant or important to investors. Any decision by a prospective investor to invest in the Offered Shares should be based on consideration of the Prospectus as a whole and not solely on this summary. In particular, this summary should be read together with, and is qualified in its entirety by, the more detailed information and the financial statements and notes thereto appearing elsewhere in this Prospectus. It should also be read together with the matters set forth under "Risk Factors". No civil liability will attach to Punch Telematix in respect of this summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the applicable legislation, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Business summary

The past decade, economic life has changed tremendously as technological evolution strongly impacted the way companies conduct their businesses. For example, mobile communications and internet available everywhere are technological innovations which enable companies to interact with their employees and customers proactively and with greater flexibility.

However, this increased flexibility comes at a cost: companies that want to remain competitive in this global and flexible marketplace are bound to look for solutions to manage the "nomadic" resources in order to maximize operational efficiency, to reduce operational costs and, finally, to improve profits and customer satisfaction. A typical example of an application that allows to efficiently manage "nomadic" resources is the field service optimisation (see Figure 1). It is an application whereby a GPS receiver is embedded in a device carried by field service employees and continuously registers their position. On a regular time interval (from seconds to minutes – depending on the application) the position information is communicated to the back-office application. Depending on the application, the device can also allow the employee to feed data into the system (results of a specific customer visit, customer requests, etc), consult customer or product information databases, communicate with colleagues, or be informed about changes to the work plan, etc.

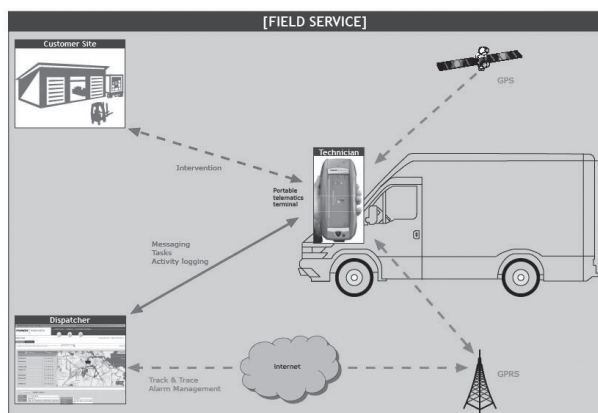


Figure 1: field service optimisation

The worldwide market for such telematics solutions is growing strongly. According to Berg Insight the worldwide market for telematics systems and services for the heavy vehicles market, which includes commercial vehicles with a weight below 3.5 ton, is estimated to be worth approximately €1.5 billion and to increase rapidly to nearly €5 billion in 2009 with a dominant service part (see Figure 2). This represents a compounded average growth rate of 35%.

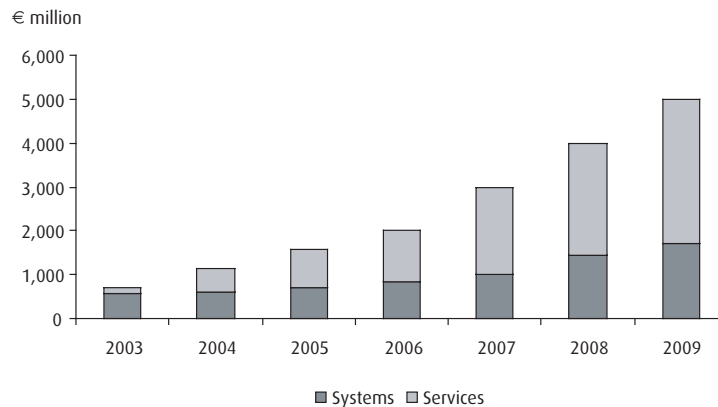


Figure 2: heavy vehicles telematics market

Punch Telematix is active in the telematics industry since 1998 (see also Section 5.4). It originally manufactured track and trace devices using the paging networks as a communication medium. The advent of new communication technologies and the increased need for mobile resources management inspired the Group, as from 2003, to acquire a number of companies, that were leading in a specific technology or vertical market segment of the telematics space. It is Punch Telematix' aim to become a pan-European service provider offering a complete range of total solutions to all segments of the market for remote resource and asset management. Telematics service providers who can offer such total solution with a guaranteed service level at a fixed and transparent total cost of ownership are likely to be the determining players to move the industry forward.

Punch Telematix targets multiple vertical segments, ranging from small companies to medium and large companies, from companies without ICT resources and skills to companies having and managing their own ERP applications. Punch Telematix offers solution bundles (see Figure 3) which consist of a (i) mobile hardware device (installed in vehicles or assets or carried by mobile employees) with embedded software, (ii) wireless communication services (airtime on a wireless network, most often using the GPRS technology), (iii) a service platform (for provisioning, billing, monitoring, etc) and (iv) hosted back office applications. Punch Telematix aims at providing its customers what GSM operators offer their customers in terms of "personal information services" such as push-email/calendar services like Blackberry®.

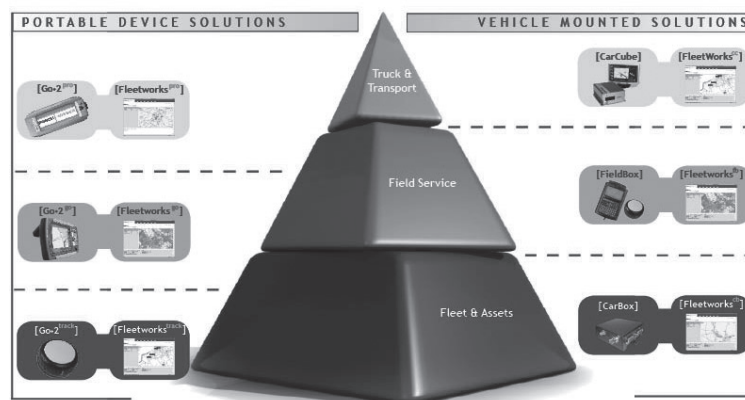


Figure 3: Punch Telematix solution portfolio

The history of a buy and build strategy is an essential characteristic of Punch Telematix. Based on the complementary profile of the acquired companies and the successful integration over the course of 2005 and 2006, Punch Telematix was able to define a differentiating strategy.

The Group generated consolidated revenues of €8.5 million in 2005 and €9.2 million in the first half of 2006. Punch Telematix currently has 101 employees in three different countries (Belgium, the Netherlands and France).

Competitive strengths

Punch Telematix believes its competitive strengths are:

- **Large installed customer base:** Punch Telematix and its subsidiaries installed more than 40.000 units in the past years. The Group estimates that 2/3 of this installed base represents a realistic potential for up sale, i.e. selling additional equipment and services to move the existing solutions to the current standards. Most of those units (i) do not yet use real-time information transfer between the remote terminal and the back-office (off-line) or (ii) exchange information to the back office by means of expensive and narrow banded SMS messages. Punch Telematix estimates that the payback time for a customer upgrading its solution from an off-line or expensive SMS-based solution to the Group's new solution bundle is less than 12 months;
- **Complete product portfolio covering the entire business-to-business (B2B) market:** the strength of the Group's solutions portfolio lies in (i) the fact that Punch Telematix blends different pieces of the puzzle enabling it to monitor the complete value chain of telematics solutions and (ii) the broad scope to which the solutions are tailored, enabling Punch Telematix to offer a solution for many different applications to the most relevant market segments (the transport and logistic market, the fuel sector, constructions companies, car leasing and short term rental companies or even insurance companies);
- **Open standards technology and easy business process integration:** the Group's service provider model is tailored to key business imperatives such as business continuity, high availability, managed and secured services. The potential customer's business is the starting point for all engineering and development initiatives. The devices are based on open standards and, for the ease of integration into generic ERP systems, application programming interfaces (API's) or software development kits (SDK's) are provided to the specialized business partners;
- **Growing recurring revenues:** The solution bundles of Punch Telematix are designed to provide customers a low entry (no capital expenditures), cost predictable (monthly "flat" fee including hardware, airtime and software) solutions generating a return on investment within the first year of deployment. As a result, the solution bundles represent a rapidly growing part within the sales mix: in the first 6 months of 2006, the installed base grew by more than 8,000 units out of which approximately 5,000 units resulted from the sale of a solution bundle. A portion of the sale is still not in the bundle-model as Punch Telematix cannot yet offer voice minutes in its solution. Customers who are investing in high-end devices, capable of acting as a mobile phone, often prefer an offer combining data and voice communications. In that perspective, Punch Telematix is exploring together with mobile operators, the possibilities to, either, allow Punch Telematix to offer voice on top of its bundle but leave the billing of the entire solution to the operator, or to develop the technical capabilities to split the billing of the data and voice communications;
- **A diversified and balanced distribution strategy:** each vertical segment is approached using tailor-made means (channel) and messages (ranging from telesales over direct marketing to large account management). This distribution strategy is balanced against the value and volume perspectives of each vertical market segment; and

- Experienced management team knowledgeable about all aspects of the value-chain: Punch Telematix' management team has a long and successful track record in the development and offering of services to a wide range of business customers. A flawless execution of the rollout, after-sales support and billing of Punch Telematix' services will be key to achieve its goals.

Corporate governance

Upon completion of the Offering, the board of directors of the Company will consist of five members: two executive directors and three non-executive directors, of which two independent directors. It is the Company's intention to recruit and have the shareholders appoint a third independent director at the next shareholders' meeting.

The statutory auditor of the Company is BDO Atrio Bedrijfsrevisoren Burg. CV, represented by Koen De Brabander.

The Company will adopt a corporate governance charter in accordance with the recommendations set out in the Belgian Code for Corporate Governance issued on 9 December 2004 by the Belgian Corporate Governance Committee. The Company's board of directors intends to comply with the Belgian Code for Corporate Governance, but believes that certain deviations from its provisions are justified in view of Punch Telematix' particular situation. The Company's board of directors will review its corporate governance charter from time to time and make such changes, as it deems necessary and appropriate.

Offering summary (key elements of the Offering and calendar)

The Company	Punch Telematix, a company limited by shares (naamloze vennootschap/ société anonyme) incorporated under Belgian law, having its registered office at Bootweg 4, B-8940 Wervik and registered with the Belgian register for legal entities under the number 0464.257.143 (Ieper).
Punch Telematix or the Group	The Company and its subsidiaries (see Section 3.3).
Shareholder	Punch International NV (see Section 3.5).
Lead Manager	KBC Securities NV.
Selling Agent	KBC Bank NV.
Offered Shares	<p>Base offering to subscribe to up to €17.5 million in new shares. This base offering can be increased with an amount up to 15% of the base offering to cover any over-subscriptions.</p> <p>All Offered Shares were or will be issued in accordance with Belgian law. All Offered Shares will have the same rights attached to them as the Company's other shares, taking into account however that only the Base Shares will have VVPR strips attached. The Offered Shares will be entitled to a share in the profits of the Company, if any, as of 1 January 2006 and are therefore entitled to the dividend, if any, for the financial year closed on 31 December 2006 and the following financial years. The Offered Shares will have coupons no. 1 and following attached.</p>

Base Shares	Up to €17.5 million newly issued shares offered in the Offering. The number of Base Shares to be issued in the Offering shall be determined by dividing up to €17.5 million (assuming the Offering is subscribed in full) by the Offer Price. The maximum number of Base Shares will be confirmed and published in the Belgian financial press together with the price range of the Offering. The actual number of Base Shares will be published together with the Offer Price.
Offering	<p>The Offering of the Offered Shares consists of:</p> <ul style="list-style-type: none"> • a public offering of the Offered Shares in Belgium; and • a private placement of the Offered Shares to institutional investors in Belgium and Europe.
VVPR strips	<p>VVPR strips entitle certain of their holders to a reduced rate of Belgian withholding tax (15% rather than 25%) on dividends. The VVPR strips will be separately tradable.</p> <p>In allocating the Offered Shares, the Lead Manager will use reasonable efforts to deliver shares with VVPR strips to individual persons residing in Belgium and to investors subject to Belgian tax on legal entities (rechtspersonenbelasting), in this order of priority.</p>
Green shoe Option	In connection with the Offering, the Lead Manager is allowed to allocate an additional number of existing shares equal to a maximum of 15% of the Base Shares. The Lead Manager will be granted a Green shoe Option, exercisable as of the Listing Date and until 30 days thereafter, for the sole purpose of allowing the Lead Manager to cover these over-allotments, if any. Such possibility will exist whether or not the Offering is fully subscribed. The maximum number of shares used by the Lead Manager to cover over-allotments will be confirmed and published in the Belgian financial press together with the price range of the Offering. The Green shoe Option consists of a warrant granted to the Lead Manager. The shares issued upon exercise of the Green shoe Option will be new shares of the Company.
Allocation	It is expected that no less than 35% of the Offered Shares effectively allocated will be allocated to retail investors in Belgium. However, (i) the proportion of Offered Shares allocated to retail investors may be increased and possibly substantially, if applications received from them exceed 35% of the Offered Shares effectively allocated or, conversely, (ii) such proportion may be reduced if the relative demand from institutional investors at or above the Offer Price significantly exceeds that of retail investors. For more information see Sections 2.3.1 and 2.3.5.
Offering Period	The Offering Period will start on 14 November 2006 and is expected to close on 30 November 2006, subject to early closing. The Lead Manager in agreement with the Company reserves the right to close the Offering Period at an earlier or later date and time. Any early closure of the Offering Period will be announced in the Belgian financial press. The Offering Period will in any event be open for at least six trading days as of the availability of the Prospectus. The Offering Period for retail and institutional investors will be the same.

Offer Price and Allocation Date	<p>The Offer Price will be a single price in euro that will apply to all investors, whether retail or institutional. The Offer Price will be determined within a price range. The applicable Offer Price will in no event exceed the upper-end of the price range. The Lead Manager will determine the Offer Price in agreement with the Company on the basis of a book-building procedure, in which only institutional investors can participate. The applicable price range will be published in the Belgian financial press on or about 14 November 2006. The Offer Price will be determined as soon as possible after the end of the Offering Period on the Allocation Date, which is expected to take place on 1 December 2006, subject to early closing. The Offer Price will be published in the Belgian financial press on the first publishing day following its determination, which is expected to be on 2 December 2006.</p>
Payment, settlement and delivery	<p>Payment for and delivery of the Offered Shares and VVPR strips is expected to take place in book-entry form against payment in immediately available funds on or about 6 December 2006, being the third trading day following the Allocation Date and subject to early closing. All Offered Shares will be delivered through the book-entry facilities of the Belgian central securities depositories, all in accordance with their normal settlement procedures applicable to equity securities.</p>
Closing Date	<p>The Closing Date is the date on which the capital increase associated with the Offering will be established by the board of directors of the Company. The Closing Date is expected to be on or about 6 December 2006, being the third trading day following the Allocation Date and subject to early closing. This date will be published in the Belgian financial press together with the announcement of the Offer Price and the results of the Offering.</p>
Lock-up arrangements	<p>Straightline BVBA, BB Networks BVBA and Nabusaur NV, represented respectively by Luc Lammens, Paul Schillebeekx and Frédéric Boes (together the "Managers") have entered into a lock-up arrangement with the Lead Manager whereby they have agreed not to transfer (or disclose their intention to transfer) their shares in the Company for a period starting on the Listing Date and ending 365 days from the Listing Date.</p> <p>Punch International NV has entered into a lock-up arrangement with the Lead Manager whereby it has agreed not to transfer (or disclose their intention to transfer) its shares in the Company for a period starting on the Listing Date and ending 365 days from the Listing Date (the "Lock-up Period"). During the last 180 days of the Lock-up Period, Punch International NV will be permitted to transfer its shares in the Company with the prior written consent of the Lead Manager and through the services of the Lead Manager. The lock-up arrangement will not apply to the lending of shares to the Lead Manager to cover any over-allotments.</p>

The lock-up obligations will not apply to any transfer of shares in the Company to (a) a company over which the holder of such shares exercises control, (b) a company over which the person or company controlling the holder of such shares exercises control or (c) a person or company that exercises control over the holder of such shares (as defined in article 5 of the Belgian Company Code), provided (i) that written notice of the transfer is served to the Lead Manager and (ii) that the company acquiring the shares agrees to similar lock-up obligations in favor of the Lead Manager. Finally, the lock-up arrangements will not apply to any transfer of shares to the legal successor of the holder of such shares pursuant to the merger, liquidation or de-merger of such holder, provided that the legal successor agrees to similar lock-up obligations in favor of the Lead Manager.

The Company shall not, for a period starting on the Listing Date and ending 365 calendar days from the Listing date, except with the prior written consent of the Lead Manager (which shall not be unreasonably withheld), (i) issue or sell, or attempt to dispose of, or solicit any offer to buy any shares, warrants or other securities of the Company or grant any options, convertible securities or other rights to subscribe for or purchase shares of the Company or enter into any contract (including derivative transactions) or commitment with like effect or (ii) purchase any of its securities or otherwise reduce its share capital.

These restrictions and lock-up obligations mentioned in the above paragraphs will not apply to the issue of new shares pursuant to (i) the exercise of the warrant issued to the Lead Manager to cover over-allotments (see Section 2.6) and (ii) the increase of the Company's share capital by an amount of €1,160,000 by way of a contribution in cash subscribed for by Punch International NV (see Section 2.7.1).

Use of proceeds

The net proceeds of the Offering will be allotted to the Company. The Company intends to use the net proceeds of the Offering for geographical expansion, acquisitions if and when they present themselves, working capital, capital expenditure, research and development, and other general corporate purposes, as further described in Section 2.2.3.

Costs of remuneration and intermediaries

The aggregate costs of the Offering are estimated to be approximately 5% of the amount of the Offering. These costs include legal, administrative, audit and other costs (€270,000), remuneration of the Belgian Banking, Finance and Insurance Commission (€15,690), legal publications, printing of the shares and this Prospectus (€42,000), management, underwriting and selling fees of the Lead Manager (€704,375, not including a discretionary fee of up to 1%) and the fees payable to Euronext Brussels (€37,000).

Listing and Listing Date	<p>An application has been made for the listing and admission to trading on Eurolist by Euronext Brussels of all shares in the Company, including all existing shares, the Base Shares, all shares issued pursuant to the exercise of the Green shoe Option as described in Section 2.6 and all shares issued as a result of the increase of the Company's share capital as described in Section 3.4.3. Trading will commence on the Listing Date, expected on or about 4 December 2006, being the first trading day following the Allocation Date, but before the Closing Date when the Offered Shares are delivered to the investors and subject to early closing. Prior to the Closing Date and delivery of the Offered Shares, and, as the case may be, the VVPR strips to the investors the shares will be traded on an "as if-and-when-issued" basis. Prior to the Offering, no public market existed for the shares and VVPR strips issued by the Company.</p>	
Tax on stock exchange transactions	<p>The purchase and the sale and any other acquisition or transfer for consideration in Belgium, through a "professional intermediary", of existing shares in the Company (secondary market) is subject to the tax on stock exchange transactions, in the amount of 0.17% of the transfer price. The amount of tax on stock exchange transactions is capped at maximum €500 per transaction and per party. In any event, no tax on stock exchange transactions is payable by (i) professional intermediaries described in articles 2, 9° and 10° of the Act of 2 August 2002 on the supervision of the financial sector and financial services, acting for their own account, (ii) insurance companies described in article 2, §1 of the Insurance Supervision Act of 9 July 1975 acting for their own account, (iii) pension funds described in article 2, §3, 6th of the Insurance Supervision Act of 9 July 1975 acting for their own account, (iv) UCITs, described in the Law of 20 July 2004 acting for their own account or (v) non-residents (upon delivery of a certificate of non-residence).</p>	
Security codes - shares	ISIN:	BE 0003855724
	Security Code:	3855.72
	Euronext Symbol:	PTX
Security codes - VVPR strips	ISIN:	BE 0005607784
	Security Code:	5607.78
	Euronext Symbol:	PTXS
Timetable	<p>The following dates are all envisaged dates, barring any unforeseen circumstances and subject to early closing:</p>	
14 November 2006	expected publication date of price range of the Offering	
14 November 2006	expected start of Offering Period	
30 November 2006	expected end of Offering Period	
1 December 2006	expected Allocation Date	
2 December 2006	expected publication date of Offer Price	
4 December 2006	expected Listing Date (admission to listing and start of trading)	
6 December 2006	expected Closing Date (payment, settlement and delivery)	

Selected key financials, audited, consolidated and in accordance with international Financial Reporting Standards (IFRS)

Consolidated income statement of Punch Telematix NV

	Six months ending 30/06/2006	Six months ending 30/06/2005	Twelve months ending 31/12/2005	Twelve months ending 31/12/2004
In 1,000 €				
Revenues	9,219	5,075	8,535	4,475
Cost of Sales	(3,791)	(1,378)	(3,972)	(2,390)
Gross profit	5,428	3,697	4,563	2,085
Operating Loss	(88)	(4,040)	(9,433)	(3,665)
Loss before Taxes	(485)	(3,886)	(10,228)	(4,097)
Net loss for the period	(305)	(3,886)	(6,619)	(4,097)
Loss per Share				
Basic and diluted	(0.03)	(1.18)	(2.00)	(1.24)
Loss per Share taking into account the 4:1 reverse stock split				
Basic and diluted	(0.12)	(4.72)	(8.00)	(4.96)

Consolidated balance sheet of Punch Telematix NV

in 1,000 €	30/06/2006	30/06/2005	31/12/2005	31/12/2004
ASSETS				
Property plant and equipment	408	3,549	3,710	3,634
Intangible assets	18,017	11,595	12,499	14,583
Non Current Receivables	288	14	31	34
Deferred Tax Assets	3,865	-	3,595	-
Non-Current Assets	22,578	15,158	19,834	18,252
Current Assets	11,187	3,514	7,977	2,206
Total Assets	33,765	18,671	27,811	20,458
EQUITY AND LIABILITIES				
Shareholders' equity	21,347	6,122	3,388	10,008
Minority interests	(366)	-	-	-
Total Equity	20,981	6,122	3,388	10,008
Non Current Liabilities	687	5,326	6,673	5,178
Current Liabilities	12,097	7,223	17,751	5,272
Total Equity and Liabilities	33,765	18,671	27,811	20,458

Consolidated statement of cash flows of Punch Telematix NV

	Six months ending 30/06/2006	Six months ending 30/06/2005	Twelve months ending 31/12/2005	Twelve months ending 31/12/2004
in 1,000 €				
Net cash from operating activities	468	547	2,092	3,329
Net cash from investing activities	513	(750)	(8,490)	(2,273)
Net cash from financing activities	(1,172)	(4)	6,801	(941)
Net increase (decrease) in cash and cash equivalents	(191)	(207)	403	115

MD&A

Sources of revenues

Punch Telematix has generated and intends to generate revenues from:

- the sale, renting out and repair & maintenance of hardware devices with embedded software components;
- the provision of wireless communication services (recurring revenues);
- the provision of back-office services (recurring revenues);
- the sale of navigation software from its Alturion NV subsidiary to third parties.

Revenue from sales of hardware devices, in a bundle sale or otherwise, and of software is recognized when delivery has taken place and the transfer of risks and rewards has been completed. Revenue from rendering communication and back-office services is recognized over the time of the contract.

Recurring revenues are defined as revenues that result from a long-term service contract (typically around 3 years) with the customer and not from a one-off sale. Up to the financial year 2005, the contribution of the two sources of recurring revenues was still limited. In line with the strategy, recurring revenues increased already in 2006 but were still less than €1 million. Going forward, the Group expects the recurring revenues to increase to 15% of total revenues in the medium term and 25% or above in the long term. Revenues from the sale of navigation software in the first semester of 2006 contributed approximately €1 million.

Up to and including the first half of 2006, Punch Telematix also generated revenues from:

- the renting out of a building it leased in Ieper. This leasing contract has been taken over by Punch International NV on 30 June 2006, therefore these revenues (€600,000 on an annual basis) will not continue into the future. However financial costs (€77,000), salaries (€98,000) and maintenance and energy costs (€200,000) are also transferred to Punch International NV. Additionally depreciation will decrease with €180,000;
- the sale of the wage calculation software offered as an add on to the former ICS product portfolio. In 2005 these sales represented approximately €450,000; and
- its Reflex activities (the paging business in the United States), which were sold to a third party on 30 June 2006. These activities were responsible for most of the revenues in 2004 and a substantial part in 2005. The absolute level of revenues from these activities has been declining. In the first semester of 2006, revenues of the Reflex activities still amounted to approximately €1 million.

Income statement

Punch Telematix' revenues have increased over the last year, from €4.5 million in 2004 to €8.5 million in 2005, or an increase of 88.9%. In the first half-year 2006, revenues increased by 81.7% to €9.2 million from €5.1 million in 1H 2005.

During the last 3 semesters, Punch Telematix succeeded in realizing the substantial sales growth as foreseen in its business plan. Additionally the geographical expansion is on track: during the first half-year of 2006 41% of total sales were realized outside Belgium.

In addition to its sales, Punch Telematix has obtained other income from the renting out of a building it leased in Ieper and from reinvoiced costs. Since 30 June 2006 the leasing contract has been taken over by Punch International NV. This will have an adverse effect on other income in 2006. Other income in 2005 decreased by 15.7% to €1.4 million from €1.6 million in 2004.

Operating losses increased by 157.4% from €3.7 million in 2004 to €9.4 million in 2005. However in the first half-year 2006 operating loss was significantly reduced to €88,000. In the past, the significant loss was mainly due to goodwill impairment, related to the paging business that since 30 June 2006 has been divested, and other operating charges. This positive evolution was also due to (i) the overall telematics-market gradually showing a positive evolution and becoming more mature, (ii) the refocusing of Punch Telematix towards a standardized product portfolio and (iii) the geographical expansion which allows Punch Telematix to spread the overhead costs over higher revenues.

Movements in financial income and expense relate mainly to interest, bank charges and foreign exchange adjustments. The major component of the financial result is the interest expenses paid with regard to the lease contract and inter-company loans. As a consequence of the transfer of the lease contract to Punch International NV and the capital increase by incorporation of the inter-company loans, these costs will reduce significantly from the second half of 2006 onwards.

The net result on a consolidated basis for 2005 amounted to a loss of €6.62 million, an increase of 61.6% to the loss of €4.1 million in 2004. However the net result has improved significantly in the first half-year 2006 reaching almost a break-even point (loss of €305,000).

Balance sheet

When revising the strategy it also became clear that in order to be able to execute the planned expansion strategy Punch Telematix would have to improve its balance sheet structure. In June of 2006 the Punch International Group, the reference shareholder of the Group increased the capital, by incorporation of outstanding debts, with €17,8 million.

Also on 30 June 2006, Punch Telematix transferred to Punch International NV the 15-year lease agreement with Fortis Lease NV with respect to a building in Ieper which is rented out to a third party. Therefore, this building (book value of €3.2 million) and the related lease obligation (amounting to €3.2 million) are no longer recognised on the balance sheet at 30 June 2006.

Because of these transactions Punch Telematix is virtually free of financial debt and has a healthy balance sheet structure with a solvency ratio of 62%.

As a result of various current account transactions, on 30 June 2006 Punch Telematix had a net debt position of €560,000 vis-à-vis other entities of the Punch International Group. It is Punch Telematix' intention to eliminate the remaining inter-company positions on the balance sheet, other than those resulting from the ordinary course of business and from the €2 million financing provided by Punch International NV for the payment of the earn-out for the acquisition of Punch Telematix Nederland B.V. (see Section 6.6), by the end of 2006 by settling the remaining net debt.

Outlook

Outlook for 2006

- Punch Telematix' objective for 2006 is to reach total revenues of €18 million;
- in the second part of 2006, Punch Telematix strives to convert as much as possible of the installed base in the truck & transport market to its' solution bundles generating recurrent revenues for the Group. In that perspective, obsolete hardware systems from the acquisition of ICS will be stopped. Existing customers will have the opportunity to upgrade their solution (from offline to real time) at an attractive price;
- beside the upsales activities, Punch Telematix puts a lot of effort in the packaging of its mainstream solutions for specific vertical markets such as the fuel-sector, off-road machinery, construction companies etc. By doing this, Punch Telematix aims at becoming market leader in the field services and fleet & asset management market. A first result of this vertical market approach is the invitation of the Bouwunie (Belgian confederation of construction companies) to demonstrate, together with Proximus, the solutions offered in the area of security (avoiding equipment stolen on the wharf) and construction companies' specific challenges (such as CBA, CO₂ taxes etc); and
- by the end of 2006, Punch Telematix strives to expand its footprint to another key geographical market in Europe, such as Germany, the UK or Spain.

Outlook for 2007 and beyond

In 2007 and beyond, Punch Telematix expects to increase its revenues by:

- speeding up the development of the local market segments in which it is already present. In that perspective the distribution strategy will be key in the next coming years:
 - close relationships with integrators or value added resellers for embedding the Group's mainstream solutions; and
 - tight partnerships with distributors and/or mobile operators for the 'off-the-shelf' sales of the Group's portable solutions;
- ensuring scalability of its service provider architecture as to support rapid geographical expansion; and
- assessment of acquisition files which can provide Punch Telematix substantial growth in volume of units (upgradeable to the Group's solution bundles) or quick market access.

Punch Telematix also believes that by focussing on the execution of the strategy outlined above, it should be able to increase its revenues by approximately 50% in the fiscal year 2007, while maintaining the gross margin around the 2006 level. With the increased sales of bundled solutions, Punch Telematix aims to increase the share of recurring revenues to 15% of total revenues in the medium and 25% or above in the long term.

Punch Telematix also expects that the further development of the service provider architecture will represent the largest part of the capital expenditures with a yearly investment of between €1 million and €1.5 million.

Risk factors

Any investment in the Offered Shares is subject to several risks relating to Punch Telematix, its business, to the industry and the Offering as described in the Section “Risk factors”. Prior to investing in the Offered Shares, prospective investors should consider, together with the other information contained in this Prospectus, all factors and risks attaching to an investment in Punch Telematix, including the following risks:

- Punch Telematix is active in a highly dynamic and competitive industry;
- Punch Telematix’ business environment is characterized by a constant and fast evolution of technologies;
- Punch Telematix has experienced rapid growth so far, and there can be no assurance that such growth will continue. Additionally it has no history of operating profit: although several of the Group’s entities have been in existence and operational for several years, most of the entities have so far mainly been in the development and early commercialisation phase. As a result, the group has no consistent history of operating profitability;
- Punch Telematix’ strategy is based on an innovative and relatively new business model;
- Growth and expansion will place significant demands on Punch Telematix’ management and resources, which may restrict its ability to successfully expand its operations;
- Punch Telematix depends on the reliable operation of mobile telecommunications networks and GPS satellites which may become inoperable, unavailable or not replaced;
- Punch Telematix’ risk related to acquisitions: acquisitions have been and still are part of the Group’s growth strategy and despite the fact that Punch Telematix carefully investigates every acquisition, the risk remains, amongst others, that corporate cultures do not match, expected synergies do not fully realize, restructurings prove to be more costly than initially anticipated, and acquired companies prove to be more difficult to integrate than foreseen;
- Punch Telematix risks related to attracting and retaining good staff;
- The Company’s board of directors and management will have significant flexibility and broad discretion in allocating and using the net proceeds of this Offering;
- Punch International NV will remain the majority shareholder of the Company after the Offering and will thus have the majority of the voting rights at the Company’s shareholders’ meetings. Consequently, the Shareholder will have the ability to elect or dismiss directors, and, depending on how broad the Company’s other shares are held, certain other shareholders’ decisions that require more than 50% or 75% of the Company’s outstanding votes that are present or represented at shareholders’ meetings where such items are submitted to voting by the shareholders. Any such voting by the Shareholder may not be in the interest of the Company or the other shareholders of the Company.

These and other risks related to Punch Telematix’ business and relating to the Offering are described in the Section “Risk factors”.

Further information

Capital

At the date of this Prospectus, the Company’s share capital amounts to €15,000,000 represented by 2,645,595 registered shares without par value. The capital is fully paid up.

Articles of Association

The articles of association of the Company will provide amongst others for specific rules relating to the management of the Company, its shareholders' meeting (including rules with respect to the right to attend and vote at shareholders' meetings), and the Company's winding-up (see Section 3.4).

Information available to the public

Documents disclosed in accordance with applicable laws are available for consultation at the registered office of the Company and/or on www.punchtelematix.com.

RISK FACTORS

Any investment in the Offered Shares in this Prospectus involves substantial risks. Before deciding to purchase shares in the Offering, prospective investors should carefully review and consider the following risk factors and the other information contained in this Prospectus. The occurrence of one or more of the risks described below may have a material adverse effect on the Group's cash flows, results of operations and financial condition and endanger the Group's ability to continue as a going concern. Moreover, the Company's share price could fall significantly if any of these risks were to materialize, in which case you could lose all or part of your investment. You should note that the risks discussed below are not the only risks to which the Group is exposed. Additional risks and uncertainties, which are not currently known to Punch Telematix or which the Group currently believes are immaterial, could likewise impair its business operations or have an adverse effect on the Group's cash flows, results of operations, financial condition, the Group's ability to continue as a going concern and the price of its shares. The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group's cash flows, results of operations and financial condition, the Group's ability to continue as a going concern or the price of our shares. This Prospectus also contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Prospectus. Investors should consider carefully whether an investment in the Offered Shares is suitable for them in light of the information contained in this Prospectus and their personal circumstances.

Risks related to the Group's business

The Group has experienced rapid growth so far, and there can be no assurance that such growth will continue

The Group has grown rapidly over the last few years. On a pro-forma basis, the revenues over the first six months of 2006 were 82% higher than during the first six months of 2005. It cannot be guaranteed that this strong growth will continue during the second half of 2006, nor in 2007 and beyond.

Punch Telematix' strategy is based on an innovative and relatively new business model

The service provider model that forms the basis of the Group's strategy is relatively new. Although the model has been applied successfully in other segments of the telecommunications and information technology industries (examples are push e-mail services such as Blackberry® and application service provider services) it is so far unproven in the telematics area where Punch Telematix operates. Sales of solutions bundles combining hardware, wireless telecommunication services, a service platform and hosted back-office applications only started in the last quarter of 2005.

Growth and expansion will place significant demands on Punch Telematix' management and resources, which may restrict its ability to successfully expand its operations

Punch Telematix' rapid growth in a relatively short period of time has placed, and may continue to place, significant demands and strains on its resources, systems, internal controls and management. Management of this growth will require, among other things:

- further enhancements in terms of scalability, redundancy, automation of the service platform, including provisioning, billing, monitoring and proactive fault management;
- continued development of financial and management controls and information technology systems;
- implementation of additional internal controls, including financial and other reporting procedures;
- hiring, training and retention of new personnel;
- maintenance of quality standards and customer satisfaction levels; and
- effective co-ordination among its management, logistical, technical, accounting and finance personnel.

If Punch Telematix is unable to successfully integrate new personnel or systems, or if it otherwise fails to successfully manage its growth, its business, results of operations or financial condition could be materially adversely affected.

Revenues, gross margins or results of operations may be subject to fluctuations due to a number of factors, causing the results of operations to decline

The Group's revenues, gross margins or results of operations may fluctuate unpredictably due to a number of factors, including:

- changing customer demand;
- the ability to successfully develop and commercialise new and upgraded products and services;
- the timing of releases of new and upgraded products and services or those of competitors;
- the timing of large orders that may have a substantial revenue contribution (the largest single order to date represented approximately €1 million in revenues);
- the failure to accurately forecast demand for products and services;
- the mix of products and services sold, the mix of the target customer base and the mix of the sales channels;
- the availability and cost of component parts;
- the potential for product obsolescence in the face of rapid technological change;
- the amount of impairment charges (e.g. on goodwill); and
- fluctuations in the US dollar to euro exchange rate.

In addition, the average selling price of a given product tends to decline over the life of the product or in the face of competition. Such a decrease in the average selling price of any products could cause a decline in revenues, gross margins or results of operations if Punch Telematix is unable to offset any such price decline with cost reductions, upgrades or new product innovations that could be sold at a higher average selling price.

Risk related to acquisitions

Acquisitions have been and still are part of the Group's growth strategy and, as a consequence, intangible assets, including goodwill, account for approximately 53% of its balance sheet total. Despite the fact that Punch Telematix carefully investigates every acquisition, the risk remains, amongst others, that corporate cultures do not match, expected synergies do not fully realize, restructurings prove to be more costly than initially anticipated, and acquired companies prove to be more difficult to integrate than foreseen.

No history of operating profit

Although several of the Group's entities have been in existence and operational for several years, most of the entities have so far mainly been in the development and early commercialisation phase. As a result, the group has no consistent history of operating profitability.

Dependence on third party contract manufacturers for the production of its telematics equipment

The production of the telematics equipment sold by Punch Telematix is outsourced to third parties who work as contract manufacturers, among which Punch Technix NV, a subsidiary of Punch Telematix' majority shareholder (less than 20% of total hardware cost of goods sold). Any disruption to or termination of the relationship with any of the contract manufacturers or disruption in their ability to manufacture the Group's products could have a material adverse effect on the business, results of operations or financial condition of the Group.

Dependence on a limited number of suppliers for certain component parts.

In order to make sure the Group's products are ROHS (=lead free) compliant, Punch Telematix is dependent on a limited number of suppliers of components that are lead-free. A disruption of the relationships with these suppliers could have a material adverse effect on the business, results of operations or financial condition.

Dependence on the reliable operation of mobile telecommunications networks and GPS satellites, which may become inoperable, unavailable or not replaced

In all its product lines, Punch Telematix depends on mobile telecommunications networks for data transfers and on GPS satellite transmissions to provide position data to its customers. Mobile telecommunications networks are based on several potential technologies such as GSM, GPRS, UMTS, HSDPA and TETRA. For some types of networks, services are offered by several competing operators, which offers Punch Telematix several alternative providers, although it sometimes concludes long term partnerships with only one provider in certain markets. For some other types of networks, however, services are only provided by one network operator, which increase the dependence of Punch Telematix on this operator. Even if the service is based on publicly available networks, Punch Telematix may face the risk of a temporary unavailability of the network.

GPS satellites are funded and maintained by the US government, and the Group has no control over their maintenance, support or repair. The free use and availability of GPS signals to the level of accuracy required for commercial use depends on the discretion of the US government, which may terminate or restrict GPS signals for any reason, such as national security, and at any time, without providing notice or compensation to users. The Group cannot assure that GPS signals will be available for the use of its products or that the US government will not begin charging a fee for use of these signals. Restrictions on the use of GPS transmissions or an end to the free use of GPS signals could significantly disrupt the business or increase the Group's costs. In addition, should a significant number of the GPS satellites become obsolete, unusable or not be upgraded as planned, there could be a significant deterioration in the reliability, accuracy or utility of the entire GPS network. Interruptions or disruptions in GPS signal transmission or reception, including those caused by heat-reflective windscreens used in certain vehicles which may disrupt GPS signal reception, could materially degrade the position accuracy that the Group's products provide. If the use, reliability or accuracy of GPS satellite positioning data is degraded or terminated for these or other reasons, the Group's business, results of operations or financial condition would be materially adversely affected. Currently, several European authorities are setting up an organization, called Galileo, to develop, install and operate an alternative system for the GPS satellites. This would allow the Punch Telematix to reduce its dependence on the GPS system in the future.

Reliance on distributors & indirect sales channels

Punch Telematix may in the future rely on distributors or indirect sales channels for an important part of its revenues, and disruption of these distributor/indirect sales channels relationships or in the distributors/indirect sales channels themselves could have a material adverse effect on the business, results of operations or financial condition of the Group.

Risk related to the delivery of products and services

Punch Telematix' offered solutions may integrate various products, technologies and services (hardware and/or software), which may contain hidden manufacturing defects or programming bugs. As these products, technologies and services represent substantial investments and changes in business operations for its customers, serious defects or errors could harm Punch Telematix' reputation and extend the time-to-market, while also requiring it to carry out expensive and time-consuming repairs. Such manufacturing or functional defects could also cause losses to customers, in which case customers could attempt to seek compensation from Punch Telematix. These claims could be time-consuming and costly to defend and generate unfavourable publicity, causing Punch Telematix to lose customers.

The use of telematics equipment by vehicle drivers carries an inherent risk of product liability claims and associated adverse publicity. Claims could be made by users of Punch Telematix' products if errors or defects are alleged to cause loss or harm.

The Group has no product liability insurance at present. It cannot guarantee that it will be able to obtain or maintain insurance on acceptable terms or at appropriate levels in the future.

Risk related to attracting and retaining good staff

Given the complexity and high degree of specialization of its activities, Punch Telematix needs highly trained staff with in-depth technological and market knowledge. Punch Telematix operates in a competitive employment market. Punch Telematix' success will continue to depend in part on the management team and other key personnel. Although Punch Telematix believes that it will be able to attract and retain skilled and experienced personnel, there can be no assurance that it will be able to do so.

Protection of intellectual property

Punch Telematix' products and services are partly based on intellectual property developed by the Group, mainly in the form of hardware & software. Because Punch Telematix' software is protected by copyright laws and not by a registered patent (partly because the patent legislation in Europe does not allow patent protection for software as such), the Group faces the risk that other parties would independently develop products and services that are based on the same or similar ideas.

Claims for infringement of the intellectual property rights of others

Certain products and services of the Group are partly based on intellectual property developed by third parties. If the rights to such intellectual property are clearly identifiable and established, the Group tries to obtain rights to the third party's intellectual property. Such rights, however, may not be available on acceptable terms or at all. It is common for the Group to encounter situations and allegations which require it to determine whether it needs to license a technology or face the risk of defending an infringement claim. If any of its products or services is found to infringe the patents or other intellectual property rights of others, the development, manufacture and sale of such products could be severely restricted or prohibited.

Even if the Group is able to obtain rights to the third party's intellectual property, these rights may be non-exclusive, thereby allowing the third party to grant similar rights on the intellectual property to the Group's competitors. Ultimately, it may incur significant additional costs or be unable to develop and market some of its products or services or may have to cease some of the business operations as a result of patent or other intellectual property rights infringement claims, which could severely harm the Group.

Patent and other intellectual property litigation can involve complex factual and legal questions and its outcome is uncertain. Any claim relating to infringement of patents that is successfully asserted against the Group may require it to pay substantial damages. Even if the Group were to prevail, any litigation could be costly and time-consuming and would divert the attention of its management and key personnel from business operations.

Disruptions to the infrastructure systems

Punch Telematix' information technology, telecommunications and other infrastructure systems, including the backbone infrastructure, face the risk of failure which could seriously disrupt the operations. Although Punch Telematix is in the process of setting up disaster recovery plans, its operations and information technology, telecommunications and other infrastructure systems are vulnerable to damage and interruption. A significant disruption in the availability of the information technology, telecommunications or other infrastructure systems could cause interruptions in the service to customers, loss of or delays in research and development work and product shipments or affect the distributor and consumer relationships.

Risk related to Punch Telematix' international activities

Punch Telematix has substantial international operations and is therefore subject to certain risks, which may include general economic conditions, and/or unfavourable political, regulatory, trade, currency-exchange, labour and/or tax conditions in other countries. Accordingly, there is a risk related to the differing legal and regulatory requirements and the social, political and economic conditions of many jurisdictions.

Although since 30 June 2006 nearly 100% of Punch Telematix' sales are realized in the European Union, there can be no assurance that this risk will not have an adverse effect on future operating results.

Risks Relating to the Industry

Rapid technological evolution

Punch Telematix' business environment is characterized by a constant and fast evolution and convergence of technologies, complexity and high competition. The industry is based on the usage of wireless communications, which can be based on existing technologies (GSM, GPRS, GPS, etc) but can in the future also rely on technologies that are currently only in the development stage (WiMax, Zigbee, etc) or even not discovered yet. Punch Telematix currently uses some of the existing technologies and continuously investigates the potential benefits and drawbacks of existing and emerging technologies. Evolving technological conditions require Punch Telematix to continuously modify its products and develop new products to remain competitive, attract new customers and maintain its time-to-market advantage and market reputation. Punch Telematix must continue to assess the projected development of the market for telematic technologies and to accordingly develop and manufacture its product and service offerings. There is no assurance that Punch Telematix will have the financial or other resources required to successfully modify its existing products and services or develop new products or services in a timely manner, or that any products or services it does introduce will gain market acceptance. If it is unable to keep pace with technological change and introduce new products on a timely basis or remain competitive within its markets, its business, results of operations or financial condition could be materially adversely affected.

Highly dynamic and competitive industry

Punch Telematix needs to cope with the complexity of the business environment by reacting to opportunities and threats that occur. This includes a complex and ever changing competitive landscape. Competition is expected to increase as new companies target this market in response to the low market penetration rate for telematics products and services generally and a perceived potential for growth in this market. Punch Telematix competes with other companies based on several factors, including knowledge of existing and new technologies, completeness of product offering, reputation, geographic presence, service delivery capabilities and pricing. For each product, technology and service, there are competing firms, some with resources greater than Punch Telematix'. Punch Telematix' success depends on its ability to establish a competitive position with respect to all of these factors.

There can be no assurance that Punch Telematix' competitors will not succeed in developing solutions that are less costly or more effective than Punch Telematix', or that customers will not prefer solutions, technologies or products offered by Punch Telematix' competitors.

Many of the current and potential future competitors for the Group's products and services are large, well-known companies with greater financial, technical and human resources than its own and with stronger brand names. Companies with more resources and larger research and development expenditures also have a greater ability to fund product research and development and capitalise on potential market opportunities and greater distribution capability. Currently, Punch Telematix considers its principal competitors for the transport sector to be Qualcomm Inc., Thales SA, Transics NV, MinorPlanet Systems plc and Groeneveld Information Technology BV. In the field forces segment, competition comes from equipment vendors such as Symbol Technologies Inc. or Intermec Technologies Corporation, system integrators such as Axias NV and Zetes Industries SA and finally tracking and tracing solutions providers such as Siemens AG, Trakm8 Limited, Qualcomm Inc and Orange SA. The latter companies also compete in the asset tracking and tracing segment.

The Group's products will likely also face competition in key markets from low-priced smart phone-, or pda-based personal products offered by mobile phone vendors or potential new market entrants, some of whom use low-cost third-party manufacturers in Asia and elsewhere to produce their products. Also, vehicle manufacturers, dealers, garages and professional installers currently market on board communication and navigation products. We expect the proportion of vehicles with factory-installed or dealer-fitted communication and navigation systems to increase in the future, and this may significantly reduce demand for products such as the Group's.

In addition, certain large consumer electronics or telecommunications companies may seek to take advantage of the opportunities presented by the market for wireless communication products and services and enter the Group's markets. These companies are typically able to leverage their size, brand strength, research capabilities and distribution networks to compete effectively in new markets. If these companies enter the Punch Telematix' market, it could face significantly increased competition for the Group's products and services.

There can be no assurance that the Group's products and services will compete successfully against current or new market entrants or competing technologies, which would materially adversely affect the business, results of operations or financial condition of the Group. For additional information about the competitive environment in which the Group operates, see Section 5.12.

Unexpected changes in market developments and customer investment cycles

Based on market research data on the telematics industry (see also Section 5.3), the Group expects that industry growth will mainly be driven by:

- the increased mobility of people and assets;
- increased need for real-time data collection and management with respect to assets and goods;
- ongoing adoption of new technologies such as customer relationship management software and mobile communication platforms.

Unexpected changes in these drivers may influence Punch Telematix' results.

Changing governmental regulation may place additional burdens on Punch Telematix

Although Punch Telematix does not believe governmental regulation has had a material adverse effect on its business and operations to date, it is possible that it will experience the effects of increased or modified regulation in the future. Automobile safety initiatives may result in restrictions being placed on the on-board usage of telematics products. New insurance schemes based on the pay-as-you-drive principle might also be regulated. Furthermore, privacy concerns in relation to the follow-up and tracking of mobile workers might lead to governmental regulation and therefore impact the Group's business.

Policies favouring local companies and other regulatory initiatives may result in export control laws, increased customs duties and other restrictions placed on the Group's ability to conduct operations in various countries throughout the world. Any of these occurrences could materially adversely affect the Group's ability to complete, improve, license or distribute its products, which could result in a competitive disadvantage and the possible loss of customers and revenue.

Risks related to the Offering

Absence of liquid public market

Prior to the Offering, there has been no public market for the Company's shares and VVPR strips and an active public market for the shares and VVPR strips may not develop or be sustained after the Offering. The Offer Price of the Offered Shares will be determined by the Lead Manager in consultation with the Company on the basis of a book-building procedure in which only institutional investors can participate. The Offer Price may not be indicative of future market prices, which may fall below the Offer Price. Factors that may be relevant in the book-building procedure may include but not limited to:

- market conditions in effect at the time of the Offering;
- the number of shares requested, the size of the orders received, the quality of the investors submitting such orders and the prices at which the orders were made;
- Punch Telematix' future prospects and its industry's future prospects;
- Punch Telematix' sales, earnings and other financial and operating information in recent periods; and
- the price-earnings ratio's, price-sales ratio's, market prices of securities and financial and operating information of companies engaged in similar activities.

Future dilution

Punch Telematix may decide to raise capital in the future through public or private (convertible) debt or equity securities, or rights to acquire these securities, and exclude or limit the pre-emption rights pertaining to the then outstanding shares. If Punch Telematix raises significant amounts of capital by these or other means, it could cause significant dilution for its existing shareholders.

Use of proceeds

The Company's board of directors and management will have significant flexibility and broad discretion in allocating and using the net proceeds of this Offering. If the proceeds are not wisely allocated it could harm Punch Telematix' ability to carry out its business plan and may result in financial losses that could have a material adverse affect on the Company's shares for the foreseeable future. Punch Telematix intends to use the net proceeds of the Offering for acquisitions, if and when they present themselves, working capital, capital expenditure, R&D and other general corporate purposes. The Company's board of directors and management will have significant flexibility and broad discretion in determining the amounts and timing of Punch Telematix' actual expenditures. Punch Telematix constantly evaluates opportunities to acquire businesses and technologies that it believes are complementary to its business activities. Punch Telematix has not determined the amounts it plans to spend on any of the areas listed above or the timing of these expenditures.

Volatility of the share price

Numerous factors, in addition to other risk factors described in this Prospectus, may have a significant impact on the market price and volatility of the Offered Shares, including:

- announcements of new contracts, technological innovations, new commercial products or collaborations by Punch Telematix' competitors or Punch Telematix itself;
- developments concerning proprietary rights, including patents;
- public information regarding actual or potential results relating to products under development by its competitors or Punch Telematix;
- litigation; or
- economic, monetary and other external factors.

These factors will also have an impact on the market price of the VPPR strips, which will in addition be influenced by:

- the fact that the Company does not anticipate paying any dividends to the shareholders for the next three years which may affect the demand for VVPR strips;
- the fact that VVPR strips have no intrinsic value for institutional investors which may affect the supply of VVPR strips.

Risk related to "as if-and-when-issued" trading

As the shares of the Company will be listed and traded on Euronext on an "as if-and-when-issued" basis as of the Listing Date until the envisaged Closing Date, Euronext may annul all transactions effected in the shares if the Offered Shares are not issued or delivered on the envisaged Closing Date. Investors that wish to enter into transactions in the Shares prior to the envisaged Closing Date, whether such transactions are effected on Euronext or otherwise, should be aware that the Closing Date may not take place on 6 December 2006, or at all, if certain conditions or events are not satisfied, are waived or do not occur on or prior to such date. Such conditions include the receipt of officers' certificates and legal opinions and such events include the suspension of trading on Euronext or a material adverse change in the Group's financial condition or business affairs or in the financial markets. Euronext has indicated that it will annul all transactions effected in the shares of the Company if the Offered Shares are not issued on the envisaged Closing Date. Euronext has indicated it cannot be held liable for any damage arising from the listing and trading on an "as-if-and-when-issued" basis as of the Listing Date until the envisaged Closing Date.

No minimum amount for the Offering

The Company has the right to proceed with a capital increase in a reduced amount. No minimum number of shares has been set for the Offering. The actual number of Offered Shares will be confirmed in the Belgian financial press together with the Offer Price. Therefore, (i) only a reduced number of shares could be available for trade on the market, which could limit its liquidity and (ii) Punch Telematix' financial means in view of the uses of proceeds as described in Section 2.2.3 might be reduced. Punch Telematix might therefore reduce its level of investment or have to look for further external funding.

Limited shares available for sale in the market

As set out in Section 2.7.2 of the Prospectus, the number of shares that are available for sale in the public market following the admission to listing of the Company's shares will be limited by several arrangements further described in the aforementioned Section of the Prospectus. Pending such arrangements, the liquidity of the shares trading on Euronext Brussels may be limited and this may cause the Company's share price to be volatile. Also, upon termination of such arrangements, sales of shares that were previously subject to transfer restrictions could cause to decrease the Company's share price. The current restrictions on transfers of shares by shareholders and the Company as described in Section 2.7.2 below allow to limit sudden, unorganized sales of large numbers of the Company's shares by existing shareholders during a term following the start of the Company's Offering. However, no guarantee can be given that there are no such large, unorganized sales by other shareholders prior to the end of such term, or that there are such large, unorganized sales by existing significant shareholders after such term. Any such large, unorganized sale of shares could have an adverse effect on the Company's share price.

Controlling shareholders

The Shareholder will remain the majority shareholder of the Company after the Offering and will thus have the majority of the voting rights at the Company's shareholders' meetings. Consequently, the Shareholder will have the ability to elect or dismiss directors, and, depending on how broad the Company's other shares are held, certain other shareholders' decisions that require more than 50% or 75% of the Company's outstanding votes that are present or represented at shareholders' meetings where such items are submitted to voting by the shareholders. Any such voting by the Shareholder may not be in the interest of the Company or the other shareholders of the Company.

Moreover, the Articles of Association stipulate that the Shareholder will have a special nomination right, which grants it the right to nominate for appointment a majority of the directors, for as long as it holds 25% or more of the Company's outstanding share capital.

Therefore, (i) the ability of other shareholders to influence certain shareholders' decisions may be limited; (ii) the interests of the Shareholder in these decisions may differ from those of the Company's other shareholders and (iii) a change of control of the Company may be hindered.

Increased expenses as a result of being a public company

Although Punch Telematix is already part of a publicly listed group, as a separate public company, Punch Telematix will incur significant additional legal, accounting and other expenses that it did not incur as a private company. For example, as a result of becoming a separate public company, it has recently appointed new board members among, which 3 independent directors, appointed a Finance Manager and adopted additional policies regarding internal controls and procedures. In addition, Punch Telematix will incur increased costs associated with public company reporting requirements in Belgium.

DISCLAIMERS AND NOTICES

No representation

No dealer, sales person or other person has been authorized to give any information or to make any representation in connection with the Offering and listing that is not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized or acknowledged by Punch Telematix.

Statements made in this Prospectus are valid on the date set forth on the cover page of this Prospectus. The delivery of this Prospectus or the completion of the Offering and listing will not imply under any circumstance that there have been no changes in the affairs or financial situation of Punch Telematix since the date of this Prospectus, or that material information contained in this document is correct after the date of this Prospectus. In accordance with Belgian law, if a significant new fact occurs between the date of this Prospectus and the completion of the Offering that could affect investors' assessment of the Offered Shares, this new fact will need to be mentioned in an addendum to this Prospectus. The addendum shall be subject to approval by the Belgian Banking, Finance and Insurance Commission (Commissie voor het Bank-, Financie- en Assurantiewezen/Commission bancaire, financière et des assurances), hereinafter the CBFA, in the same manner as the Prospectus and shall be made public as shall be determined by the CBFA. In the event where an addendum to the Prospectus were to be published prior to the closing of the Offering, the investors shall have the right to withdraw their acceptances made prior to the publication of the addendum within the time limits set forth in the addendum but which shall not be shorter than two working days including the publication of the addendum.

Decision to invest

In making an investment decision regarding the shares offered herein, potential investors must rely on their own examination of Punch Telematix and the terms of the Offering as described in this Prospectus, including the risks and merits involved. Any summary or description set forth in this Prospectus of legal provisions, corporate structuring or contractual relationships is for information purposes only and should not be construed as legal or tax advice as to the interpretation or enforceability of such provisions or relationships. In case of any doubt relating to the contents or the meaning of the information contained in this document, prospective investors should consult an authorized or professional person specialized in advice on the acquisition of financial instruments. The shares have not been recommended by any federal or state securities commission or regulatory authority in Belgium or elsewhere.

Certain restrictions on the Offering and the distribution of this Prospectus

The Offering and the distribution of this Prospectus may be restricted by law in certain jurisdictions outside Belgium. Punch Telematix does not represent that this Prospectus may be lawfully distributed in jurisdictions outside Belgium or that the shares may be lawfully offered in compliance with any applicable registration or other requirements in jurisdictions outside Belgium, or pursuant to any exemption available thereunder. Punch Telematix does not assume any responsibility for such distribution or offering. Accordingly, the Offered Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertising or other Offering materials may be distributed

or published in any jurisdiction outside Belgium, except in circumstances that will result in compliance with any applicable laws and regulations. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the shares of Punch Telematix to any person in any jurisdiction in which it is unlawful to make such offer or solicitation to such person. Persons in whose possession this Prospectus or any of the shares come, must inform themselves about, and observe, any such restrictions.

The Offered Shares have not been and will not be registered under the Securities Act of the USA. Subject to certain exceptions, the shares may not be offered, sold or delivered in the United States of America (USA), or to, for the account or benefit of, USA persons, except in certain transactions exempt from the registration requirements of the Securities Act. The terms used in this paragraph have the meanings given to them by Regulation S. The Offered Shares have not been approved or disapproved by the USA Securities and Exchange Commission, any state securities commission in the USA or any other USA regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Offered Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the USA.

Punch Telematix and the Lead Manager have not authorized any offer of the shares to the public in the United Kingdom within the meaning of the Financial Services and Markets Act 2000 (FSMA) such that an approved prospectus would be required to be made available under Section 85 of FSMA. The Offered Shares shall not be offered or sold to persons in the United Kingdom, except to persons who fall within the definition of qualified investor as that term is defined in Section 86(1) of FSMA or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom in respect of which an approved prospectus is required to be made available under Section 85 of FSMA. The Lead Manager should only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) in connection with the issue or sale of any shares in circumstances in which Section 21(1) of FSMA would not apply. The Lead Manager should comply with all applicable provisions of FSMA with respect to anything done by them in relation to the shares in, from or otherwise involving the United Kingdom.

Neither this Prospectus nor any other material relating to the Offering has been submitted for clearance by the Autorité des marchés financiers in France. The Offered Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

The Offered Shares have not been and will not be registered under the Securities and Exchange Law of Japan. Accordingly, no person may offer or sell, directly or indirectly, any Offered Shares in Japan, to, or for the benefit of, any resident of Japan, including any corporation or other entity organized under the laws of Japan or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any person resident in Japan, except (a) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (b) in compliance with any other applicable requirements of Japanese law.

The Offered Shares may not be offered, sold, transferred or delivered in or from the Netherlands, as part of their initial distribution or as part of any re-offering, and neither this Prospectus nor any other documents or materials relating to the Offering or the Offered Shares may be distributed in or from the Netherlands, other than to individuals or legal entities that trade or invest in securities in the conduct of their profession or trade (which include banks, investment institutions, securities intermediaries, insurance companies, pension funds, other institutional investors and treasury departments and finance companies of large enterprises), in which case, it must be made clear, upon making the offer and from any documents or advertisements in which a forthcoming offering of the Offered Shares is publicly announced, that the Offering is exclusively made to said individuals or legal entities.

It is the responsibility of any person not resident in Belgium who wishes to take part in this Offering to ascertain that the legislation applicable in his or her country of residence is complied with, and that all other formalities that may be required are fulfilled, including the payment of all costs and levies.

Forward-looking information

This Prospectus contains forward-looking statements, forecasts and estimates made by the management of Punch Telematix with respect to the anticipated future performance of Punch Telematix and the market in which it operates. Certain of these statements, forecasts and estimates can be recognized by the use of words such as, without limitation, “believes”, “anticipates”, “expects”, “intends”, “plans”, “seeks”, “estimates”, “may”, “will” and “continue” and similar expressions. They include all matters that are not historical facts. Such statements, forecasts and estimates are based on various assumptions (amongst others with respect to the profit forecast and estimates, see Section 6) and assessments of known and unknown risks, uncertainties and other factors, which were deemed reasonable when made but may or may not prove to be correct. Actual events are difficult to predict and may depend upon factors that are beyond the Group’s control. Therefore, actual results, the financial condition, performance or achievements of the Group, or industry results, may turn out to be materially different from any future results, performance or achievements expressed or implied by such statements, forecasts and estimates. Factors that might cause such a difference include, but are not limited to those discussed in the Section “Risk factors”. Given these uncertainties, no representations are made as to the accuracy or fairness of such forward-looking statements, forecasts and estimates. Furthermore, forward-looking statements, forecasts and estimates only speak as of the date of the Prospectus. Punch Telematix disclaims any obligation to update any such forward-looking statement, forecasts or estimates to reflect any change in the Group’s expectations with regard thereto, or any change in events, conditions or circumstances on which any such statement, forecasts or estimate is based, except to the extent required by Belgian law.

Industry data, market share, ranking and other data

Unless indicated otherwise in this Prospectus, industry data, market share data, ranking and other data contained in this Prospectus are based on independent industry publications, on reports by market research firms and on other independent sources or on Punch Telematix’ management’s own estimates, believed by management to be reasonable. The information provided by third parties has been accurately reproduced in the Prospectus and, as far as Punch Telematix is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Punch Telematix and the Lead Manager and their respective advisors have not independently verified this information. Furthermore, market information is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market information. As a result, prospective investors should be aware that Punch Telematix cannot guarantee that industry data, market share, ranking and other similar data in this Prospectus, and estimates and beliefs based on such data, are correct.

Rounding of financial and statistical information

Certain financial and statistical information in this Prospectus have been subject to rounding adjustments and to currency conversion adjustments. Accordingly, the sum of certain data may not be equal to the expressed total.

1. GENERAL INFORMATION AND INFORMATION CONCERNING RESPONSIBILITY FOR THE PROSPECTUS AND FOR AUDITING THE ACCOUNTS

1.1. Responsibility for the content of the Prospectus

The Company, represented by its board of directors, assumes responsibility for the content of this Prospectus. The Company declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Lead Manager makes no representation or warranty, express or implied, as to the accuracy or completeness of the information in this Prospectus, and nothing in this Prospectus is, or shall be relied upon as, a promise or representation by the Lead Manager.

This Prospectus is intended to provide information to potential investors in the context of and for the sole purpose of evaluating a possible investment in the Offered Shares. It contains selected and summarized information, does not express any commitment or acknowledgement or waiver and does not create any right expressed or implied towards anyone other than a potential investor. It cannot be used except in connection with the Offering. The content of this Prospectus is not to be construed as an interpretation of the rights and obligations of Punch Telematix, of the market practices or of contracts entered into by Punch Telematix.

1.2. Responsibility for auditing the accounts

BDO Atrio Bedrijfsrevisoren Burg. CVBA., a company incorporated under Belgian law, having its registered office at The Corporate Village, Da Vincilaan 9 – Box E.6, Elsinore Building, B-1935 Zaventem, represented by Koen De Brabander and member of the “Instituut der Bedrijfsrevisoren (IBR)” has been elected as statutory auditor of the Company for a term of three years ending immediately after the closing of the annual shareholders’ meeting to be held in 2007 that will have deliberated and resolved on the financial statements for the financial year ended on 31 December 2006. The statutory financial statements of Punch Telematix NV as of 31 December 2005 and 31 December 2004 were prepared in accordance with generally accepted accounting principles in Belgium or Belgian GAAP.

The consolidated financial statements of Punch Telematix NV as of 31 December 2005, 31 December 2004 and as of 30 June 2006 and 30 June 2005 have been audited and are included in Section 7.1. The respective consolidated financial statements in accordance with IFRS were audited by BDO who delivered a qualified opinion.

The qualifications in BDO’s opinion on the financial statements for the years 2004 and 2005 and the first semester of 2005 relate to an insufficient impairment of the goodwill concerning the Reflex activities. An additional impairment

on this goodwill of €6.5 million has been taken in the course of 2005. The qualified opinion on 30 June 2006 only relates to the comparable figures on 30 June 2005 and as such not on the income statement for the first half-year of 2006 neither on the balance sheet presentation of 30 June 2006.

1.3. Approval of the Prospectus

On 31 October 2006, the CBFA approved the Prospectus for the purposes of the public offering in Belgium and the admission to listing and trading on Euronext Brussels in accordance with article 23 of the Belgian Act of 16 June 2006 on the public offering of securities and the admission of securities to trading on a regulated market. The CBFA's approval does not imply any judgment on the merits or the quality of the Offering, the Offered Shares or the Company.

This Prospectus has been prepared in English only. In accordance with article 31 Belgian Act of 16 June 2006 on the public offering of securities and the admission of securities to trading on a regulated market the summary has been translated to Dutch. The Company assumes responsibility for the translation of the English summary into Dutch. Only the full English version of the Prospectus is legally binding.

The Offering and this Prospectus have not been submitted for approval to any supervisory body or governmental authority outside Belgium.

1.4. Available information

1.4.1. Prospectus

The Prospectus will be made available to investors at no cost at the registered office of the Company at Bootweg 4, B-8940 Wervik and can be obtained upon simple request from KBC Telecenter at +32 3 283 29 70. The Prospectus is also available on the internet at the following websites: www.kbcsecurities.be, www.kbc.be and www.punchtelematix.com.

Posting the Prospectus on the internet does not constitute an offer to sell or a solicitation of an offer to buy any of the shares to any person in any jurisdiction in which it is unlawful to make such offer or solicitation to such person. The electronic version may not be copied, made available or printed for distribution. Other information on the website of the Company or any other website does not form part of the Prospectus.

1.4.2. Company documents and other information

The Company must file its articles of association and all other deeds that are to be published in the annexes to the Belgian Official Gazette with the clerk's office of the Commercial Court of Leper (Belgium), where they are available to the public. A copy of the articles of association will also be available on the Company's website.

In accordance with Belgian law, the Company must prepare annual audited statutory and consolidated financial statements. The annual statutory and consolidated financial statements and the reports of the board of directors and statutory auditor relating thereto will be filed with the Belgian National Bank, where they are available to the public. Furthermore, as a listed company, the Company will have to publish annual and semi-annual financial releases as well as a report including the annual financial statements, the auditor's statutory report and the report

of the board of directors of the Company. These releases will generally be published in the Belgian press in the form of a press release. Copies thereof and the annual report will also be available on the Company's website. The Company's statutory accounts 2003, 2004 and 2005, hereby incorporated by reference, are available at the Company's registered office and on the Company's website.

The Company will also have to disclose price sensitive information and certain other information to the public. In accordance with the Belgian Royal Decree of 31 March 2003 (as amended) relating to the obligations of issuers of financial instruments admitted to trading on a Belgian regulated market, such information and documentation will be made available through the Company's website, press release and the communication channels of Euronext Brussels.

The Company's website is www.punchtelematix.com.

2. GENERAL INFORMATION RELATING TO THE OFFERING AND ADMISSION TO LISTING ON THE EUROLIST BY EURONEXT BRUSSELS

2.1. Information related to the capital increase

At its meeting held on 30 October 2006, the extraordinary shareholders' meeting of the Company decided to (i) amalgamate the existing shares in the Company at a ratio of 4 to 1, (ii) increase the Company's share capital up to a maximum amount of €17.5 million by way of a contribution in cash through the issue of new shares, i.e. the Base Shares, (iii) increase the Company's share capital by an amount of €1,160,000 by way of contribution in cash through the issue of new shares subject to the condition precedent of establishment of the Offer Price by the Lead Manager in agreement with the Company's board of directors (see Section 2.7.1), and (iv) approve the issue of a warrant to the Lead Manager (see Section 2.6).

The Offer Price and the final amount of the capital increase mentioned under (ii) above are to be determined through a book-building procedure in which only institutional investors can participate. The number of Base Shares to be issued in the Offering will be determined by dividing the amount of the capital increase by the Offer Price.

In connection with the issue of the new shares and the warrant mentioned above, each of the shareholders of the Company has waived its preferential subscription right as existing shareholders.

2.2. Key information

2.2.1. Working capital statement

As at the date of this Prospectus, Punch Telematix and its board of directors, having made due and careful enquiry, are of the opinion that, taking into account its available cash and cash equivalents, Punch Telematix has sufficient working capital to finance the current level of research and development and the current level of operating expenses for the period from the date of the Prospectus until at least 12 months from the Listing Date.

2.2.2. Capitalization and indebtedness

in 1,000 €	30 June 2006 audited	31/12/2005 audited	31/12/2004 audited
Equity attributable to the shareholders	21,347	3,388	10,008
Share capital	15,000	8,123	8,123
Consolidation reserves	6,286	1,885	5,982
Net result – Equity interest	61	(6,619)	(4,097)
Minority interests	(366)	-	-
Total Equity	20,981	3,388	10,008
Financial debt	161	3,243	2,130
Interest bearing loans & borrowings – non current	-	1,723	1,931
<i>Of which secured and guaranteed</i>	-	1,723	1,931
<i>Of which non-secured</i>	-	-	-
Borrowings - current	161	1,520	199
<i>Of which secured and guaranteed</i>	-	205	199
<i>Of which non-secured</i>	161	1,315	-
Cash and cash equivalents	337	528	125
Total net financial debt including related party debt (cash)	384	15,121	9,182
Net related party debt	560	12,406	7,177
Gearing (Net financial debt incl. related party/ total equity)	1.83%	446.3%	91.75%

2.2.3. Background of the Offering and use of proceeds

The principal purposes of the Offering are to support the Group's growth and development, to increase the Group's capitalization and financial flexibility, to provide a public market for the Company's shares and to facilitate access to the public equity capital markets.

If the Offering is fully subscribed, the gross proceeds from the issue of the Base Shares are estimated to be €17.5 million, which will be allotted to the Company. Assuming that the Green shoe Option is fully exercised an amount estimated at €2.625 million will be allocated to the Company.

For further information on the costs and expenses of the Offering, see Section 2.8.

Punch Telematix intends to use the net proceeds of the Offering (i.e. after commissions and Offering expenses payable by Punch Telematix have been deducted) for geographical expansion, acquisitions if and when they present themselves, working capital, capital expenditure, R&D, and other general corporate purposes.

More specifically, Punch Telematix intends to use the net proceeds of the Offering for:

- Geographical expansion: to be able to develop the European footprint needed to grasp a strategic position in the fast growing telematics market. External growth will be realised through acquisitions, while internal growth will be realised through the opening of new offices or the setting up of new indirect distribution partnerships;
- Working capital: mainly to pre-finance the hardware component in the service package;
- Capital expenditure: further development of the telematics service provider-architecture, including the necessary redundancy of network components (disaster recovery), scalability of provisioning/billing-engines and the development of a network monitoring centre (as to be able to offer a Service Level Agreement (SLA) to its customers).

The Company's board of directors and management will have significant flexibility and broad discretion in determining the amounts and timing of the Company's actual investments, which will depend upon numerous factors, including the status of the Company's product development and commercialisation efforts, trends and opportunities in the telematics market and the amount of proceeds actually raised in the Offering. The Company constantly evaluates opportunities to acquire technologies and products that it believes are complementary to its business activities or to acquire sales and distribution networks to cover new geographical markets. The Company has not determined the amounts it plans to spend on any of the areas listed above or the timing of these expenditures. Accordingly, the Company will have significant flexibility and broad discretion to allot and use the net proceeds from the Offering.

The Company intends to hold the proceeds it retains in connection with the Offering at banks and in short-term, interest-bearing, investment grade securities, including government bonds and other money market instruments, until the Company will use them.

2.3. Terms and conditions of the Offering

2.3.1. Conditions and nature of the Offering

The capital increase consists of Base Shares, coupons no. 1 and following attached, for a maximum amount of up to €17.5 million. All Base Shares offered will benefit from the right to reduced withholding tax, known as "Verminderde Voorheffing/Précompte Réduit" or "VVPR". A separate VVPR strip will represent this right. Each Base Share shall have one VVPR strip, which shall be separately listed.

In connection with the Offering, the Lead Manager is allowed to allocate an additional number of existing shares equal to maximum 15% of the Base Shares. These existing shares will not have a VVPR character and will not have a separate VVPR strip attached. The Lead Manager will be granted a Green shoe Option, exercisable as of the Listing Date until 30 days thereafter, for the sole purpose of allowing the Lead Manager to cover these over-allotments, if any. The Green Shoe Option consists of a warrant granted to the Lead Manager. See also Section 2.6.

The Offering of the Offered Shares consists of:

- a public offering of the Offered Shares in Belgium; and
- a private placement of the Offered Shares to institutional investors in Belgium and Europe.

It is expected that no less than 35% of the Offered Shares effectively allocated will be allocated to retail investors in Belgium. However, (i) the proportion of Offered Shares allocated to retail investors may be increased and possibly substantially, if applications received from them exceed 35% of the Offered Shares effectively allocated or, conversely, (ii) such proportion may be reduced if the relative demand from institutional investors at or above the Offer Price significantly exceeds that of retail investors.

For the purpose of the Offering, a retail investor shall mean (i) an individual person resident in Belgium or (ii) the legal entities in Belgium that apply for shares in an amount of €250,000 or less.

In allocating the Offered Shares, the Lead Manager will use reasonable efforts to ensure that shares with VVPR strips are delivered to individual investors resident in Belgium and to investors subject to Belgian tax on legal entities (rechtspersonenbelasting), in this order of priority.

The Offer Price shall be the same for institutional and retail investors. See also Section 2.3.2.

2.3.2. Offer Price

The Offer Price will be a single price in euro that will apply to all investors whether retail or institutional.

The Offer Price will be determined within a price range. The Offer Price will be determined by the Lead Manager in agreement with the Company, on the basis of a book-building procedure during the Offering Period, in which only the institutional investors can participate, and taking into account various relevant qualitative and quantitative elements, including but not limited to the number of shares requested, the size of orders received, the quality of investors submitting such orders and the prices at which the orders were made, as well as the market conditions at that time. The applicable Offer Price will in no event exceed the upper-end of the price range.

The applicable price range will be published in the Belgian financial press on or about 14 November 2006. The Offer Price will be determined as soon as possible after closing of the Offering Period, which is expected to take place on 1 December 2006 and will be published in the Belgian financial press on the first publishing day following its determination, which is expected to be on 2 December 2006. Both dates are subject to early closing of the Offering Period.

2.3.3. Offering Period

The Offering Period will start on 14 November 2006 and is expected to close on 30 November 2006, unless it is closed earlier. Any early closing of the Offering Period will be announced in the Belgian financial press. The Offering Period will in any event be open for at least six trading days as of the availability of the Prospectus. The Offering Period for retail and institutional investors will be the same.

Prospective investors can submit their orders during the Offering Period, unless this period is closed prematurely.

2.3.4. Application procedure

2.3.4.1 General

Share applications can be submitted at the counters of the Lead Manager and the Selling Agent at no cost to the investor.

Investors wishing to apply for shares through intermediaries other than the Lead Manager and the Selling Agent should request details of the costs which these intermediaries may charge and which they will have to pay themselves.

To be valid, share applications must be submitted, at the latest, by 4.00 p.m. (Central European Time, GMT+1) on the final day of the Offering Period.

2.3.4.2 Retail investors

Retail investors must indicate in their orders the number of Offered Shares they commit to acquire. Only one application form per retail investor will be accepted. If the Lead Manager and Selling Agent determine, or have reason to believe, that a single retail investor has submitted several orders, through one or more syndicate members, they may disregard such orders.

Due to the possibility of early closing, retail investors are invited to introduce their orders as soon as possible at the counters of the syndicate members in Belgium.

Retail investors in Belgium can only acquire the Offered Shares at the Offer Price (as explained in Section 2.3.2.) and are bound to purchase the number of shares indicated in their share application, provided this is within the price range. In the event that an addendum to the Prospectus is published prior to completion of the Offering, the investors shall have the right to withdraw their acceptances made prior to the publication of the addendum within the time limits set forth in the addendum (which shall not be shorter than two working days after publication of the addendum).

2.3.4.3 Institutional investors

Institutional investors must indicate in their orders the number of Offered Shares they commit to acquire, and the prices at which they are making such orders.

Only institutional investors can participate in the book-building procedure during the Offering Period. During the book-building period, institutional investors will have to indicate how many shares they wish to obtain and at what price within the price range.

Due to the possibility of early closing, institutional investors are invited to introduce their orders as soon as possible with the Lead Manager.

2.3.5. Allocation of the shares

2.3.5.1 General

The Offering consists of Base Shares, coupons no. 1 and following attached, and of up to 15% of the Base shares to cover over-allotments. The exact number of Offered Shares allotted to the retail investors and the institutional investors respectively will be determined at the end of the Offering Period by the Lead Manager after consultation with the Company and will depend on the respective demand of both retail and institutional investors and on the quantitative and, for institutional investors only, the qualitative analysis of the order book.

The Offered Shares will be allotted amongst retail and institutional investors in a balanced way. In case of over-subscription of the Offered Shares reserved for retail, the allocation to retail will be made on the basis of objective allocation criteria such as the use of a relative or absolute amount of shares with respect to each subscription, which may be, but are not necessarily, grouped in certain tranches with preferential treatment. Preferential treatment may be given to applications submitted at the branches of the Lead Manager and the Selling Agent rather than through other financial intermediaries.

The results of the Offering, the allocation key for the retail investors and the Offer Price will be published in the Belgian financial press, which is expected to occur on or about 2 December 2006, subject to early closing of the Offering Period.

2.3.5.2 Allocation

a. Tax on stock exchange transactions

The subscription to Base Shares will not give rise to tax on stock exchange transactions. See also Section 2.11.2.4.

b. VVPR strips

The Base Shares will be issued together with VVPR strips, which will entitle their holder to a reduced rate of Belgian withholding tax on dividends and which will be separately tradable. See also Section 2.11.2.6.

In allocating the Offered Shares, the Lead Manager will use reasonable efforts to ensure that shares with VVPR strips are delivered to individual investors resident in Belgium and to investors subject to Belgian legal entities tax (rechtspersonenbelasting), in this order of priority.

VVPR strips will be separately tradable on Eurolist by Euronext Brussels from the Listing Date, and investors who do not receive VVPR strips in the Offering may be able to purchase such instruments on the secondary market.

2.3.6. Payment, settlement and delivery of the shares and the VVPR strips

The Offer Price must be paid in full in euro, together with any applicable stock exchange tax. For further information about applicable taxes, see Section 2.11.2.4 and Section 2.11.2.5.

The payment date is set at three trading days after the Allocation Date and is expected to occur on or about 6 December 2006 unless the Offering Period is closed earlier.

It is expected that the shares and VVPR strips will be delivered to the investors on or about 6 December 2006, which is also the payment date.

All Offered Shares and VVPR strips will be delivered through the book-entry facilities of CIK (Interprofessionele effectendeposito- en girokas), the Belgian central securities depository. As described in Section 2.3.7 below, the Offered Shares and VVPR strips will, after completion of the Offering, be available in book-entry form only. Upon request, individual bearer shares and VVPR strips will be delivered in physical form within three months after the Listing Date (for related costs, see Section 2.11.2.5.).

2.3.7. Form of the shares and VVPR strips

All Offered Shares will have the same rights attached to them as the Company's other shares. For further description of the Company's shares and the rights attached thereto, see Section 3.4.4.

As described in Section 2.3.6 above, all Offered Shares and VVPR strips will be delivered in book-entry form, represented by one or more global certificates that will have been filed with the CIK for safe keeping on behalf of those persons entitled to the Offered Shares and VVPR strips.

Therefore, upon delivery of the Offered Shares and VVPR strips foreseen at the latest on 6 December 2006, the Offered Shares and VVPR strips will be bearer securities in book-entry form. The Offered Shares and VVPR strips cannot yet be delivered as bearer securities in physical form. Upon request, physical certificates will be available as soon as possible and at the latest within three months after the Listing Date. They will be available in the form of physical certificates representing 1, 15, 25 or 100 shares and VVPR strips or any other denomination that the Company may be able to print, with coupons no. 1 and following attached. Until they are delivered in physical form, a global certificate will represent the bearer shares and VVPR strips and only book-entry transactions will be possible.

Shareholders requesting physical delivery of bearer shares and VVPR strips should take into account delivery costs amounting to €10 (+VAT) for delivery at the counters of KBC Bank NV. Shareholders are requested to inquire

about any different costs which other financial institutions may charge and which shareholders will have to bear themselves. In addition, on the existing shares, a tax on the physical delivery of bearer shares equal to 0.6% of the purchase price will be due, see also Section 2.11.2.5.

An Act of 14 December 2005 on the abolition of bearer securities provides for the abolition of bearer securities and, hence, the abolition of the anonymous character thereof. All bearer securities shall be converted into dematerialized or registered securities. As of 1 January 2008, it will no longer be possible to issue new bearer securities nor will it be possible to physically deliver in bearer form existing securities previously unconverted. Securities issued after 23 December 2005 (i.e. after the publication of the Act of 14 December 2005) must be converted into dematerialized or registered securities before 2013.

For shareholders who opt for registered shares, the shares will be recorded in the Company's shareholder register. Holders of registered shares may request that their registered shares be converted into bearer shares and vice versa at any time. Any costs incurred by the conversion of registered shares into bearer securities will be borne by the shareholder (see above).

All of the Offered Shares will be fully paid up upon their delivery, and freely transferable.

2.3.8. Dividends

2.3.8.1 Entitlement to dividends

The Offered Shares will be entitled to a share in the profits, if any, as of 1 January 2006 and are therefore entitled to the dividend, if any, for the financial year closed on 31 December 2006 and the following financial years. For further information on the declaration and payment of dividends, see also Section 2.11.2.1.

2.3.8.2 Dividend policy

Punch Telematix has never declared or paid any dividends on its shares. Following this Offering, the Company's dividend practice will be determined and may change from time to time by determination of the Company's board of directors. Any issue of dividends will be based upon the Group's earnings, financial condition, capital requirements and other factors considered important by the board of directors. Belgian law and the Company's articles of association do not require the board of directors to declare dividends. The board of directors expects to retain all earnings, if any, generated by the Group's operations for the development and growth of its business and does not anticipate paying any dividends to the shareholders for the next three years.

2.4. Listing and first trading

An application has been made for the listing and admission to trading on Eurolist by Euronext Brussels of all shares in the Company, including all existing shares, the Base Shares, all shares issued pursuant to the exercise of the Green shoe Option as described in Section 2.6 and all shares issued as a result of the increase of the Company's share capital as described in Section 3.4.3. The shares will be listed under the symbol PTX and international code number BE 0003855724.

An application has also been made for admission of all of the VVPR strips of the Company on Eurolist by Euronext Brussels. The VVPR strips will be listed under the symbol PTXS and international code number BE 0005607784.

The Company expects trading to commence on or about 4 December 2006, unless early closing of the Offering Period occurs. See also the underwriting agreement, referred to in Section 2.5.

Prior to the Closing Date and delivery of the Offered Shares and, as the case may be, the VVPR strips to the investors, the shares will be traded on an “as if-and-when-issued” basis. Investors that wish to enter into transactions in shares of the Company prior to the Closing Date, whether such transactions are effected on Euronext Brussels or otherwise, should be aware that the Closing Date may not take place on 6 December 2006 or at all if certain conditions or events referred to in the underwriting agreement are not satisfied or waived or do not occur on or prior to such date. Such conditions include the receipt of officers’ certificates and legal opinions and such events include the suspension of trading on Euronext Brussels or a material adverse change in the Group’s financial condition or business affairs or in the financial markets. Euronext Brussels has indicated that it will annul all transactions effected on it if the Offered Shares are not delivered on the Closing Date.

Prior to the Offering, no public market existed for the shares and VVPR strips issued by the Company.

2.5. Underwriting agreement

Subject to the right of the parties involved in the underwriting agreement not to sign such an agreement, the Company, Punch International NV and the Lead Manager are expected to enter into an underwriting agreement no later than upon the determination of the Offer Price, which is expected to take place on 1 December 2006. The conclusion of this agreement may depend on various factors including, but not limited to, market circumstances and the result of the book-building procedure.

In the underwriting agreement, the Company and Punch International NV are expected to make certain representations and warranties and to agree to indemnify the Lead Manager against certain liabilities.

Subject to the terms and conditions of the underwriting agreement, the Lead Manager, i.e. KBC Securities, will agree to subscribe to and/or acquire 100% of the Offered Shares and VVPR strips in the base Offering with a view to immediately distributing these shares and VVPR strips to the investors concerned.

The Lead Manager will distribute the Offered Shares and the VVPR strips to investors, subject to prior issue or sale, when, as and if issued and delivered to and accepted by them, subject to the satisfaction or waiver of the conditions that are expected to be contained in the underwriting agreement, such as the receipt by the Lead Manager of officer’s certificates and legal opinions.

The underwriting agreement is also expected to provide that, upon the occurrence of certain events, such as the suspension of trading on Eurolist by Euronext Brussels or a material adverse change in the Group’s financial condition or business affairs or in the financial markets, or other force majeure events, the Lead Manager will have, on certain conditions and after consultation with the Company, the right to withdraw from the underwriting agreement and Offering before the delivery of the Offered Shares. In such event, the investors will be informed by publication in the Belgian financial press that no Offered Shares can be delivered and their acceptances are cancelled.

2.6. Green shoe Option and stabilization

In connection with the Offering, the Lead Manager may, as of the Listing Date and until 30 days thereafter (the “Stabilization Period”) effect transactions that stabilize or maintain the market price of the shares at levels above those that might otherwise prevail in the open market. Such transactions, if any, may be structured in a way to comply with the applicable laws and regulations, including Chapter III of the Commission Regulation (EC) No 2273/2003, and may be effected on Eurolist by Euronext Brussels, on the over-the-counter market or otherwise, at a price which may not be higher than the final Offer Price. There is no assurance that such stabilization will be undertaken and, if it is, it may be discontinued at any time and will, in any event, be discontinued 30 days after the Listing Date.

If the Lead Manager creates a short position in the shares in connection with the Offering, they may reduce that short position by purchasing shares in the open market. Purchases of shares to stabilize the trading price or to reduce a short position may cause the price of the Company’s shares to be higher than it might be in the absence of such purchases. The Company nor the Lead Manager makes any representation or prediction as to the direction or the magnitude of any effect that the transactions described above may have on the price of the shares.

Within a week of the end of the Stabilization Period, the following information will be published on the website of the Company in accordance with article 8, §3 of the Royal Decree of 5 March 2006: (i) whether or not stabilization was undertaken, (ii) the date at which stabilization started, (iii) the date at which stabilization last occurred and (iv) the price range within which stabilization was carried out for each of the dates during which stabilization transactions were carried out.

The Lead Manager may also elect to reduce any short position by exercising all or part of the Green shoe Option granted to it. This Green shoe Option will be exercisable as of the Listing Date and until 30 calendar days thereafter. The Green shoe Option consists of a warrant issued by the Company on 30 October 2006 that will be exercisable only to cover over-allotments, if any. This possibility will exist whether or not the Offering is fully subscribed. The Green shoe Option will apply to an aggregate number of shares of up to a maximum of 15% of the Base Shares. The maximum number of shares covered by the warrant, used by the Lead Manager to cover over-allotments, will be confirmed and published in the Belgian financial press together with the price range of the Offering.

The warrant will be exercisable as of the Listing Date and until 30 calendar days thereafter. If the warrant is not exercised at the expiry of the abovementioned exercise period it will become void and of no value. The exercise price of the warrant will be equal to the Offer Price.

In order to cover any delivery obligations in relation to over-allotments prior to the exercise of the warrant, it is expected that the Lead Manager will borrow an equal amount of shares from the Shareholder.

2.7. Intentions of the Shareholder

2.7.1. Shareholder

To the extent known to the Company, the Shareholder or members of the Company's or the Shareholder's management, supervisory or administrative bodies do not intend to subscribe to the Offered Shares in the Offering.

At the extraordinary shareholders' meeting of the Company held on 30 October 2006 to decide on a proposed increase in the Company's share capital in light of the Offering, the shareholders also decided to increase the Company's share capital by an amount of €1,160,000 by way of a contribution in cash subscribed for by Punch International NV subject to the condition precedent of establishment of the Offer Price by the Lead Manager in agreement with the Company's board of directors. The number of shares in the Company that Punch International NV will receive will be determined by dividing €1,160,000 by the Offer Price. The shares issued will not have a VVPR character and will not have a separate VVPR strip attached. The funds raised as a result of the capital increase of €1,160,000 will be used by the Company to repay part of the sums advanced by Punch International NV to the Company in view of the settlement with PON Holdings. See also Section 4.9.

2.7.2. Lock-up arrangements

Straightline BVBA, BB Networks BVBA and Nabusaur NV, represented respectively by Luc Lammens, Paul Schillebeekx and Frédéric Boes (together the "Managers") have entered into a lock-up arrangement with the Lead Manager whereby they have agreed not to transfer (or disclose their intention to transfer) their shares in the Company for a period starting on the Listing Date and ending 365 days from the Listing Date.

Punch International NV has entered into a lock-up arrangement with the Lead Manager whereby it has agreed not to transfer (or disclose its intention to transfer) its shares in the Company for a period starting on the Listing Date and ending 365 days from the Listing Date (the "Lock-up Period"). During the last 180 days of the Lock-up Period, Punch International NV will be permitted to transfer its shares in the Company with the prior written consent of the Lead Manager and through the services of the Lead Manager. The lock-up arrangement will not apply to the lending of shares to the Lead Manager to cover any over-allotments.

The lock-up obligations will not apply to any transfer of shares in the Company to (a) a company over which the holder of such shares exercises control, (b) a company over which the person or company controlling the holder of such shares exercises control or (c) a person or a company that exercises control over the holder of such shares (as defined in article 5 of the Belgian Company Code), provided (i) that written notice of the transfer is served to the Lead Manager and (ii) that the company acquiring the shares agrees to similar lock-up obligations in favor of the Lead Manager. Finally, the lock-up arrangements will not apply to any transfer of shares to the legal successor of the holder of such shares pursuant to the merger, liquidation or de-merger of such holder, provided that the legal successor agrees to similar lock-up obligations in favor of the Lead Manager.

The Company shall not, for a period starting on the Listing Date and ending 365 calendar days from the Listing date, except with the prior written consent of the Lead Manager (which shall not be unreasonably withheld), (i) issue or sell, or attempt to dispose of, or solicit any offer to buy any shares, warrants or other securities of the Company or grant any options, convertible securities or other rights to subscribe for or purchase shares of the Company or enter into any contract (including derivative transactions) or commitment with like effect or (ii) purchase any of its securities or otherwise reduce its share capital.

These restrictions and lock-up obligations mentioned in the above paragraph will not apply to the issue of new shares pursuant to (i) the exercise of the warrant issued to the Lead Manager to cover over-allotments (see Section 2.6) and (ii) the increase of the Company's share capital by an amount of €1,160,000 by way of a contribution in cash subscribed for by Punch International NV (see Section 2.7.1).

2.7.3. Shareholder's intentions after the Offering

Punch International NV holding 97% of the shares of the Company (see also Section 3.5.1) has informed the Company that it intends to remain a significant shareholder of the Company.

2.8. Costs and remunerations of intermediaries

The aggregate costs of the Offering are estimated to be approximately 5% of the amount of the Offering. These costs include legal, administrative, audit and other costs (€270,000), remuneration of the CBFA (€15,690), legal publications, printing of the shares and this Prospectus (€42,000), management, underwriting and selling fees of the Lead Manager (€704,375, not including a discretionary fee of up to 1%) and the fees payable to Euronext Brussels (€37,000).

2.9. Financial service

The financial service for the shares of the Company will be provided in Belgium by KBC Bank NV free of charge for the shareholders. Should the Company alter its policy in this matter, this will be announced in the Belgian financial press.

2.10. Legislation and competent courts

The Offering is subject to Belgian law. The courts and tribunals of Brussels have sole jurisdiction should any dispute arise in relation to the Offering.

2.11. Information related to the shares

2.11.1. Regulations applicable in Belgium in case of theft or loss of securities

The theft or loss of securities is regulated by the Law of 24 July 1921, amended by the Law of 22 July 1991, on the involuntary dispossession of bearer securities.

This system involves the following steps:

- a protest has to be lodged with the National Securities Office (*Nationaal Kantoor voor de Roerende Waarden/ Office National des Valeurs Mobilières*);
- payments are suspended and any transfer of the protested securities in principle becomes null and void;
- barring any objection, the securities are returned to the owner as soon as they are found;
- securities listed in the bulletin of stop orders on securities (*Bulletin der met verzet aangetekende waarden/ Bulleeting des Oppositions*) for an interrupted period of four years become null and void.

The person who lodged the protest is then entitled, barring objection, to:

- the right to receive the payment of dividends, interest and, if any, the principal due or any capital distribution and any liquidation balance;

- the right to receive, at his request and at his expense, a new security with the same number as the original security.

The objection to the protest is proven by any deed or action brought to the notice of the issuing institution which shows that a third party is considered to lay claim to the existence, in his favor, of a right to the protested security. If an objection is made, the issue of the right of ownership between the person who lodged the protest and the holder of the securities is settled in accordance with common law.

2.11.2. *Belgian taxation*

The following is a summary of certain Belgian tax consequences of the acquisition, ownership and disposal of shares in the Company. It is based on the tax laws, regulations and administrative interpretations applicable in Belgium as presently in effect and is subject to changes in Belgian law, including changes that could have a retroactive effect. The following summary does not take into account or discuss the tax laws of any country other than Belgium, nor does it take into account the individual circumstances of each investor. Prospective investors should consult their own advisers as to the Belgian and foreign tax consequences of the acquisition, ownership and disposal of the shares.

For the purpose of this summary, a Belgian resident is (i) an individual subject to Belgian personal income tax (i.e. an individual who has his domicile in Belgium or has the seat of his assets in Belgium, or a person assimilated to a Belgian resident), (ii) a company subject to Belgian corporate income tax (i.e. a company that has its registered office, its main establishment, or its place of management in Belgium) or (iii) a legal entity subject to the Belgian tax on legal entities (i.e. a legal entity other than a company subject to the corporate income tax, that has its registered office, its main establishment, or its place of management in Belgium). A Belgian non-resident is a person that is not a Belgian resident.

2.11.2.1 Dividends

For Belgian income tax purposes, the gross amount of all distributions made by the Company to its shareholders is generally taxed as dividends, except for the repayment of effectively paid-up share capital carried out in accordance with the Belgian Company Code to the extent that the capital qualifies as “fiscal” capital. The gross amount paid by the Company to redeem its shares and the gross amount of distributions made by the Company to its shareholders as a result of the Company’s liquidation is also generally considered as a dividend, to the extent that the payment exceeds the effectively paid-up fiscal capital of the Company, respectively represented by the shares that are redeemed. In general, a 10% Belgian withholding tax is levied on such redemption and liquidation dividend distributions. For redemptions, this will depend on the final destination of the shares thus redeemed and on whether this destination results in a capital loss for the redeeming company (e.g. upon cancellation, sale). No withholding tax will be due for redemptions carried out on Euronext or any other similar stock exchange market.

In general, a Belgian withholding tax of (currently) 25% is levied on dividends. As of 1 January 1994, under certain circumstances, the 25% withholding tax rate is reduced to 15% with respect to certain qualifying shares (VVPR shares) issued. Shares that are eligible for this reduced withholding tax rate can be issued together with or accompanied by a “VVPR strip”, which is a separate instrument representing the holder’s right to receive dividends at the reduced withholding tax rate of 15%. The Base Shares that are issued in the Offering will be accompanied by a VVPR strip. The existing shares used by the Lead Manager to cover over-allotments will not have a separate VVPR strip.

For private investors who are Belgian residents and for legal entities subject to the Belgian tax on legal entities, the Belgian withholding tax generally constitutes the final tax in Belgium on their dividend income. The amount that will be taxed is the amount of the dividend paid. If a private investor elects to report the dividend income in his or

her personal income tax return, he or she will be taxed on this income at the separate rate of 25% or, if applicable, the reduced rate of 15%, or at the progressive personal income tax rates taking into account the taxpayer's other declared income, whichever is lower. In both cases, the amount of income tax payable is increased by the local surcharge and the withholding tax levied at source will be creditable against the total amount of tax due and even reimbursable should it exceed the tax payable.

For resident individuals who hold the shares for professional purposes, the dividends received will be taxed at the progressive personal income tax rates increased by the local surcharge. The withholding tax will be creditable against the personal income tax due and is reimbursable to the extent that it exceeds the tax, subject to two conditions: (i) the taxpayer must own the shares at the time of payment or attribution of the dividends in full legal ownership and (ii) the dividend distribution may not give rise to a reduction in the value of, or a capital loss on, the shares. The second condition is not applicable if such investor proves that he or she held the shares in full legal ownership during an uninterrupted period of twelve months prior to the attribution of the dividends or that, during that period, the shares never belonged to a taxpayer who was not a resident company or who was not a non-resident company that held the shares through a permanent establishment in Belgium.

For Belgian resident companies, the gross dividend income, including the withholding tax, must be added to their taxable income, which is, in principle, taxed at the general corporate income tax rate of (currently) 33.99%. In certain circumstances lower tax rates can apply. If such a company holds, at the time of the dividend distribution, a share participation of at least 10% in the capital of the Company or a share participation with an acquisition value of at least €1,200,000, then 95% of the gross dividend received can in principle (although subject to certain limitations) be deducted from the taxable income ("dividend received deduction"), provided that the share participation in the Company qualifies as a "financial fixed asset" and provided that a one year minimum holding period in full legal ownership is met. For qualifying investment companies and for financial institutions and insurance companies, certain of the aforementioned conditions do not apply.

The withholding tax may, in principle, be credited against the corporate income tax and is reimbursable to the extent that it exceeds the corporate income tax payable, subject to two conditions: (i) the taxpayer must own the shares in full legal ownership at the time of payment or attribution of the dividends and (ii) the dividend distribution may not give rise to a reduction in the value of, or a capital loss on, the shares. The second condition is not applicable if the investor proves that it held the shares in full legal ownership during an uninterrupted period of twelve months prior to the attribution of the dividends or that, during that period, the shares never belonged to a taxpayer who was not a resident company or who was not a non-resident company that held the shares through a permanent establishment in Belgium.

No withholding tax will be due on dividends paid to a resident company provided the resident company owns, at the time of the distribution of the dividend, at least 20% of the share capital of the Company for an uninterrupted period of at least one year and, provided further, that the resident corporation provides the Company or its paying agent with a certificate as to its status as a resident company and as to the fact that it has owned a 20% shareholding for an uninterrupted period of one year. For those investors owning a share participation of at least 20% in the share capital of the Company for less than one year, the Company will hold an amount equal to the withholding tax but, provided the investor certifies its resident status and the date on which it acquired the shareholding, will not transfer it to the Belgian Treasury. As soon as the investor owns the share participation of at least 20% in the capital of the Company for one year, it will receive the amount of this temporarily held amount equal to the withholding tax. The 20% minimum participation requirement will be reduced to 15% for dividends attributed or paid after 1 January 2007 and to 10% for dividends attributed or paid after 1 January 2009.

If the shares are held by a non-resident in connection with a business in Belgium, the beneficiary must report any dividends received, which will be subject to the non-resident individual or corporate income tax. Withholding tax retained at source may, in principle, be offset against non-resident individual or corporate income tax and is reimbursable to the extent that it exceeds the actual tax payable, subject to the condition that the dividend

distribution must not reduce the value of, or result in a capital loss, on the shares. This condition is not applicable if: (i) the non-resident individual or the non-resident company can demonstrate that he or it has held the full legal ownership of the shares for an uninterrupted period of 12 months preceding the date upon which the dividends are attributed or (ii) with regard to non-resident companies only, if, during said period, the shares never belonged to a taxpayer other than a resident company or a non-resident company which has, in an uninterrupted manner, invested the shares in a Belgian establishment. With regard to non-resident individual investors who acquire the shares for professional purposes or non-resident corporations, the taxpayer must fully own the shares at the time the dividends are made available for payment or attributed for the withholding tax to be offset against non-resident individual or corporate income tax. Non-resident corporate taxpayers may deduct up to 95% of gross dividends from their taxable profits if, at the date dividends are made available for payment or attributed (*mis en paiement ou attribués*), (i) they hold at least 10% of the total capital of the Company or a shareholding with an acquisition value of at least €1,200,000; (ii) full legal ownership of the shares for an uninterrupted period of at least one year and (iii) the shares qualify as financial fixed assets under Belgian GAAP.

A non-resident shareholder, who does not hold shares of the Company through a permanent establishment or fixed base in Belgium, will not be subject to any Belgian income tax other than the dividend withholding tax, which normally constitutes the final Belgian income tax. Belgian tax law provides for certain exemptions from withholding tax on Belgian source dividends distributed to non-resident investors. In the event there is no exemption applicable under Belgian domestic tax law, the Belgian dividend withholding tax can potentially be reduced for investors who are non-residents pursuant to the treaties regarding the avoidance of double taxation concluded between the Belgian State and the state of residence of the non-resident shareholder. Belgium has concluded tax treaties with more than 60 countries, reducing the dividend withholding tax rate to 15%, 10%, or 5% for residents of those countries, depending on conditions related to the importance of the shareholding and certain identification formalities. Prospective holders should consult their own tax advisors to determine whether they qualify for a reduction of the withholding tax rate upon payment of dividends and, if so, the procedural requirements for obtaining such reduction upon the payment of dividends or making claims for reimbursement.

Additionally, in accordance with European Union law, European Union resident companies that qualify under the EU Parent-Subsidiary Directive of 23 July 1990 (90/435/EEC) as amended by Directive 2003/123/EG of 22 December 2003 are exempt from Belgian withholding tax if they own at least a 20% interest in the Company for an uninterrupted period of at least one year. The Belgian government has recently announced that it will extend this withholding tax exemption to include parent companies resident in a country with which Belgium has entered into a double tax treaty. To benefit from this exemption, the qualifying shareholder must sign a certificate as to its status as a European-Union resident company within the meaning of the EU Parent-Subsidiary Directive of 23 July 1990 (90/435/EEC) as amended by Directive 2003/123/EG of 22 December 2003 and as to it having held a 20% or more interest for an uninterrupted period of at least one year. This certificate must then be forwarded to the Company or the paying agent. A shareholder that holds an interest in the Company of 20% or more but that has not held such interest for the minimum one-year period at the time the dividends are attributed, may benefit from the exemption if it signs a certificate such as that described above, but, giving the date from which it has held its 20% or more interest. In the certificate, the shareholder must also undertake to continue to hold the interest until the one-year period has expired and to notify the Company immediately if the one-year period has expired or if its shareholding falls below 20%. The Company will hold an amount equal to the withholding tax until the end of the one-year holding period and then pay it to the shareholder or the Belgian Treasury, as appropriate. The 20% minimum participation requirement will be reduced to 15% for dividends attributed or paid after 1 January 2007 and to 10% for dividends attributed or paid after 1 January 2009.

2.11.2.2 Capital gains and losses

Private investors who are a Belgian resident are in principle not subject to Belgian income tax on capital gains realized upon the sale, exchange or other transfer of shares, unless either (i) the capital gain is the result of

speculation or cannot be considered as the result of normal management of a private estate (33% tax, plus local surcharge) or (ii) the gain is realized upon the transfer to certain non-resident legal entities of shares belonging to a substantial shareholding of 25% or more in the Company (16.5% tax, plus local surcharge). However, the European Court of Justice has decided on 8 June 2004 that the application of this 16.5% capital gain tax is contrary to the general principles of free movement of capital and freedom of establishment contained in the EC Treaty if the shares are transferred to an EU resident company. As a result of this court decision, the form of the personal income tax return has now been changed so that only capital gains realised on transfers to companies resident outside the European Economic Area (EEA) must be declared.

Any losses suffered by private investors upon the disposal of the shares are generally not tax deductible. However, losses on speculative transactions or transactions outside the scope of the normal management are, in principle, tax deductible from the income received pursuant to similar transactions. Individual residents who hold the shares for professional purposes are taxed at the ordinary progressive income tax rates increased by the applicable local surcharge on any capital gains realized upon the disposal of the shares. If the shares were held for at least 5 years prior to such disposal, the capital gains tax will be levied at a reduced rate of 16.5%. Losses on shares realized by such an investor are tax deductible.

Resident legal entities are normally not subject to Belgian capital gains tax on the disposal of shares, but they may be subject to the 16.5% tax described above if they hold a substantial participation (more than 25%). Losses incurred by resident legal entities upon disposal of the shares are generally not tax deductible. Resident companies and companies with their tax residence outside Belgium, which hold the shares through a permanent establishment in Belgium, will not be taxed in Belgium with respect to capital gains realized upon disposal of the shares. Any losses incurred by such investors with respect to disposal of the shares will not be tax deductible, except possibly at the time of liquidation of the Company up to the fiscal capital of the Company represented by those shares. Non-resident shareholders, who do not hold the shares through a permanent establishment or fixed base in Belgium, will generally not be subject to any Belgian income tax on capital gains realized upon the sale, exchange, redemption (except for the dividend withholding tax, see *supra*) or other transfer of the shares, unless non-resident individual shareholders hold a substantial participation and the bilateral tax treaty concluded between the Kingdom of Belgium and their state of residence, if any, does not provide for an exemption from Belgium capital gains tax.

2.11.2.3 Tax reduction on the investment in the shares ("The Monory bis Law")

Cash payments up to a maximum of €780 for qualifying shares to which a Belgian resident has subscribed as an employee of the Company, or as an employee of certain qualifying subsidiaries of the Company, entitle the subscriber, subject to certain conditions described below, to a reduction of the personal income tax due. Qualifying shares are new shares subscribed for on the primary market, i.e. Base Shares subscribed for upon the incorporation of or a capital increase by the Company. Shares acquired on the secondary market, i.e. purchase of existing shares on the stock market, are not considered qualifying shares.

The tax reduction applicable to qualifying shares is limited to taxpayers who are, at the moment of subscription of qualifying shares, working for the Company or certain qualifying subsidiaries of the Company under an employment contract and who receive a remuneration as described in articles 30, 1° and 31 of the Belgian Income Tax Code of 1992. Directors, even if they are working for the Company under an employment contract, are not eligible for this tax reduction, as they do not receive a remuneration described in the above articles of the Belgian Income Tax Code of 1992. A company will be considered as a qualifying subsidiary of the Company if the Company is irrefutably deemed to control such company. Such control is deemed to exist in those circumstances where the Company possesses: (i) the majority of voting rights in such company, either as a result of shareholding or on the basis of an agreement, (ii) the right to appoint or remove the majority of the members of the board of directors of such company, (iii) the authority to control, by virtue of the company's articles of association or contracts concluded with such company or (iv) joint control on such company. The reduction applicable to qualifying shares must be claimed in the annual tax

return and cannot be cumulated with the tax reduction for pension savings. The reduction is granted subject to the condition that the employee demonstrates, in his or her personal income tax return related to the taxable period in which the payment occurred, that the qualifying shares were acquired and that the qualifying shares were still held at the end of the applicable taxable period. The tax reduction will only be maintained if the employee proves that he or she has held the shares during the subsequent five taxable periods.

2.11.2.4 Tax on stock exchange transactions

The purchase and the sale and any other acquisition or transfer for consideration in Belgium, through a “professional intermediary”, of existing shares in the Company (secondary market) is subject to the tax on stock exchange transactions, in the amount of 0.17% of the transfer price. The amount of tax on stock exchange transactions is capped at maximum €500 per transaction and per party. In any event, no tax on stock exchange transactions is payable by (i) professional intermediaries described in articles 2, 9° and 10° of the Act of 2 August 2002 on the supervision of the financial sector and financial services, acting for their own account, (ii) insurance companies described in article 2, §1 of the Insurance Supervision Act of 9 July 1975 acting for their own account, (iii) pension funds described in article 2, §3, 6th of the Insurance Supervision Act of 9 July 1975 acting for their own account, (iv) UCITs, described in the Law of 20 July 2004 acting for their own account or (v) non-residents (upon delivery of a certificate of non-residence). Such tax on stock exchange transaction will not be due on the Base Shares, because they will be newly created at the occasion of the Offering. The shares used by the Lead Manager to cover over-allotments will be existing shares and will thus be subject to such tax. The Lead Manager will use reasonable efforts to ensure that the shares delivered to retail investors are Base Shares. Should the total number of shares allocated to retail investors exceed the number of Base Shares effectively allocated in the Offering, then the Base Shares will be allocated among the retail investors on a pro rata basis.

2.11.2.5 Tax on the physical delivery of bearer shares

The physical delivery of bearer shares acquired on the secondary market for consideration through a “professional intermediary” in Belgium is subject to the Belgian tax on the physical delivery of bearer securities. The tax payable is equal to 0.6% of the purchase price. The tax is also due upon the physical delivery of shares in Belgium pursuant to the withdrawal of the shares from “open custody” (open bewaargeving) or as a result of the conversion of registered shares into bearer shares. The tax payable is 0.6% of the last stock price quotation prior to the date of withdrawal or conversion. No tax on the physical delivery of bearer securities is due upon the issue of Base Shares. In any event, as further explained in Section 2.3.7 the shares cannot yet be delivered as bearer shares in physical form. Physical certificates will be available as soon as possible and at the latest within three months after the first listing date. An Act of 14 December 2005 on the abolition of bearer securities provides for the abolition of bearer securities and, hence, the abolition of the anonymous character thereof. All bearer securities shall be converted into dematerialized or registered securities. As of 1 January 2008, it will no longer be possible to issue new bearer securities nor will it be possible to physically deliver in bearer form existing securities previously unconverted. Securities issued after 23 December 2005 (i.e. after the publication of the Act of 14 December 2005) must be converted into dematerialized or registered securities before 2013.

2.11.2.6 VVPR strips

The Base Shares offered pursuant to this Prospectus meet the conditions pursuant to which shares are entitled to a reduced withholding tax rate of 15% and are, therefore, eligible for the “Verminderde voorheffing” regime, and will consequently be issued with VVPR strips. The existing shares used by the Lead Manager to cover over-allotments will not have a separate VVPR strip. The Lead Manager will use reasonable efforts to ensure that the shares with VVPR strips are delivered to individual investors resident in Belgium and to investors subject to Belgian legal entities tax (rechtspersonenbelasting), in this order of priority. However, no guarantees can be given in this regard. Should

the total number of shares allocated to the retail investors exceed the total number of VVPR strips thus available, which is unlikely, the VVPR strips will be allocated among the retail investors on a pro rata basis.

The coupons representing the right to receive dividends at the ordinary withholding tax rate, are attached to each share. In addition, some shares will be accompanied by a second sheet of coupons, which gives the holder the right to benefit from the reduced withholding tax rate of 15%. The coupons of the second sheet must bear the same sequential numbers as those of the ordinary coupons and must bear the legend "Strip-PR" or, in Dutch, "Strip-VV" (together VVPR strips). The VVPR strips will be listed on Eurolist by Euronext Brussels and may be traded separately. They are offered as part of the Offering. The reduced withholding tax rate of 15% can be obtained by delivery of both coupons with the same number to the Company or one of its paying agents before the end of the second year following the year in which the dividend was attributed.

Capital gains and losses

Individual Belgian residents and individual Belgian non-residents holding the VVPR strips as a private investment are not subject to Belgian capital gains tax upon the disposal of the VVPR strips, and can not deduct losses incurred as a result of such disposal. Individual Belgian residents and individual Belgian non-residents may, however, be subject to a 33% tax (to be increased with a local surcharge) if the capital gain is deemed to be speculative or if the capital gain is otherwise realized outside the scope of the normal management of one's own private estate. Losses on speculative transaction or on transaction outside the scope of the normal management are, in principle, deductible from the income realized pursuant to similar transactions.

Capital gains realized on VVPR strips by Belgian resident investors holding the shares for professional purposes, or by non-resident investors, who acquired the strips for a business conducted in Belgium through a fixed base or a Belgian establishment, are taxable as ordinary income, and losses on VVPR strips are deductible.

Legal entities subject to the Belgian tax on legal entities are not subject to Belgian capital gains tax upon the disposal of the VVPR-strips and cannot deduct losses incurred as a result of such disposal.

Stamp tax on securities transactions and tax on the physical delivery of bearer shares

The rules regarding the levy of the stock market tax and the tax on the physical delivery of bearer instruments are the same as mentioned above in Section 2.11.2.4 and 2.11.2.5.

3. GENERAL INFORMATION ABOUT THE COMPANY AND ITS SHARE CAPITAL

3.1. General information

The Company is a company limited by shares (naamloze vennootschap) which was incorporated under the laws of Belgium on 29 September 1998 for an indefinite period of time under the name "Advantra International". The Company's name was modified on 14 October 2005 to "Punch Telematix".

The Company's registered office is currently located at Bootweg 4, B-8940 Wervik, Belgium (Tel. +32 56 239 411) and it is registered with the Belgian legal entities register under the enterprise number 0464.257.143 (Commercial Court of Leper). The documents related to the Company and quoted in this Prospectus can be reviewed and/or obtained at its registered office.

This Section of the Prospectus summarizes the Company's corporate purpose, its share capital and the rights attached to its shares. It is based on the articles of association of the Company, as amended by the extraordinary shareholders' meeting of the Company held on 30 October 2006, some of which amendments will become effective upon completion of the Offering.

The description provided hereafter is a summary only and does not purport to give a complete overview of the articles of association of the Company, nor of the relevant provisions of Belgian law. Neither should it be considered as legal advice regarding these matters.

3.2. Corporate purpose

The Company's corporate purpose is described in article 3 of the articles of association of the Company and is set out as follows:

The Company's purpose is to deploy all activities in the area of telecommunication and electronics in general, relating to the development, production and sale of both telecommunication hardware, the installation and operation of networks, nationally and internationally, the offering of services in the area of forwarding of information and messages including advertising.

The Company may carry out all industrial, commercial and financial operations, both in Belgium and abroad, which directly or indirectly increase or promote the Company's business. The Company may acquire any real property and other property, irrespective of whether it is directly or indirectly connected with the Company's purpose. The Company may grant loans and give guarantees or securities to all affiliated companies, including mortgages.

The Company may take an interest in, co-operate with or merge with any association, business, enterprise or company having an identical, similar or related purpose or which tends to benefit the business of the Company or facilitates the sale of its products or services. The Company may act as a director, manager or liquidator of other companies.

3.3. Group structure

The Company is a 97% subsidiary of Punch International NV, a Belgian diversified industrial group focusing on providing total solutions.

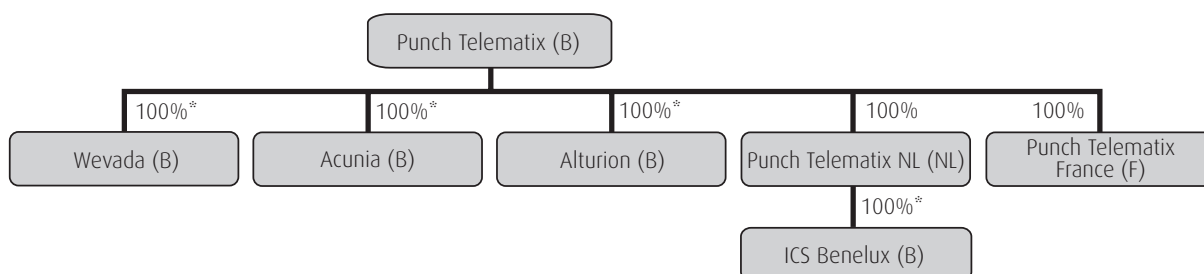
Following a succession of takeovers and spin offs in various areas of business, Punch International NV has evolved from a traditional subcontractor to the electronics industry to a technology provider and a key player in all markets in which it operates.

Today Punch International NV provides total solutions to end-users in segments of the graphics, agriculture and telematics industries. In addition, the group provides tailor-made services to the automotive and consumer electronics industries. Its activities are organised in independently operated divisions: Punch Graphix, Punch Technix, Punch Telematix, Punch Motive and Other.

Employing more than 3,800 people worldwide, Punch International NV operates in production facilities across Europe, Asia, and North and South America.

For 2005, Punch International NV realised sales in excess of €230 million and an EBIT of €46 million. Punch International NV (PUN) is listed on Eurolist by Euronext Brussels since 1999, and is part of the NextPrime Index. Punch Graphix plc (PGX) is listed on London's Alternative Investment Market (AIM) since May 2005. Punch Technix BV (PNX) is listed on Eurolist by Euronext Amsterdam.

Punch Telematix' group structure as of the date of this Prospectus is as follows:



* References to 100% holding in Wevada NV by the Company actually mean 100% minus the 1 share that is held by Alturion NV. References to 100% holding in Acunia International NV by the Company actually mean 100% minus the 1 share that is held by Punch Participatiemaatschappij B.V. References to 100% holding in Alturion NV by the Company actually mean 100% minus the 1 share that is held by Acunia International NV. References to 100% holding in ICS Benelux NV by Punch Telematix Nederland B.V. actually mean 100% minus 1 share that is held by Alturion NV.

The direct and indirect subsidiaries of the Company are:

Subsidiaries	Registered office
Acunia International NV	Koperstraat 1a, Sint-Martens-Latem, Belgium
Alturion NV	Vollickstraat 67, 1785 Brussegem, Belgium
ICS Benelux NV	Bijenstraat 6, 9051 Sint-Denijs-Westrem, Belgium
Wevada NV	The Bridge, Bergensesteenweg 1424, 1070 Brussels, Belgium
Punch Telematix Nederland B.V.	Houtschelf 1, 3371 KB Hardinxveld Giessendam, the Netherlands
Punch Telematix France SAS	90 Avenue des Champs Elysees, 75008 Paris, France

3.4. Company's capital and shares

3.4.1. Share capital and shares

At the date of this Prospectus and pursuant to an amalgamation of the existing shares in the Company at a ratio of 4 to 1 decided on by the Company's extraordinary shareholders' meeting held on 30 October 2006, the Company's share capital amounts to €15,000,000 represented by 2,645,595 registered shares without par value, each representing an identical fraction of the Company's share capital. The capital is fully paid up.

3.4.2. Other outstanding financial instruments

The Company has not issued any other financial instruments besides the shares referred to in Section 3.4.1 above and the warrant referred to in Section 2.6.

3.4.3. Development of the capital

The table below provides an overview of the Company's share capital since its incorporation in 1998.

On 14 October 2005, the amount of the share capital of the Company was converted into Euro. Prior to this date, the share capital of the Company was set out in Belgian francs. In the table below, all amounts are set out in Euro. All amounts in Belgian francs, as the case may be, have been converted in Euro on the basis of the official exchange rate of BEF 40.3399/€1.

Date	Transaction	Number of shares issued	Subscription price per share	Subscription price per share taking into account share splits	Subscriber(s)	Amount	Share capital after transaction	Aggregate number of shares after transaction
29/09/98	Incorporation	2,026	€2,479.71	€1.77	• G. Dumarey • F. Boes • Nabusaur NV • P.I. Holding NV	€5,023,884.54	€5,023,884.54	2,026
20/10/98	Share split by 2.8	5,663	N/A	N/A	• G. Dumarey • F. Boes • Nabusaur NV • P.I. Holding NV	N/A	€5,023,884.54	5,663
24/02/99	Share split by 500	2,831,500	N/A	N/A	• W-VI Bel NV • Isiaka NV • G. Dumarey • F. Boes • Nabusaur NV • General Bank NV • F. Lannoye • J. Smits • JS Consulting NV • W. Dumarey	N/A	€5,023,884.54	2,831,500
24/02/99	Capital increase in cash	471,917	€1.77	€1.77	• W-VI Bel NV • Isiaka NV • Multipage NV • Mercator-Noordstar NV	€837,262.86	€5,861,147.40	3,303,417
24/02/99	Capital increase by incorporation of issue premium	N/A	N/A	N/A	N/A	€2,261,406.20	€8,122,553.60	3,303,417
29/06/06	Capital increase by contribution in kind	7,278,966	€2.46	€2.46	• Punch International NV	€17,897,521.51	€26,020,075.11	10,582,383
29/06/06	Capital decrease by incorporation of losses	N/A	N/A	N/A	N/A	€11,020,075.11	€15,000,000	10,582,383

The Company's statutory auditor prepared a special report in accordance with article 602 of the Belgian Company Code relating to the capital increase by way of contribution in kind that took place on 29 June 2006. The conclusion to the report specifies, amongst others, that the auditor is of the opinion that (i) the description of the contributed assets (being a €500,000 subordinated loan and part of the current account with Punch International NV amounting to €17,897,521.51) is sufficiently precise and clear and (ii) that the valuation methods used are economically justified and that the value given to the contributed assets based on these valuation methods corresponds with the number and fraction value of the shares issued as a result of the contribution. Consequently, the auditor is of the opinion that the contributed assets have not been overvalued. Furthermore, the auditor specifies that the number of newly issued shares was calculated based on the fraction value of the shares in the Company as at 31 December 2005 and that, as all shares were held by Punch International NV (99.99%) and Punch Property International NV (0.01%), the transaction did not adversely affect the position of the shareholders at the time. The full text of this report will be available on the website of Punch Telematix: www.punchtelematix.com.

The extraordinary shareholders' meeting of the Company held on 30 October 2006 decided to amalgamate the existing shares in the Company at a ratio of 4 to 1. Consequently, the Company's share capital is currently represented by 2,645,595 shares instead of 10,582,383 shares.

At the same extraordinary shareholders' meeting of the Company held on 30 October 2006 to decide on a proposed increase in the Company's share capital in light of the Offering, the shareholders also decided to increase the Company's share capital by an amount of €1,160,000 by way of a contribution in cash subscribed for by Punch International NV subject to the condition precedent of establishment of the Offer Price by the Lead Manager in agreement with the Company's board of directors. The number of shares in the Company that Punch International NV will receive will be determined by dividing €1,160,000 by the Offer Price. The shares issued will not have a VVPR character and will not have a separate VVPR strip attached. The funds raised as a result of the capital increase of €1,160,000 will be used by the Company to repay part of the sums advanced to the Company by Punch International NV in view of the settlement with PON Holdings. See also Section 4.9.

If the Lead Manager exercises the Green shoe Option, the Company's capital will be increased by an amount equal to the number of shares issued upon exercise of the warrant multiplied by the Offer Price (see Section 2.6).

3.4.4. Description of rights attached to the shares

3.4.4.1 Voting rights

Each share carries the right to one vote. Shareholders may vote by proxy.

For the Company's purpose, the securities are deemed to be indivisible. If several owners own one security, or the rights attached to a security are divided among several persons, the board of directors of the Company may suspend the exercise of rights attached to such security until one person is appointed as the owner of the security for the Company's purpose.

3.4.4.2 Right to attend and vote at shareholders' meetings

The annual shareholders' meeting is held on the last Friday of May at 3 p.m., or, if this date falls on a public holiday, the meeting will be held at the same time on the next business day.

An extraordinary shareholders' meeting may be convened by the board of directors or the statutory auditor (or the liquidators, if appropriate) whenever the Company's interests so require and must be convened at the request of shareholders representing at least one-fifth of the Company's share capital.

a. Notices convening the shareholders' meeting

The notice of the shareholders' meeting must state the place, date and hour of the meeting and shall include an agenda indicating the items to be discussed as well as any motions for resolutions.

The notice must be published in the Belgian Official Gazette (Belgisch Staatsblad) at least 24 days prior to the shareholders' meeting or the registration date (if specified in the convening notices).

The notice must also be published in a national newspaper 24 days prior to the date of the shareholders' meeting or the registration date (if specified in the convening notices), except if the meeting concerned is an annual shareholders' meeting held at the municipality, place, day and hour mentioned in the articles of association of the Company and whose agenda is limited to the examination of the annual accounts, the annual report of the board of directors, the annual report of the statutory auditor and the vote on the discharge of the directors and the statutory auditor. The annual accounts, the annual report of the board of directors and the annual report of the statutory auditor must be made available to the public at least 15 days prior to the date of the annual shareholders' meeting.

Convening notices must be sent 15 days prior to the shareholders' meeting to the holders of registered shares, holders of registered bonds, holders of registered warrants, holders of registered certificates issued with the co-operation of the Company and to the directors and statutory auditor of the Company. This communication is made by ordinary letter unless the addressees have individually and expressly accepted in writing to receive the notice by another form of communication, without having to give evidence of the fulfilment of such formality.

When all the shares, bonds, warrants and certificates issued with the co-operation of the Company are registered, the communication may be limited to the sending of the notices by registered letter unless the addressees have individually and expressly accepted in writing to receive the notice by another form of communication.

b. Formalities to attend the shareholders' meeting

If the board of directors so requests in the notice, the holders of registered shares must advise the board of directors of their intention to attend the shareholders' meeting at least three working days before the meeting in order to be admitted to the shareholders' meeting.

If the board of directors so requests in the notice, the holders of bearer shares must deposit their shares at least three working days before the meeting at the place specified in the notice.

If the board of directors so requests in the notice, the holders of dematerialised shares must file a certificate of unavailability issued by a recognised account holder or by the institution of liquidation at least three working days before the meeting at the place specified in the notice.

In accordance with article 536 of the Belgian Company Code the notice convening the shareholders' meeting may provide for a registration date. If this is the case, the shareholders shall only be entitled to participate in the shareholders' meeting and to exercise their voting rights with respect to the shares of which they are the holder at midnight on the registration date. The above applies irrespective of the number of shares held by each shareholder on the day the shareholders' meeting takes place. The registration date cannot be set earlier than the fifteenth day nor later than the fifth working day prior to the shareholders' meeting.

c. Proxy

Each shareholder has the right to attend and vote at the shareholders' meeting in person or through a proxy holder. The proxy holder does not need to be a shareholder. In the notice, the board of directors may specify the format that the power of attorney must take and require it to be deposited at least three working days prior to the shareholders' meeting at a place specified in the notice.

d. Quorum and majorities

There is no attendance quorum at the shareholders' meeting, except as provided by law in relation to decisions regarding certain matters.

Decisions are taken by a simple majority of the votes cast, except where the law or the articles of association of the Company provide for a special majority. Matters involving special quorum and majority requirements include, among others, amendments to the articles of association including amendments to the rights attached to the shares, the issues of new shares, convertible bonds or warrants and decisions regarding mergers and de-mergers, which require at least 50% of the share capital to be present or represented and the affirmative vote of the holders of at least 75% of the votes cast. Amendments to the corporate purpose of the Company require at least 50% of the share capital and 50% of the profit-sharing certificates (if any) to be present or represented and the affirmative vote of at least 80% of the votes cast. If the quorum is not reached, a second meeting may be convened at which no quorum shall apply. The special majority requirements, however, remain applicable.

3.4.4.3 *Nomination rights*

The articles of association of the Company provide for a nomination right in favour of Punch International NV, which grants Punch International NV the right to nominate for appointment a majority of the directors for as long as it holds 25% or more of the Company's outstanding share capital.

3.4.4.4 *Dividends*

All shares participate in the same manner in the Company's profits (if any). The Offered Shares carry the right to receive dividends (if any) payable with respect to the entire financial year starting on 1 January 2006 and each subsequent financial year.

Since its incorporation, the Company has never declared or paid any dividends on its shares. The Company does not anticipate paying any dividends to the shareholders for the next three years. Any longer term determination to declare dividends will depend on the Company's earnings, operational and financial condition, capital requirements, including for growth and acquisitions, and other factors deemed relevant by the board of directors and the shareholders.

In general, the Company may pay dividends only upon the approval of the Company's shareholders' meeting, although the board of directors may declare interim dividends without such shareholders' approval. Pursuant to the Belgian Company Code and the Company's articles of association, the Company must allocate at least 5% of its annual net profits under its statutory non-consolidated accounts to a legal reserve until the reserve equals 10% of the Company's share capital.

In accordance with Belgian law, the right to collect dividends declared on registered shares expires five years after the distribution date, whereupon the Company is no longer under an obligation to pay such dividends. If, with respect to bearer shares, the Company decides to enforce the expiration of the five-year term, the amount not distributed must be made unavailable in accordance with the provisions of Belgian law, and ultimately, will accrue to the Belgian State.

3.4.4.5 Rights regarding dissolution and liquidation

If, as a result of losses, the Company's net assets are less than 50% of its share capital, the directors must submit the question of dissolving the Company and any other possible steps to the shareholders' meeting for consideration. In accordance with article 633 of the Belgian Company Code, the shareholders will deliberate on these matters at a shareholders' meeting. The board of directors must justify its proposals in a special report to the shareholders' meeting. If the board of directors proposes that the Company's activities be continued, it must detail the measures that it proposes taking to regulate the Company's financial situation.

The shareholders must convene at a shareholders' meeting within two months after the loss is noted, or should have been noted under legal or statutory provisions, to discuss dissolving the Company and any other measures listed on the agenda.

If, as a result of losses, the Company's net assets are less than 25% of the Company's share capital, the shareholders' meeting may approve the Company's dissolution. For such approval, 25% of the votes cast must be in favour of dissolution.

If the Company's net assets are less than the legal minimum, an interested party may ask the court to dissolve the Company. The court may grant the Company a stay to allow it to remedy its situation.

If the Company is to be dissolved for any reason, the liquidation will be carried out by one or more liquidators appointed by the shareholders' meeting, or failing such appointment, by the board of directors acting as a liquidation committee. Any balance remaining after discharging all debts, liabilities and liquidation costs must first be applied to reimburse, in cash or in kind, the paid up capital of the shares not yet reimbursed. Any remaining balance shall be equally distributed amongst all the shareholders. If the net proceeds are insufficient to reimburse all the shares, the liquidators shall first reimburse those shares paid up to a greater extent to equalise them with the shares paid up to a lesser extent, or shall call for an additional payment by the holders of shares paid up to a lesser extent.

3.4.4.6 Changes to the share capital

a. Changes to the share capital decided by the shareholders

Under Belgian company law, the Company may increase or decrease its share capital by decision of the Company's shareholders' meeting, taken with a majority of 75% of the votes cast, at a meeting where at least 50% of the share capital of the Company is present or represented.

b. Authorized capital

The shareholders' meeting of the Company may authorise the board of directors to increase the Company's share capital. The board of directors can use its powers under the authorised capital for a renewable period of maximum five years. The amount of the authorised capital cannot exceed the amount of the issued share capital of the Company.

On 30 October 2006 the extraordinary shareholders' meeting of the Company authorised the board of directors to increase the Company's share capital in one or more transactions by a maximum amount equal to the issued share capital of the Company on the Closing Date.

If the capital is increased within the limits of the authorized capital, the board of directors will be authorized to request payment of an issue premium. If the board of directors so resolves, this issue premium will be booked on

a non-available account, which may only be decreased or disposed of by a resolution of a shareholders' meeting taken in accordance with the provisions governing on an amendment of the articles of incorporation.

This board of directors' authorization will be valid for capital increases subscribed for in cash or in kind, or made by capitalization of reserves, with or without issuing new shares. The board of directors is authorized to issue convertible bonds or warrants within the limits of the authorized capital.

The board of directors is authorized, within the limits of the authorized capital, to restrict or exclude the preferential subscription rights granted by law to the holders of existing shares if in doing so it is acting in the best interests of the Company and in accordance with article 596 onwards of the Belgian Company Code. The board of directors is authorized to restrict or exclude the preferential subscription rights in favour of one or more persons, even if the affected persons are not members of the personnel of the Company or its subsidiaries.

3.4.4.7 *Preferential subscription right*

Belgian company law and the Company's articles of association give shareholders preferential subscription rights to subscribe on a pro rata basis for any issue of new shares subscribed for in cash, convertible bonds or warrants. These preferential subscription rights are transferable during the subscription period and within the limits of the transferability of the securities to which they relate. They can be exercised during a period determined by the shareholders' meeting, with a legal minimum of 15 days. The shareholders' meeting may restrict or withdraw the preferential subscription rights, subject to the quorum and voting requirements required for any amendment to the articles of association, and subject to special reporting requirements. Shareholders may also authorise the board of directors to restrict or withdraw the preferential subscription rights when issuing securities within the framework of the Company's authorised capital. See Section 3.4.4.5b above.

3.4.5. Form and transferability of the shares

The articles of association of the Company provide that the shares are, by choice of the shareholder, registered shares, dematerialized shares or, as long as permitted by law, bearer shares. All bearer shares, which are held in a securities account, will, as of 1 January 2008, automatically be converted into dematerialized shares. At the expiry of the term set by the Act of 14 December 2005 on the abolition of bearer securities, all existing bearer shares, of which the holder has not asked for conversion into dematerialized or registered securities, will as a matter of law be converted into dematerialized shares. Each shareholder may, at all times and at its own cost, ask for conversion of its shares into shares of a different type. The provisions in the articles of association relating to dematerialised securities will enter into force only when the Belgian clearing houses are able to issue listed shares in dematerialised form.

The Offered Shares will take the form of bearer shares.

The articles of association of the Company provide that the shares are freely transferable.

3.4.6. Purchase and sale of own shares

Under Belgian company law, the Company may not acquire its own shares without prior shareholder authorisation or in other limited circumstances and in any case subject to a maximum of 10% of the Company's share capital.

In principle, the offer by a company to purchase its own shares must be extended to all shareholders unless the shares are purchased on the stock exchange. Within certain limits, the shareholders may in advance grant the board of directors' authorisation to repurchase and/or transfer the Company's shares. The authorisations must

be approved by an affirmative vote of the holders of 80% of the votes cast at a shareholders' meeting where the shares representing at least 50% of the Company's share capital are present or represented. If the quorum is not reached, a second meeting may be convened at which no quorum shall apply. The voting rights attached to shares held by the Company itself are suspended.

A transitional statutory provision authorising the Company, for a period of three years, to purchase its own shares in case of imminent serious harm to the Company in accordance with article 620, §1, al. 3, 4 and 5 of the Belgian Company Code, is inserted in the Company's articles of association.

The board of directors is authorized to acquire a maximum number of own shares that in the aggregate represents no more than 10% of the issued capital, at a price which must be higher than 90%, but lower than 110% of the price at which such shares were quoted on the stock exchange on the day preceding the day of the purchase or exchange. This authorization will be valid for 18 months from publication of the authorization in the annexes to the Belgian Official Gazette. The authorization is also valid for the acquisition of shares in the Company by one of its direct subsidiaries pursuant to article 627 of the Belgian Company Code.

The board of directors is authorized to sell all the Company's shares, at a price it determines, on a regulated stock exchange or in the framework of its remuneration policy to employees, directors or consultants of the company. This authorization is not limited in time. The authorization is also valid for the sale of the Company's shares by one of its direct subsidiaries, as defined in article 627 of the Belgian Company Code.

3.5. Shareholders

3.5.1. Shareholder prior to the Offering

The shares of the Company prior to completion of the Offering are held as follows:

Shareholders	Number of shares	% of capital
Punch International NV	2,566,230	97%
Nabusaur NV	26,455	1%
Straightline BVBA	26,455	1%
BB Networks BVBA	26,455	1%
Total:	2,645,595	100%

At the extraordinary shareholders' meeting of the Company held on 30 October 2006 to decide on a proposed increase in the Company's share capital in light of the Offering, the shareholders also decided to increase the Company's share capital by an amount of €1,160,000 by way of a contribution in cash subscribed for by Punch International NV subject to the condition precedent of establishment of the Offer Price by the Lead Manager in agreement with the Company's board of directors. The number of shares in the Company that Punch International NV will receive will be determined by dividing €1,160,000 by the Offer Price. The shares issued will not have a VVPR character and will not have a separate VVPR strip attached. The funds raised as a result of the capital increase of €1,160,000 will be used by the Company to repay part of the sums advanced by Punch International NV to the Company in view of the settlement with PON Holdings. See also Section 4.9.

Nabusaur NV, Straightline BVBA and BB Networks BVBA each acquired 1% in the Company from Punch International NV on 24 October 2006 as payment in kind for their management services (see Section 2.7.2.). The acquisition of these shares was not conditional upon completion of the Offering and the shares held by the management will be subject to a lock-up arrangement of 12 months after the Offering.

3.5.2. Shareholders after completion of the Offering

The table below sets out the expected share ownership after the completion of the Offering, assuming full placement of the Offered Shares and full exercise of the warrant, assuming establishment of the capital increase by an amount of €1,160,000 by way of contribution in cash subscribed for by Punch International NV and assuming an Offer Price of €14 per share.

Shareholders	Number of shares	% of capital
Punch International NV	2,649,087	63.6%
Nabusaur NV	26,455	0.6%
Straightline BVBA	26,455	0.6%
BB Networks BVBA	26,455	0.6%
Public	1,437,500	34.5%
Total:	4,165,952	100%

3.6. Notification of important participations

Belgian law, in conjunction with article 8 of the Company's articles of association, imposes disclosure requirements on any individual or entity acquiring or transferring voting securities or securities which give a right to voting securities, as soon as, following such acquisitions or transfer, the total number of voting rights directly or indirectly held by such individual or entity, alone or in concert with others, increases above or falls below a threshold of 3%, 5%, or any multiple of 5%, of the total number of voting rights attached to the Company's securities. Pursuant to article 5 of the Act of 2 March 1989 on the disclosure of important participations in listed companies and on the regulations in relation to public takeover offers, the Company has exercised its right to reduce the disclosure threshold provided by the abovementioned Act to 3%. A shareholder whose shareholding increases above or falls below any such thresholds must, each time, disclose this fact to the CBFA and to the Company. The documents pursuant to which the transaction was effected must be submitted to the CBFA. When the participation of a shareholder reaches 20%, the notification must indicate in which strategy the acquisition or transfer concerned fits, as well as the number of securities acquired during a period of twelve months before the notification and in which manner such securities were acquired. Such notification is also required if an individual or an entity acquires or transfers control (either direct or indirect, either de iure or de facto) on a company that possesses 3% of the voting rights of the Company.

The Company is required to publicly disclose any notifications received regarding increases or decreases in a shareholder's ownership of the Company's securities on the next business day, and must mention these notifications in the notes to its annual accounts. Euronext Brussels will publish details of the notifications. Violation of the disclosure requirements may result in the suspension of voting rights, a court order to sell the securities to a third party and/or criminal liability.

3.7. Public takeover bids

Further to the law of 2 March 1989 concerning the disclosure of large shareholdings in companies listed on the stock exchange and regulating public takeover bids, and to the Royal Decree of 8 November 1989 concerning public takeover bids and changes in control of companies, public takeover bids for outstanding voting securities issued by a public company (including any securities giving right to subscription for, acquisition of or conversion into such voting securities) are subject to the supervision of the CBFA and may not commence prior to the approval by the CBFA of an offer prospectus. If the takeover bid results in the acquisition of 90% or more of the voting securities, the takeover bid must be reopened to allow any remaining shareholders to sell their securities at the bid price.

A person or entity intending to acquire, alone or in concert with others, a joint or exclusive controlling interest in a public company must notify the CBFA at least five banking days before the acquisition. The acquisition of a controlling interest is currently defined as an acquisition of voting securities or rights to acquire voting securities giving the purchaser the legal or de facto ability to decisively influence the appointment of a majority of the members of the company's board of directors or the orientation of the company's policy. Under Belgian law, the acquisition of a controlling interest over a listed company is not determined by reference to a particular threshold percentage of share ownership, but is instead based on the application of a qualitative definition of control to the specific facts and circumstances of each situation.

If the acquirer of a controlling interest pays a premium over the market value of the securities, it must make a public takeover bid or issue a standing order (*koershandhaving*) for all of the company's remaining voting securities (or rights to acquire voting securities). The consideration offered to the remaining security holders must equal the highest price paid to the seller or sellers of the controlling interest during the preceding twelve months.

Belgium is required to implement the Thirteenth Company Law Directive, which may afford minority investors greater protection than that is currently available. The new legislation can be expected to provide that mandatory bids will be triggered as of a certain threshold percentage of share ownership, irrespective of whether or not the price paid in the relevant transaction exceeds the current market price. It is not yet certain how this legislation will deal with situations in which, upon entry in effect of the legislation, shareholders own more than the threshold percentage of control but without having been required to make a mandatory bid under the prior (i.e. current) legislation because no premium was paid over market price.

The Company's ability to issue shares in the framework of its authorized capital with or without deviation from the preferential subscription rights and to acquire its own shares (see Sections 3.4.4.5 and 3.4.4.6 and) may adversely affect a takeover bid for securities of the Company.

3.8. Squeeze-out

Further to article 513 of the Belgian Company Code and to the Royal Decree of 8 November 1989 concerning public takeover bids and changes in control of companies, a person or entity, acting alone or in concert, who owns 95% of the securities conferring voting rights in a public company, can acquire the totality of the securities conferring voting rights in that company following a squeeze-out offer.

The shares that are not voluntarily tendered in response to such offer are deemed to be automatically transferred to the bidder at the end of the procedure. At the end of the offer, the company is no longer deemed a public company, unless bonds issued by the company are still spread among the public. The consideration for the securities must be in cash and must represent the fair value as to safeguard the interests of the transferring shareholders.

A simplified squeeze-out procedure is applicable if pursuant to a public takeover offer in cash and provided that the bidder has reserved the right to do so in the prospectus, the bidder owns at least 95% of the target securities and has acquired 66% of the securities it did not hold prior to the launch of the offer. In that event, the bidder may reopen its offer at the same conditions for fifteen days as from the date of the publication of the results of the offer in order to launch a squeeze-out offer on the remaining securities.

4. CORPORATE GOVERNANCE

4.1. General

This Section summarizes the rules and principles by which the corporate governance of the Company is organized pursuant to Belgian company law and the Company's articles of association. It is based on the Company's articles of association and on the Company's corporate governance charter.

The Company's corporate governance charter will be adopted in accordance with the recommendations set out in the Belgian Code for Corporate Governance issued on 9 December 2004 by the Belgian Corporate Governance Committee. Corporate governance has been defined in the Code as a set of rules and behaviours according to which companies are managed and controlled. The Code is based on a "comply or explain" system: Belgian listed companies should follow the Code, but may deviate from its provisions and guidelines (though not from the principles) provided they disclose the justification for such deviation.

The Company's board of directors intends to comply with the Belgian Code for Corporate Governance, but believes that certain deviations from its provisions are justified in view of the Company's particular situation. These deviations are further explained below.

The board of directors of the Company will adopt its corporate governance charter after completion of the Offering and will review it from time to time and make such changes, as it deems necessary and appropriate. The charter will be made available free of charge on the Company's website (www.punchtelematix.com) and at the registered office of the Company after completion of the Offering. In its annual report for the financial year ended 31 December 2006, to be published in 2007, the board of directors will also devote a specific chapter to corporate governance, describing the Company's corporate governance practices during the second half of 2006 and including explanations, if applicable, on any deviations from the Code, in accordance with the requirement to "comply or explain".

Due to the size of the Company, the board of directors has combined the nomination committee and the remuneration committee and has not set up a management committee in accordance with article 524bis of the Belgian Company Code.

Given the relatively small size of the Company and its executive management team, the Company does not deem it necessary at this stage to draft separate terms of reference for the executive management and thus has decided to depart from principle 6.1 of the Belgian Code on Corporate Governance. The duties and powers of the chief executive officer (CEO) of the Company are included in the terms of reference of the board of directors. The members of the Company's executive management meet regularly and have established an intense and informal working relationship. The Company does not believe that clear procedures for the decision-making and reporting to the board of directors are required at this stage. Consequently, the Company has decided to depart from principle 6.6 of the Belgian Code on Corporate Governance. Although the Company's non-executive directors will regularly assess their interaction with the executive management, given the relatively small size of the Company, they do not intend to meet annually in the absence of the CEO and the other executive directors. The Company thus departs from principle 4.12 of the Belgian Code on Corporate Governance. Finally, also due to the size of the Company, the Company does not intend to appoint a secretary and consequently departs from principle 2.8 of the Belgian Code on Corporate Governance.

At the date of this Prospectus the Company has appointed two independent directors. In theory the Company departs from principle 2.2 of the Belgian Code on Corporate Governance pursuant to which three independent directors must be appointed. However, it is the Company's intention to recruit and appoint a third independent director at the next shareholders' meeting.

4.2. Board of directors

4.2.1. General provisions

The board of directors of the Company may perform all acts necessary or useful for achieving the Company's corporate purpose, with the exception of those acts that are by law or the Company's articles of association expressly reserved to the shareholders' meeting. The board of directors can transfer its competencies for special and specific activities to an authorized representative, even if this person is not a shareholder or a director.

The board of directors of the Company is composed of a minimum of three and a maximum of six members (who need not be shareholders). Upon completion of the Offering, at least half of the members of the board will be non-executive directors and two directors will be independent directors within the meaning of article 524 of the Belgian Company Code (see Section 4.2.3).

The directors are elected at shareholders' meetings for a renewable term of four years maximum, which term ends at the relevant annual shareholders' meeting. Directors may be dismissed by the shareholders' meeting at all times. Resigning directors may be reappointed.

If a directorship becomes vacant before the expiry of its term, the remaining directors will have the right to temporarily appoint a new director to fill the vacancy until the shareholders resolve at a shareholders' meeting to appoint a new director. This item must be put on the agenda of the next shareholders' meeting.

A meeting of the board of directors is validly constituted if there is a quorum, consisting of at least half of the members present in person or represented at the meeting. If this quorum is not present, a new board meeting may be convened to deliberate and decide on the matters on the agenda of the board meeting for which a quorum was not present. In any event, the board of directors may only validly proceed if at least two directors are present or represented. Meetings of the board of directors are convened by the chairman of the board or by at least two directors whenever the interests of the Company so require.

The chairman of the board of directors has casting vote on matters submitted to the board of directors.

The articles of association of the Company provide for a nomination right in favour of Punch International NV, which grants Punch International NV the right to nominate for appointment a majority of the directors for as long as it holds 25% or more of the Company's outstanding share capital.

4.2.2. Chairman

The board of directors appoints one of its members as chairman of the board.

The chairman is responsible for the leadership of the board of directors and for the efficiency of the board of directors in all its aspects. The chairman must take the necessary measures to develop a climate of trust within the board of directors, which promotes open discussion, constructive dissent and support for the decisions of the board of directors.

Within the board of directors, the chairman is primarily responsible for:

- setting the agenda of the meetings of the board of directors, as the case may be after consultation with the CEO;
- ensuring that procedures relating to preparatory work, deliberations, passing of resolutions and implementation of decisions are properly followed;

- ensuring that the directors receive accurate, timely and clear information before the meetings and, where necessary, between meetings, and that all directors receive the same information;
- chairing the meetings of the board of directors and ensuring that the board of directors operates and takes decisions as a collegial body;
- monitoring the implementation of decisions taken and determining whether further consultation within the board of directors with regard to the implementation is necessary;
- ensuring a regular review of the corporate structure and the corporate governance of the Company and assessing whether their operation is satisfactory;
- ensuring that newly appointed directors receive an appropriate induction;
- leading the nomination process of directors, in consultation with the nomination and remuneration committee, and ensuring that the board of directors appoints committee members and chairmen;
- being accessible to the directors and the head of the internal audit function, if set up, to discuss issues relating to the management of the Company.

The board of directors may decide to entrust the chairman with additional responsibilities.

With regard to shareholders and third parties, the chairman is mainly responsible for:

- chairing the general meeting and ensuring that relevant questions from shareholders are answered;
- representing the Company at road shows, meetings with analysts, professional organisations, socio-economic groups, the government, etc.

4.2.3. Independent directors

A director can only be considered an independent director if he or she meets the criteria set out in article 524 of the Belgian Company Code, which can be summarized as follows:

- an independent director may not have held a position as a director, a member of the management committee or a higher management position in the Company or an affiliate during the two-year period preceding his or her election to the board of directors;
- an independent director may not own shares representing 10% or more of the total share capital of the Company or of a particular class of shares. If he or she owns less than 10%: (i) such shares, together with other Company shares held by companies controlled by the director concerned may not equal or exceed 10% or (ii) the disposal of such shares or the exercise of the rights attached thereto may not be subject to any contractual arrangement or unilateral undertaking from the independent directors;
- an independent director may not have a close family member, meaning a spouse or partner or relative up to the second degree, holding a key position or a financial interest as described above; and
- an independent director may not maintain any relationship with a company which would jeopardize his or her independent judgment.

In considering a director's independence, the criteria set out in the Belgian Code of Corporate Governance will also be taken into consideration. The board of directors will disclose in its annual report which directors it considers to be independent directors. If a director does not meet the criteria set out in the Belgian Code of Corporate Governance, the board of directors will set out its reasons for nevertheless considering this director as an independent director within the meaning of the Belgian Code of Corporate Governance. An independent director who ceases to satisfy the requirements of independence must immediately inform the board of directors.

4.2.4. Composition of the board of directors

At completion of the Offering the board of directors will consist of five members. These members are:

Name and position	Term*	Professional address
Straightline BVBA, represented by its permanent representative Luc Lammens	2010	Chemin du Renowelz 12 B-7812 Mainvault
BB Networks BVBA, represented by its permanent representative Paul Schillebeekx	2010	Rue de Lessines 16 B-7890 Ellezelles
Wimel BVBA, represented by its permanent representative Wim Deblauwe	2010	Heyerstraat 1 B-8870 Izegem
Peter Op de Beeck	2010	Raapstraat 60 B-9031 Drongen
Michel Van den Broeck	2010	Industrielaan 14 B-1070 Anderlecht

* The term of the mandates of the directors will end immediately after the annual shareholder' meeting held in the year set out next to the director's name.

Peter Op de Beeck and Michel Van den Broeck are considered to be independent directors. Straightline BVBA (Luc Lammens) and BB Networks BVBA (Paul Schillebeekx) are executive directors. Wimel BVBA (Wim Deblauwe) will act as chairman of the board of directors of the Company.

At the date of this Prospectus the Company has appointed two independent directors. In theory the Company departs from principle 2.2 of the Belgian Code on Corporate Governance pursuant have the shareholders to which three independent directors must be appointed. However, it is the Company's intention to recruit and have the shareholders appoint a third independent director at the next shareholders' meeting.

The Curriculum Vitae's of the members of the board of directors or their permanent representatives (in the event the director is a legal person) are given below:

Luc Lammens (Straightline BVBA) - Mr. Lammens, joined Punch Telematix in February 2006 as Vice-President Sales & Marketing and became in charge of Punch Telematix in May 2006. Prior to joining Punch Telematix, Mr. Lammens was one of the pioneers of Proximus, mobile operator created in 1994, in Belgium and part of Belgacom and Vodafone, where he was in charge of the Corporate Enterprises Market. Additionally he was steering member of Vodafone's global customer approach (MNC) and represented Proximus in the worldwide MNC activities. Besides having a proven track record in general management, sales and marketing, he holds an MBA from United Business Institutes, Brussels

Paul Schillebeekx (BB Networks BVBA) - Mr. Schillebeekx was appointed VP Strategy & Business Development of Punch Telematix in April 2006, having joined the Punch Wireless Applications division in May 2005 through the acquisition of Wevada by Punch, of which he was CEO since the end of 2002. Prior to Wevada, Mr. Schillebeekx has built up 15 years of international experience in the telecom and IT industry in general management, sales, business development and marketing. Being amongst others general manager Benelux and France for Clarent Communications and responsible for product development at Proximus. Mr. Schillebeekx has a degree in MCT (Communication technology) from Hogeschool De Nayer (Mechelen), a degree in Engineering from Hoger Instituut der Kempen (Geel) and MBA from United Business Institutes, Brussels.

Wim Deblauwe (Wimel BVBA) - Mr. Deblauwe is CFO and managing director of Punch International NV. Prior to joining the Punch Group, Mr. Deblauwe worked for Bank Brussel Lambert as branch manager and for Xeikon International as CFO and as Vice President Sales and Marketing. He holds a Master degree in law from the Catholic University of Leuven (Belgium) and a Master in Business Economics from the Open University. Furthermore he obtained the Certified Financial Analyst certificate from ICHEC Brussels.

Peter Op de Beeck - Mr. Op de Beeck has been active, as a private entrepreneur, and as a CEO in digital environments during his whole career. He led EU as well as US based companies on a global scale, both listed and unlisted. Up till January 2006, Mr. Op de Beeck was CEO of Real Software, a Belgian based public ICT software and services company. Prior to returning to Europe at the end of 2004, Mr. Op de Beeck was President of the 28 country \$450M ADP Claims Services Group, an ADP division, based in San Ramon, Calif., that he built from an initial equity investment of less than \$200M, and a subsequent investment of \$100M towards an exit in 2006 in excess of \$1B. He previously was CEO of ADP's subsidiary Audatex, a worldwide provider of automotive claims handling services, headquartered in Zurich, Switzerland. Prior to joining ADP, he was the founder of Online Internet in Belgium, an ISP (Internet Services Provider) and of Turbodata, a leading provider of Automotive Dealer applications in Europe, which was acquired by ADP in 1995. Prior to founding or acquiring technology companies, Mr. Op de Beeck held technology and management positions at Cosworth Engineering, a UK based race engine design and manufacturing company, and Porsche AG in Germany.

Michel Van den Broeck - Mr Van den Broeck is managing director of ABX Logistics Belgium NV and holds since June 2002 a board membership at ABX Logistics Worldwide NV. He has 25 years experience of effective line-, staff- and general management, and supervisory board responsibilities in international transport & logistics, and vehicle leasing and fleet management solutions. From 1993 till February 2006 Mr. Van den Broeck was first managing director LeasePlan Belgium/Luxembourg and then senior vice president Central Europe region for LeasePlan. Prior to joining LeasePlan, he worked amongst others for DHL, Brink's, FedEx and Ziegler. Mr. Van den Broeck studied Financial Accounting & Control (1978) and later Industrial Locations (1980) at V.U. Brussels. He holds a Master of Science Business Administration from the Solvay Business School, Brussels and a certificate of Professional Competence National and International Road Transport from the IWT (1987).

4.2.4.1 *Litigation statement concerning directors*

At the date of this Prospectus, none of the directors of the Company for at least the previous five years:

- has any convictions in relation to fraudulent offences;
- has held an executive function in the form of a senior manager or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation; or has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body); or
- has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

4.3. Committees within the board of directors

4.3.1. General

The board of directors may set up specialised committees to analyse specific issues and advise the board of directors on those issues. These committees merely have an advisory role and the actual decision-making remains the responsibility of the board of directors. The board of directors determines the terms of reference of each committee with respect to the organisation, procedures, policies and activities of the committee.

The board of directors will establish an audit committee and a nomination and remuneration committee and does not currently anticipate setting up any other committees as it deems that the size of the Company does not justify such additional committees.

4.3.2. Audit committee

4.3.2.1 *The powers of the audit committee*

The audit committee of the Company consists of at least three members, all of which are non-executive directors and the majority of which are independent directors. The audit committee assists the board of directors in fulfilling its monitoring responsibilities in respect of control in the broadest sense.

The audit committee will report regularly to the board of directors on the exercise of its duties and on any matters in respect of which the audit committee considers that action or improvement is needed, and may make recommendations as to the necessary steps to be taken.

The audit committee is entrusted with the development of a long-term audit program encompassing all activities of the Company and is, in particular, entrusted with the oversight of:

a. Financial reporting

The audit committee monitors the integrity of the financial information provided by the Company: the audit committee ensures that the financial reporting provides a true, honest and clear picture of the situation and the prospects of the Company, both on an individual and on a consolidated basis. The audit committee assesses the correctness, completeness and consistency of the financial information.

This task also includes the review of periodic information before this information is made public and the review of the relevance and consistency of the accounting standards used, the impact of new accounting rules, the treatment of “balancing items” in the financial statements, prognoses, the work of the internal auditor, if appointed, and of the external auditor, etc.

The audit committee discusses significant financial reporting issues both with the executive management and with the external auditor.

b. Internal controls and risk management

At least once a year, the audit committee must review the internal control and risk management systems set up by the executive management. It must ensure that the main risks are properly identified, managed and disclosed.

Internal control also includes review and approval of the statements included in the annual report on internal control and risk management as well as review of the specific arrangements made by which staff members of the Company may, in confidence, raise concerns about possible improprieties in financial reporting or other matters (whistle-blowers’ order). The audit committee must ensure that this arrangement is brought to the notice of all staff members of the Company and its subsidiaries. If deemed necessary, the audit committee must make arrangements for independent investigation and appropriate follow-up of these matters in proportion to their alleged seriousness.

c. Internal audit

The audit committee must annually review the need for or the preservation of the internal audit function. If an independent audit function has been set up the following paragraphs will apply.

The audit committee must ensure that the available resources and skills are adapted to the Company’s nature, size and complexity.

The audit committee must approve the appointment and removal of the head of internal audit, as well as the work programme and the budget allocated to internal audit. It must review the effectiveness of the internal audit function, having regard to the complementary role of the internal and external audit functions.

The audit committee must be provided with internal audit reports or a periodic summary of such reports.

The audit committee must discuss the performance of internal audit, the risk coverage and the quality of internal controls and risk management with the head of internal audit at least twice a year.

The chairman of the audit committee must be available at all times to the head of the internal audit function to discuss issues relating to the Company's internal audit.

d. External audit

The audit committee makes recommendations to the board of directors on the selection, appointment and reappointment of the external auditor and on the terms of his or her engagement. These recommendations must be submitted to the shareholders' meeting.

The audit committee must monitor the external auditor's independence, in particular in view of the provisions of the Belgian Company Code and the Royal Decree of 4 April 2003. For that purpose, the external auditor provides the audit committee with a report describing all relationships between the independent external auditor and the Company and the Group. The audit committee must review the effectiveness of the external audit, taking into account the relevant legal and professional standards.

The audit committee must monitor the external auditor's work programme and review the effectiveness of the external audit process and the responsiveness of the management to the recommendations made by the external auditor in his or her management letter.

The audit committee must ensure that the audit and the audit report cover the Group as a whole.

The audit committee must determine the manner in which the external auditor is involved in the content and the publication of financial information on the Company other than the financial statements.

The audit committee must assist the board of directors in the development of a specific policy for the engagement of the external auditor for non-audit services, taking into account the specific provisions of the Belgian Company Code and the application of this policy.

The audit committee must investigate the issues giving rise to the resignation of the external auditor and may make recommendations as to any required action.

The audit committee is the principal contact point for the head of the internal audit function and the external auditor.

4.3.2.2 Composition of the audit committee

Upon completion of the Offering, the members of the audit committee will be:

Name and position	Term*	Professional address
Peter Op de Beeck	2010	Raapstraat 60, B-9031 Drongen
Michel Van den Broeck	2010	Industrielaan 14, B-1070 Anderlecht
Wimel BVBA (Wim Deblauwe) (chairman)	2010	Heyestraat 1, B-8870 Izegem

* The term of the mandates of the directors will end immediately after the annual shareholder' meeting held in the year set out next to the director's name.

4.3.3. Nomination and remuneration committee

4.3.3.1 The powers of the nomination and remuneration committee

The nomination and remuneration committee of the Company consists of at least three members, all of which are non-executive directors and the majority of which are independent directors. The nomination and remuneration committee is responsible for the selection of suitable candidates for the appointment to the board and may make recommendations to the board of directors with regards to the appointment of directors and the members of the executive management. The nomination and remuneration committee also makes recommendations to the board of directors on the remuneration policy of the Company and the remuneration of board members and the members of the executive management.

4.3.3.2 Composition of the nomination and remuneration committee

Upon completion of the Offering, the members of the nomination and remuneration committee will be:

Name and position	Term*	Professional address
Michel Van den Broeck	2010	Raapstraat 60, B-9031 Drongen
Peter Op de Beeck	2010	Industrielaan 14, B-1070 Anderlecht
Wimel BVBA (Wim Deblauwe) (chairman)	2010	Heyestraat 1, B-8870 Izegem

* The term of the mandates of the directors will end immediately after the annual shareholder' meeting held in the year set out next to the director's name.

4.4. Chief executive officer

4.4.1. General provisions

The CEO (afgevaardigd bestuurder) is appointed and can be dismissed at all times by the board of directors. The board of directors appoints the CEO on the basis of recommendations of the nomination and remuneration committee.

The board of directors has appointed Straightline BVBA, represented by its permanent representative Luc Lammens, as the chief executive officer (CEO) of the Company.

4.4.2. Role of the chief executive officer

The CEO is responsible for the day-to-day management of the Company.

The CEO also exercises the specific management powers delegated by the board of directors to the CEO. These powers cannot relate to the general policy of the Company or any other actions that are reserved to the board of directors on the basis of legal provisions or the articles of association or the corporate governance charter of the Company.

4.4.3. Duties of the chief executive officer

The CEO has the following tasks:

- he or she assists the board of directors in the management of the Company by:
 - proposing, developing, implementing and monitoring the company strategy, taking into account the values of the Company, its risk profile and key policies;
 - supervising compliance with the legislation and regulations that apply to the Company;
 - organising, managing and monitoring supporting functions, including those relating to human resources, legal, compliance and fiscal affairs, internal and external reporting and communication with investors;
- reporting to the board of directors on the implementation of the policies in general and in particular providing a balanced and understandable assessment of the Company's financial situation, and providing information to the board of directors that is necessary to enable it to carry out its duties;
- investigating, drawing up and developing policy proposals and strategic or structural projects to be presented to the board of director for approval;
- drawing up complete, timely, reliable and accurate financial statements of the Company in accordance with the accounting standards and policies of the Company as well as assuming the responsibility for the financial statements drawn up in this manner;
- developing, managing and assessing internal control systems to allow identification, assessment, management and monitoring of financial and other risks;
- exercising other powers and duties delegated to the CEO by the board of directors in specific cases.

The board of directors reserves the right ("evocation right") to consult and decide on issues that fall within the powers of the CEO.

4.5. Remuneration of directors and executive management

The non-executive independent directors will receive an annual remuneration of €9,000. Wimel BVBA (Wim Deblauwe), BB Networks BVBA (Paul Schillebeekx) and Straightline BVBA (Luc Lammens) currently do not receive remuneration as director of the Company.

The remuneration for the Company's executive management, currently consisting of Straightline BVBA, represented by Luc Lammens, BB Networks BVBA, represented by Paul Schillebeekx, Nabusaur NV, represented by Frédéric Boes and Jan Wuytack, will amount to €430,000 fixed on an annualised basis.

No amounts have been set aside or accrued by the Company or its subsidiaries to provide pension, retirement or similar benefits for the directors. Furthermore, the contracts entered into between the Company (or any of its subsidiaries) and its directors do not provide for benefits upon termination of employment, other than compensation of three months upon termination of the agreements with the executive directors.

4.6. Shares held by directors and executive management

4.6.1. Shares held by non-executive directors

None of the non-executive directors holds shares in the Company.

4.6.2. Shares held by the executive management

The table below provides an overview of the shares held directly or indirectly by the members of the executive management at the date of this Prospectus.

Name	Shares	% of capital
Nabusaur NV (F. Boes)	105.823	1%
Straightline BVBA (L. Lammens)	105.823	1%
BB Networks BVBA (P. Schillebeekx)	105.823	1%

4.7. The statutory auditor

The statutory auditor of the Company is BDO Atrio Bedrijfsrevisoren Burg. CV, a company incorporated under Belgian law, having its registered office at The Corporate Village, Da Vincilaan 9 – Box E.6, Elsinore Building, B-1935 Zaventem represented by Koen De Brabander. On 28 May 2004 BDO Atrio Bedrijfsrevisoren was elected as statutory auditor of the Company for a term of three years.

The statutory annual audit fee, approved by the annual shareholders' meeting in May 2004, amounts to €2,600. This fee refers to a period where the Company was considered a dormant holding company. An amended audit fee will have to be approved in order to take into account the changed profile of the Company since then.

4.8. Conflicts of interest of directors and executive management transactions with affiliates

4.8.1. Conflicts of interest of directors and executive management

Article 523 of the Belgian Company Code contains special provisions, which must be complied with whenever a director has a direct or indirect conflicting interest of a patrimonial nature in a decision or transaction within the authority of the board of directors.

According to article 523, §1 of the Belgian Company Code, the director having a direct or indirect conflicting interest of a patrimonial nature shall notify the other directors thereof prior to a decision of the board of directors relating to such conflicting interest. His or her statement and the grounds justifying the aforementioned conflict of interest must be recorded in the minutes of the board of directors meeting at which such decision is taken.

With a view to its publication in the annual report, the board of directors must describe in the minutes the nature of the contemplated decision or the transaction and shall account for the decision taken. The minutes shall also mention the patrimonial consequences thereof for the Company. The annual report must contain the aforementioned minutes in their entirety.

If the Company has appointed one or more statutory auditors, the director concerned shall also inform such auditor of his or her conflicting interest. The report of the statutory auditors must contain a separate description of the patrimonial consequences for the Company of the decisions of the board of directors in respect of which there is a conflicting interest.

If the Company makes or has made a public offer, the director concerned may not participate in the deliberations or voting of the board of directors on such decisions or transactions in respect of which there is a conflicting interest.

In case of non-compliance with the foregoing, the Company may request the annulment of the decision or the transactions which have taken place in breach of these provisions if the counterparty to the decision or the transaction was, or should have been, aware of such breach (article 523, §2 Belgian Company Code).

Article 523, §1 of the Belgian Company Code does not apply:

- if the decision or transaction within the authority of the board of directors relates to decisions or transactions between companies of which one holds, directly or indirectly, at least 95% of the voting securities issued by the other or between companies of which at least 95% of the voting securities issued by each of them are held by another company (article 523, §3, al. 1, Belgian Company Code); or
- if the decision of the board of directors relates to customary transactions which take place on conditions and with collateral customary for similar market transactions (article 523, §3, al. 2, Belgian Company Code).

Article 524ter of the Belgian Company Code contains similar provisions, which, *mutatis mutandis*, contains special provisions, must be complied with whenever a member of the management committee has a direct or indirect conflicting interest of a patrimonial nature in a decision or transaction within the authority of the management committee.

Currently, the directors and members of the management committee have no conflicts of interest within the meaning of article 523 and 524ter of the Belgian Company Code that have not been disclosed to the board of directors or the management committee, as the case may be.

4.8.2. Transactions with affiliates

Article 524 of the Belgian Company Code which will apply to the Company following completion of the Offering provides for a special procedure to be followed when the Company's decisions or transactions concern relationships between the Company, on the one hand, and any of its affiliated companies within the meaning of article 6 of the Belgian Company Code (other than subsidiaries) of the Company on the other hand. The procedure contained in article 524 must also be followed for decisions or transactions that concern relationships between the Company's subsidiaries and affiliated companies of such subsidiaries within the meaning of article 6 of the Belgian Company Code (other than subsidiaries of the subsidiaries). Such a procedure does not apply to decisions or transactions that are entered into in the ordinary course of business at usual market conditions or for decisions and transactions whose value does not exceed 1% of the Company's consolidated net assets.

Prior to a decision or transaction to which article 524 applies, a committee of three independent members of the board of directors, assisted by one or more independent experts, must give an assessment thereof, describing the nature of the decision or operation, identifying advantages and disadvantages for the Company and its shareholders and its financial impact, and determining whether or not the decision or transaction is manifestly detrimental in light of the Company's policies. The committee's assessment must be submitted in writing to the board of directors, which then makes a decision in light of the committee's recommendation. The board of directors may deviate from the committee's recommendation, but, if it does, it must justify the reasons for such a deviation. The committee's assessment must be published, together with an excerpt of the minutes of the board of directors' conclusions, in the Company's annual report.

4.9. Relations with affiliated companies and the Shareholder

All transaction with related parties are realized at arm's length. The principal transactions concern:

Punch International NV

On 31 October 2006, in view of the listing of the Company's shares on Eurolist by Euronext Brussels, the Company entered into a relationship agreement with Punch International NV in which parties wanted to document their existing and future commercial relations on an arm's length basis.

In particular, the relationship agreement relates to the repayment by the Company of existing inter-company debt, including without limitation, the advance made by Punch International NV to the Company, by way of loan, for an amount of €3,160,000 as settlement for all outstanding liabilities, obligations and amounts under the share purchase agreement pursuant to which PON Automotive Parts B.V. sold its shares in Punch Telematix Nederland B.V. to the Company. An amount of €1,160,000 must be repaid by the Company to Punch International NV, within five business days from completion of the Offering, from the proceeds of an increase of the Company's share capital by €1,160,000 in cash subscribed for by Punch International NV (see also Section 3.4.3.). The remaining €2,000,000 still outstanding must be repaid by the Company in one or more instalments at the Company's discretion within a period of 24 months as of 31 October 2006.

In addition, pursuant to this relationship agreement Punch International NV will advance any additional earn-out amounts that might be payable under clause 3 of the share purchase agreements entered into between the Company and three of the four former shareholders of Alturion NV relating to the transfer of their shares in Alturion NV.

The relationship agreement also documents the provision of IT & finance services by Punch International NV to the Company. The amount invoiced for the provision of these IT & finance services during the first semester of 2006 amounted to €162,000.

On 29 June 2006, Punch International NV converted €17.8 million debt into equity of the Company. See Section 3.4.3.

On 30 June 2006, Punch International NV has taken over the lease agreement between Fortis Lease NV and the Company with respect to the leasing of a building in Ieper which is rented out to a third party. At this occasion, also the renting contract with this third party for an annual lease amount of approximately €600,000 and all related rights and obligations have been taken over by Punch International NV. The impact of this transaction on the profit and loss statement and balance sheet is described in Section 6.

On 30 June 2006, Punch International NV acquired all of the shares in SpaceChecker owned by the Company at book value.

In June 2006, Punch International NV has taken over at book value for a global price of €150,711 all shares of Com Trans BV, ICS Industrial Control Systems Polska Sp.Z.o.o. and Pon Motorcycle parts Trading GmbH originally owned by the former ICS (now Punch Telematix Netherlands B.V.).

Punch Technix N.V.

On 17 February 2005, the Company entered into a supplier agreement with Punch Technix N.V. pursuant to which Punch Technix N.V. supplies the Company with carbox devices, which are produced in the Slovakian Namestovo plant. Purchase-prices are market-conform and are renegotiated upon changes in these conditions. These purchases represent less than 20% of total cost of goods for hardware of Punch Telematix.

Punch Property International NV

On 15 February 2005, the Company entered into a lease agreement with Punch Property International NV relating to the lease of the Wervik building owned by Punch Property International NV. The annual rental costs amount to approximately €75,000.

Executive management

The Company has entered into management agreements with Straightline BVBA, represented by Luc Lammens, BB Networks BVBA, represented by Paul Schillebeekx, Nabusaur NV, represented by Frédéric Boes and Jan Wuytack (see Section 4.5).

5. COMPANY ACTIVITIES

5.1. Introduction to Punch Telematix

The past decade, economic life has changed tremendously as technological evolution strongly impacted the way companies conduct their businesses. Indeed, for example, mobile communications and internet available everywhere are technological solutions which enable companies to interact with their employees and customers proactively and with greater flexibility.

However, this increased flexibility comes at a cost: companies which want to remain competitive in this global and flexible marketplace are bound to look for solutions to manage the “nomadic” resources in order to maximize operational efficiency, to reduce operational costs and, finally, to improve profits and customer satisfaction.

Punch Telematix is active in integrating these mobile resources in the existing business processes of its customers. It is Punch Telematix’ aim to become a pan-European service provider offering a complete range of total solutions to all segments of the market for remote resource and asset management. Telematics service providers who can offer such total solution with a guaranteed service level at a fixed and transparent total cost of ownership are likely to be the determining players to move the industry forward.

Punch Telematix targets multiple vertical segments, ranging from small companies to medium and large companies, from companies without ICT resources and skills to companies having and managing their own ERP applications. Punch Telematix offers solution bundles (see Section 5.6), which consist of:

- (i) a mobile hardware device (installed in vehicles or assets or carried by mobile employees) with embedded software;
- (ii) wireless communication services (airtime on a wireless network, most often using the GPRS technology);
- (iii) a service platform (for provisioning, billing, monitoring, etc); and
- (iv) hosted back office applications.

Punch Telematix aims at providing its customers what GSM operators offer their customers in terms of “personal information services” such as push-email/calendar services like Blackberry®.

The Punch International Group has been active in the telematics industry since 1998 (see also Section 5.4). It originally manufactured track and trace devices using the paging networks as a communication medium. The advent of new communication technologies and the increased need for mobile resources management inspired the Group, as from 2003, to acquire a number of companies, that were leading in a specific technology or vertical market segment of the telematics space.

The history of a buy and build strategy is an essential characteristic of Punch Telematix. Based on the complementary profile of the acquired companies and the successful integration over the course of 2005 and 2006, Punch Telematix was able to define a differentiating strategy.

The Group generated consolidated revenues of €8.5 million in 2005 and €9.2 million in the first half of 2006. Punch Telematix currently has 101 employees in three different countries (Belgium, the Netherlands and France).

5.2. Competitive strengths

Punch Telematix believes its competitive strengths are:

- **Large installed customer base:** Punch Telematix and its subsidiaries installed more than 40.000 units in the past years. The Group estimates that 2/3 of this installed base represents a realistic potential for up sale, i.e. selling additional equipment and services to move the existing solutions to the current standards. Most of those units (i) do not yet use real-time information transfer between the remote terminal and the back-office (off-line) or (ii) exchange information to the back office by means of expensive and narrow banded SMS messages. Punch Telematix estimates that the payback time for a customer upgrading its solution from an off-line or expensive SMS-based solution to the Group's new solution bundle is less than 12 months;
- **Complete product portfolio covering the entire business-to-business (B2B) market:** the strength of the Group's solutions portfolio lies in (i) the fact that Punch Telematix blends different pieces of the puzzle enabling it to monitor the complete value chain of telematics solutions and (ii) the broad scope to which the solutions are tailored, enabling Punch Telematix to offer a solution for many different applications to the most relevant market segments (the transport and logistic market, the fuel sector, constructions companies, car leasing and short term rental companies or even insurance companies);
- **Open standards technology and easy business process integration:** the Group's service provider model is tailored to key business imperatives such as business continuity, high availability, managed and secured services. The potential customer's business is the starting point for all engineering and development initiatives. The devices are based on open standards and, for the ease of integration into generic ERP systems, application programming interfaces (API's) or software development kits (SDK's) are provided to the specialized business partners;
- **Growing recurring revenues:** the solution bundles of Punch Telematix are designed to provide customers a low entry (no capital expenditures), cost predictable (monthly "flat" fee including hardware, airtime and software) solution generating a return on investment within the first year of deployment. As a result, the solution bundles represent a rapidly growing part within the sales mix: in the first 6 months of 2006, the installed base grew by more than 8,000 units out of which approximately 5,000 units resulted from the sale of a solution bundle. A portion of the sales is still not in the bundle-model as Punch Telematix cannot yet offer voice minutes in its solution. Customers who are investing in high-end devices, capable of acting as a mobile phone, often prefer an offer combining data and voice communications. In that perspective, Punch Telematix is exploring, together with mobile operators, the possibilities to, either, allow Punch Telematix to offer voice on top of its bundle but leave the billing of the entire solution to the operator, or to develop the technical capabilities to split the billing of the data and voice communications;
- **A diversified and balanced distribution strategy:** each vertical segment is approached using tailor-made means (channel) and messages (ranging from telesales over direct marketing to large account management). This distribution strategy is balanced against the value and volume perspectives of each vertical market segment; and
- **Experienced management team knowledgeable about all aspects of the value-chain:** Punch Telematix' management team has a long and successful track record in the development and offering of services to a wide range of business customers. A flawless execution of the rollout, after-sales support and billing of Punch Telematix' services will be key to achieve its goals.

5.3. Market description

5.3.1. Definition of telematics

Telematics stands for the integrated use of telecommunications and informatics. More specifically it is the technology which allows to send, receive and store information via telecommunication devices. The term 'telematics' is applied specifically to the integration of GPS technology with computers and mobile communications technology. Often the term is used to refer to the use of such systems within road vehicles and assets, in which case the term vehicle telematics or automotive telematics is often used.

5.3.2. Components of a telematics' solution

A telematics total solution bundle consists of different components:

- Hardware/user equipment with embedded application software. This is typically the equipment that will be installed in the vehicle/asset or carried by the mobile worker. Dependent on the market segment the hardware can take different forms. At the lower end, it can be a vehicle mounted or portable black box consisting of a GPS device and communication components (based on the GSM or GPRS technologies) allowing basic track and trace functionality. At the high end, it can be an on-board computer unit or a ruggedized PDA allowing navigation, messaging, telephony and task dispatching. Moving forward, the hardware/user equipment will become more open and as such will allow integrators to add specific business process related functionalities;
- Wireless communication services, to allow the hardware to communicate through the service platform to a back office application. Today GPRS is the mostly used communication protocol;
- In order to control the operational efficiency of the 'total solutions', a service platform sits in the centre of the network. Through the service platform provisioning, monitoring and billing of the 'total solution bundles' can be organized;
- The back office application is basically the 'visualization' of what is happening in the field, collected, detected and communicated by the hardware/user equipment. Dependent on the market segments different features and functionalities (ex. real time track & trace, measurement results, data input/output, etc.) are available for the end user; and
- A last important component of the total solution offering is the possibility to deliver the collected business process oriented data to other applications like business process software (eg ERP software), wage calculation software, etc.

The overview below illustrates the service architecture as deployed by Punch Telematix.

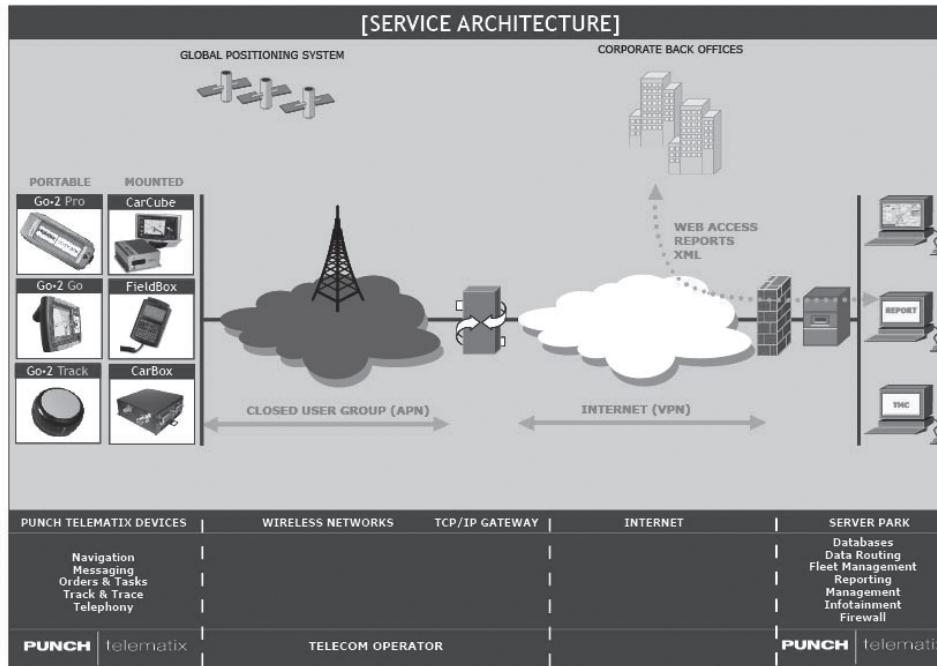


Figure 4: service architecture as deployed by Punch Telematics

5.3.3. Telematics applications

The telematics technology can be applied in a very broad area of applications. According to Frost & Sullivan¹ the most promising telematics services and applications include workforce management and monitoring solutions, security applications, and a range of customized informational tools.

GPS-enabled user equipment now allows to provide full-featured service suites, which include location-sensitive reporting, user-defined points of interests (POI's) and mapping capabilities to empower field employees.

Sections 5.3.3.1 to 5.3.3.5 below describe a few business application examples.

5.3.3.1 Tracking and tracing of vehicles

Description

A GPS receiver is embedded in the vehicle and continuously registers its position. On a regular time interval (from seconds to minutes – depending on the application) the position information is communicated to the back-office application. Depending on the application, the device can also allow the driver to feed data into the back-office system, consult customer or product information databases, communicate with colleagues, etc.

Potential applications:

- Monitoring by a transportation company of a fleet of vehicles or trailers for optimal allocation to transportation assignments;
- Registration of accurate and correct information with regard to driving, loading and rest times through which the planning is improved;

¹ Detection Research & Analysis, Frost & Sullivan 2003.

- Assistance in navigation and route planning for optimised driving times;
- Follow-up by a transport company as well as its customers (customer login) of the position of goods being transported; and
- Constant monitoring of the temperature of the goods (circumstances of transport) and reporting according to customer demand.

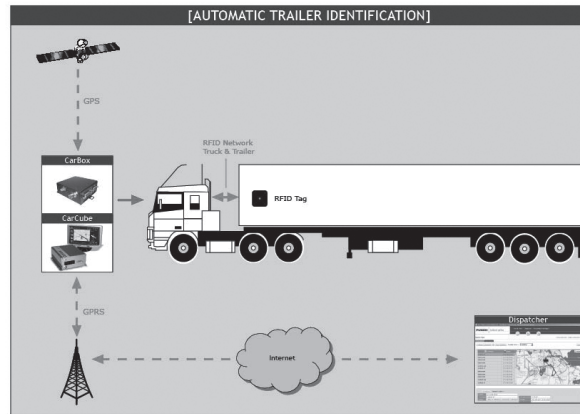


Figure 5: automatic trailer identification

5.3.3.2 Field service optimisation

Description:

A GPS receiver is embedded in a device carried by field service employees and continuously registers its position. On a regular time interval (from seconds to minutes – depending on the application) the position information is communicated to the back-office application. Depending on the application, the device can also allow the employee to feed data into the system (results of a specific customer visit, customer requests, etc), consult customer or product information databases, communicate with colleagues, or be informed about changes to the work plan, etc.

Potential applications:

- Allow the planning division to have a complete overview of the position of the field service employees, of the status of the assignments, etc;
- Improve the service level by providing more accurate and up to-date information to the field services employees;
- Register accurate and correct information with regard to the status of the work plan and rest times enabling the user to optimise its planning and inform the customers to be visited about potential changes in the work plan (improved customer service);
- Accurate salary calculations: distinction is made between hours on the road and hours at the wharf, which are in most compensation plans rewarded at different rates;
- The increased usage of (cheaper) data communications can help to restrict the (more expensive) voice communications between the field service technicians and the back office; and
- Through integration of the field service information with the ERP systems, invoices can be sent out earlier and be followed up more closely.

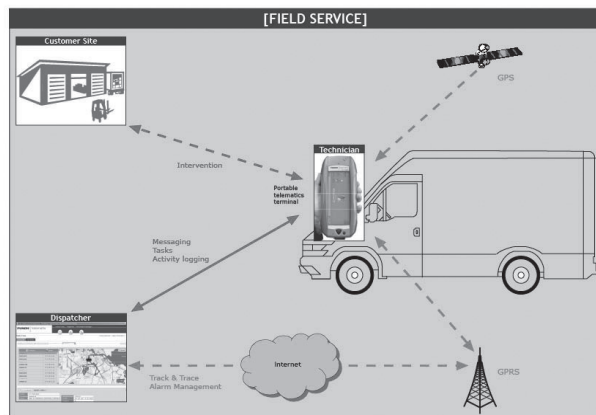


Figure 6: field service optimisation

5.3.3.3 Tracking, tracing and dispatching of goods

Description:

A GPS receiver is embedded in the vehicle or attached to the goods and continuously registers its position. On a regular time interval (from seconds to minutes – depending on the application) the position information is communicated to the back-office application. Depending on the application, the device can also allow the driver to feed data into the back-office system, consult customer or product information databases, communicate with colleagues, etc.

Potential applications:

- Registration of accurate and correct information with regard to driving, loading and rest times enable to optimise the planning and inform the customers about potential changes in the delivery schedule (improved customer service);
- Follow-up by a transport company as well as its customers (customer login) of the position of goods being transported;
- Constant monitoring of the temperature of the goods (circumstances of transport) and reporting according to customer demand;
- Allow for more accurate invoicing of fuel consumption and mileage-based services; and
- Allow for on the spot card payments.

5.3.3.4 Management of the machinery park

Description:

A GPS receiver is attached to or embedded in the machines and continuously registers its position. On a regular time interval (from seconds to minutes – depending on the application) the position information is communicated to the back-office application.

Potential applications:

- Detection of movements of assets and machinery in order to set off an alarm when they leave the wharf, resulting in improved security (geofencing);
- Possibility to interact with the asset and block movements or functioning (car block); and
- Automated collection of usage data (eg number of active working hours) for preventive maintenance and accurate and timely invoicing.

5.3.3.5 Implementation of public policy measures

Description:

A GPS receiver is embedded in vehicles and continuously registers its position. On a regular time interval (from seconds to minutes – depending on the application) the position information is communicated to the back-office application. The back-office application is integrated into a system for information collection and invoicing.

Potential applications:

- Toll collection: fast and accurate registration of driven kilometres as basic input for usage-based road charging projects; and
- CO2 exhaust measurement: fast and accurate registration of driven kilometres and average speed as input for a back-office application that estimates CO2 exhaust on the basis of the average speed, the type of car, etc. This information can be used to charge a CO2 exhaust tax.

5.3.4. Market description: Telematics industry

Punch Telematix divides the telematics industry into 3 general market segments: truck & transport (trucks and busses > 3.5 ton), field force (commercial vehicles < 3.5 ton) and fleet & assets (passenger cars, containers, trailers and other assets). Today the worldwide market for telematics systems and services for the heavy vehicles market, which includes commercial vehicles with a weight below 3.5 ton, is estimated to be worth approximately € 1.5 billion and to increase rapidly to nearly € 5 billion in 2009 with a dominant service part². This represents a compounded average growth rate of 35%.

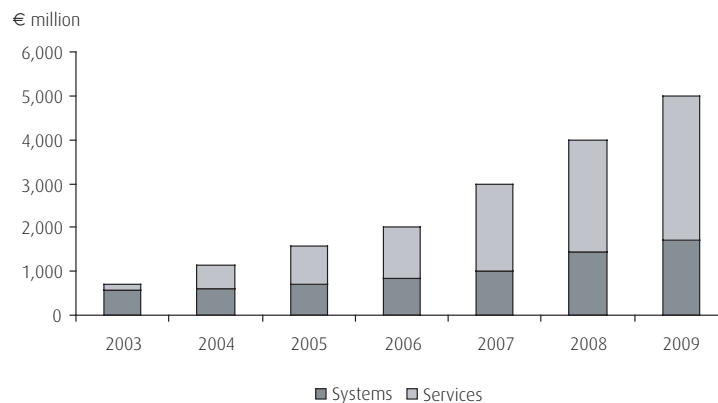


Figure 7: heavy vehicles telematics market

During the same period the accumulated number of wireless machine-to-machine (M2M) connections used in the commercial vehicles segment, including cellular road charging onboard units, onboard computers and vehicle tracking devices, will grow from around 1.1 million in 2005 to 2.5 million in 2009³. Around 40% of these connections in 2005 were used for the Toll Collect electronic road charging system in Germany and the remaining 60% for fleet management and tracking. By 2009 the share of fleet management and tracking will have grown to 80%, but Toll Collect will remain the largest single service, as it is mainly driven by government regulation.

² Berg Insight (New installations of commercial vehicles telematics units (Europe 2005-2009))

³ Berg Insight Millions wireless M2M connections for CV segment Europe (2005 – 2009)

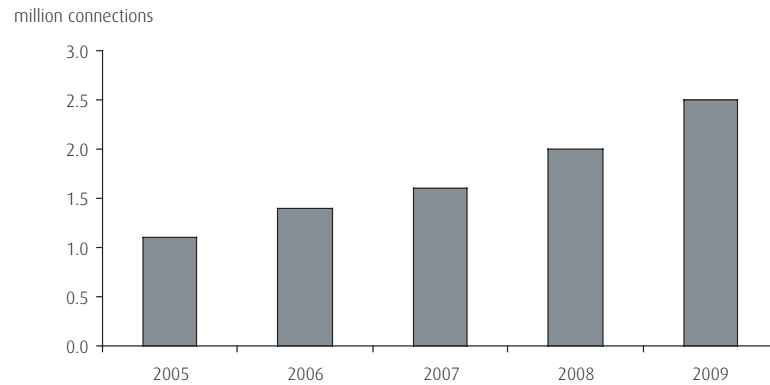


Figure 8: wireless machine- to-machine connections for the commercial vehicles segment (Europe 2005-2009)

5.3.4.1 Truck and transport

Over the years the transport sector has become a highly competitive industry, where transport companies are constantly experiencing pressure on output. In order to cope with this pressure, transport companies are increasingly investing in ICT solutions. As a result, more processes are being automated through, amongst others the implementation of eCommerce (connecting ICT infrastructure to customers), the increased interaction with the IT systems of suppliers and industry-wide standardization. The efficiency gains of telematics in the transport sector can potentially yield very high payoffs. Even though the segment is quite limited in size, the market remains largely untapped.

According to Berg Insight⁴ the Netherlands has the highest penetration rate for fleet management solutions. More than 20% of the heavy trucks registered in the country (almost 25,000 vehicles out of 100,000) have a telematics system. A similar percentage also appeared in a study by Transport Logistiek Nederland (TLN). TLN estimates that 21% of the transport vehicles in 2006 are using a telematics system (onboard computer) as opposed to 10% in 1999⁵. Furthermore Berg Insight predicts that more than 50% of the new heavy trucks sold in 2009 (Europe) will incorporate a fleet management solution, compared to less than 10% in 2005.

5.3.4.2 Field Services

A second important market segment where a large amount of resources are on the move is the field services market. Typical examples of so-called 'field forces' are sales representatives visiting clients, installation and service technicians and product and service delivery teams. Field service managers thereby focus on two main areas: work order management and asset management:

- work orders associate a field service officer to a specific job. Management must have information from the point where the work is being performed to optimise an entire range of operations;
- asset management is the utilization, movement, and storage of the resources and capital equipment used by or used to support field service officers. This includes vehicles, parts inventory in transit or on the truck, and test and measurement equipment, as well as assets at remote or customer locations, such as consigned inventory and leased equipment.

Automated data collection systems linked with field service management software delivers the real-time information required to improve efficiency and reduce costs while increasing customer satisfaction.

Both the equipment and the service component are expected to grow strongly:

- Equipment: The Venture Development Corporation⁶ forecasts that worldwide shipments for ruggedized (purpose built PDA's and handheld computers) mobile computers will grow from over \$2,967 million in 2002 to almost

⁴ Wireless M2M communication and commercial vehicles – Europe 2005

⁵ TLN infoblad, nummer 129, 18 april 2006

⁶ Venture Development Corporation, Enterprise Mobility Systems - 2004

\$4,813 million in 2007, representing a CAGR of 10.15%. Percentage growth in unit shipments of ruggedized PDA and wearable computers will outpace conventional form factors. A major factor contributing to this growth is the increasing demand from users for ruggedized mobile solutions as tools for increasing productivity, improving customer service and improving profitability.

- Services: According to Gartner Dataquest the market for mobile data field service revenues will reach €2 billion by 2009⁷.

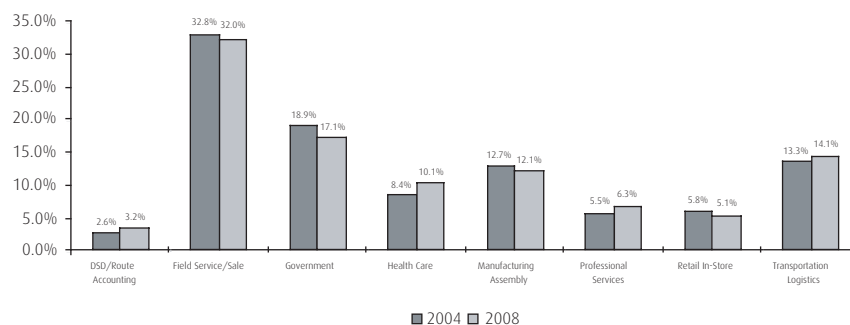


Figure 9: worldwide shipment forecasts for enterprise mobility solutions, segmented by vertical market⁸

5.3.4.3 Fleet and asset management

This segment is concerned with the tracking and tracing of assets and is often also referred to as Mobile Resources & Asset Management (MR&AM). Today the largest segment of the MR&AM systems market is the Automatic Vehicle Location (AVL) systems for fleet vehicles⁹. Tracking is included in most fleet management solutions that provide financial and operational benefits as well as improved security (anti-theft).

Besides self-propelled vehicles there is also a significant market for trailer tracking and cargo monitoring systems. There is an increasing demand for monitoring assets, such as trailers, heavy equipment and high-value products. MR&AM system installations in these markets have more than doubled over the past two years, and are expected to continue to grow at a strong rate (see Figure 10: projected mobile resource management systems – market revenue growth).

In general the market for fleet management systems is estimated to be worth over €600 million in 2005 according to Frost & Sullivan¹⁰. The market is at a tipping point: technology is stable and proven, there is a higher awareness from fleet operators and healthy growth is expected.

In the United States C.J. Driscoll & Associates performed a study in 2005¹¹ with regard to mobile resource management. Although this study does not make the distinction between the three different segments, it mainly provides an insight into the development of the fleet and asset management segment. The conclusions of this study on the US market are:

- In 2005 nearly 1.9 million GPS/wireless devices are used to monitor fleet vehicles, trailers, construction equipment and mobile workers. By 2009, this market will expand to over 5.8 million units and annual hardware and service revenues will grow to over \$2 billion. MRM market growth will be fueled by factors such as the availability of low cost, reliable wireless data communication networks, the incorporation of GPS location as a core component of field force automation and transportation/logistics applications, and growing demand for the monitoring of mobile assets, including trailers, heavy equipment and high-value products.
- The fastest growing MRM segment will be the use of GPS equipped cellular phones and other portable wireless devices to manage mobile workers. The study projects that by the end of 2009, over two million cellular phones and handheld computers will be used for mobile workforce management applications, including time and task management, dispatching, logistics and customer service.

⁷ Gartner Dataquest, Forecast: Mobile data applications, Western Europe - 2005

⁸ Venture Development Corporation, Enterprise Mobility Systems - 2004

⁹ C.J. Driscoll & Associates: US Mobile Resource Management Systems Market Study, 20 September 2005

¹⁰ Frost & Sullivan: Commercial vehicle telematics update, 27 April 2006

¹¹ C.J. Driscoll & Associates: US Mobile Resource Management Systems Market Study, 20 September 2005

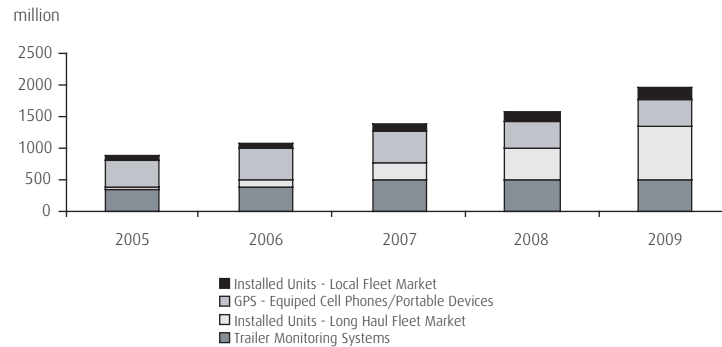


Figure 10: projected mobile resource management systems – market revenue growth¹²

5.4. History of Punch Telematix

The Company was founded on 29 September 1998 under the name Advantra International NV by Mr Guido Dumarey, Mr Frédéric Boes, Nabusaur NV and PI Holding NV (now Punch International NV). It was established by a contribution in kind of all shares in the company Page+ NV (now Acunia International NV) and all but one share in the company Acyclon Electronics NV.

Punch International NV had transferred its shareholding in Punch Telematix NV (then Advantra International NV) in February 1999 to a group of private investors, but has reacquired 100% of the shares in the Company in May 2001 for a total consideration of €8.9 million.

Punch Telematix is now the holding company of Acunia International NV, Wevada NV, Punch Telematix France SAS, Punch Telematix Nederland B.V. (formerly Industrial Control Systems (ICS) B.V.) and Alturion NV. Punch Telematix Nederland B.V. has a wholly owned subsidiary ICS Benelux NV.

Between January 2004 and March 2006, the Company has made several acquisitions. During April and June 2006, the Company divested certain parts of its business. The most important of these divestments relates to the Reflex activities in the United States. This business which was originally developed by Advantra was based on the paging technology. It was sold because Punch Telematix now focuses on the more up-to-date GSM/GPRS technologies and because the Company's geographical focus is on the EU. For a brief overview of these acquisitions and divestments, please see the table under "Company Milestones" below.

At the beginning of 2006, the Company acquired 100% of the shares in SpaceChecker NV, a company active in tracking and tracing of trailers and containers using SDS (satellite data services) as communication technology. In redefining the future strategy of the Group, however, Punch Telematix' management team in June 2006 took the decision to separate SpaceChecker from its remaining activities and sell it to Punch International NV. This management decision was based on the lack of synergies between Punch Telematix and SpaceChecker:

- The technology applied by SpaceChecker is complex which is, by definition, opposite to the "open standard" solutions which Punch Telematix commercialises. The efforts needed to transform Spacecheckers' specialised technology to open standard solutions would be substantial;
- SpaceChecker serves specific vertical solutions, such as the Reefer market (transport of refrigerated goods), whereas Punch Telematix focuses on generic off-the-shelf solutions that can be applied by a very broad range of customers; and
- SpaceChecker's potential lies in areas where terrestrial telecommunication networks (GSM based) are underdeveloped and, as such, its geographical focus does not fit with the one used by Punch Telematix (mainly Europe where GPRS is nearly available everywhere).

¹² C.J. Driscoll & Associates: US Mobile Resource Management Systems Market Study, 20 September 2005

The table below summarizes the major milestones of the Group.

Company milestones

Year	Description
September 1998	Advantra International NV later renamed to "Punch Telematix NV", is established and acquires the activities of the Advantra group, active in producing wireless (paging) devices.
January 2004	Acquisition of the business of Acunia NV. Acunia NV developed high end On Board Units (OBU) for truck and transport segments.
May 2005	Acquisition of Wevada NV. Wevada NV develops hardware for the low-end fleet and asset management market.
October 2005	Acquisition of ICS B.V. (now Punch Telematix Nederland B.V.). ICS B.V. develops, produces and implements automation solutions for mobility-dependent companies.
January 2006	Acquisition of 80% of Atimis SAS (now Punch Telematix France SAS), an important sales channel for telematics solutions in France. The remaining 20% was acquired in September 2006.
March 2006	Acquisition of Alturion NV, a pioneer in navigation software.
April 2006	Transfer of the MDRS wage calculation software package for the truck and transport sector developed by ICS B.V. to TeamSoft BV.
June 2006	Sale of the Reflex activities (paging business in the United States) to a third party.

For a total view on the consideration paid, the goodwill accounted and the possible earn-outs see Section 6.6.

5.4.1. Punch Telematix buy and build strategy

- **Punch Telematix NV**

The Advantra group was set up in 1988 and acquired by the Punch International Group in 1998, through a subsidiary established for this purpose called Advantra International NV. The latter was later renamed "Punch Telematix NV". The Advantra group was initially specialized in the development of semaphones (one-way paging devices) and two-way paging devices and tracking modules.

- **Acunia International NV**

Acunia NV, originally started as "SmartMove" in 1996, directed its activities on the development of applications for telematics. After Acunia NV went bankrupt in 2003, Punch International NV set up a company (now Acunia International NV) in order to acquire some important business assets out of Acunia NV's bankrupt estate. Acunia International NV has different international patents. Currently the CarCube and associated back office software package "fleetworks" is Punch Telematix' high-end On Board Unit (OBU). Both contributed to a quick step up in the high-end truck and transport segment.

- **Wevada NV**

Wevada NV was founded in March 2001 and focused on telematics modules, which are built into vehicles for recording and tracing of data (e.g. geographical position, performance, alarm signals, etc.). Since the end of 2004, the Company and Wevada NV were already working together for the development of such telematics and telematics modules. After take-over, the operating activities of Advantra and Wevada NV were integrated immediately. Thanks to their previous cooperation, Advantra's telematics-oriented know-how could also be used for telematics applications, with the result that this integration is generating major synergies, especially in the fields of R&D, engineering and customer service. In 2004, Wevada NV had posted €1.5 million in revenues and realised net losses of €0.6 million.

- **Punch Telematix Nederland B.V. and ICS Benelux NV**

Since its' set up (1985), ICS B.V. (now Punch Telematix Nederland B.V.) has been developing, producing and implementing automation solutions for mobility-dependent companies. ICS B.V. was the European market leader especially in the area of developing on-board computers for logistical applications and fleet management solutions. The company worked together with partners throughout Europe and had establishments in the Netherlands and Belgium. In the Benelux, ICS B.V. had earned a strong position in the development and implementation of mobile information systems for companies from the transport, sanitation, environment and waste sector as well as for the fleet management segment. In 2004, ICS B.V. had posted €7.2 million in revenues and realised net losses of €3.5 million.

- **Punch Telematix France SAS**

Atimis SAS (now Punch Telematix France SAS) was established in April 2004 and is spread across a number of branches throughout France. Although Atimis SAS mostly purchased its technology, it achieved in acquiring a substantial number of customers (several hundreds). For Punch Telematix this represented a good opportunity to penetrate the French market. In the extended fiscal year ending 31 December 2005 (21 months), Atimis SAS had posted €2.7 million in revenues and realised net losses of €1.5 million.

- **Alturion NV**

Alturion NV, founded in 2001, is one of the world's pioneers in the field of mobile navigation. The company is specialized in the development of applications and services for mobile users, ranging from user-friendly navigation systems to professional GPS software solutions for tracking and fleet management. Alturion NV also supplies several variants of its navigation products to OEM-partners worldwide. The company made navigation available on a pocket PC with voice support in Dutch. They were the first in the Benelux market to integrate traffic information in navigation on both pocket PCs and PCs, via TMC and GPRS. In 2005, Alturion NV had posted €1.7 million in revenues and a break-even result.

The acquisition of the first three companies allowed Punch Telematix to complete its product offering and gain a large installed customer base. As these companies realised significant losses, Punch Telematix has, however, proceeded to a critical evaluation of the acquired product portfolios. Some of the products are no longer supported, and the customers are offered the opportunity to up-grade to other Punch Telematix solutions. The development of these new solutions was furthermore centralised at the Punch Telematix head office.

The acquisition of navigation software was the last missing cornerstone for the commercialisation of a fully controlled "total solution" for remote fleet and asset management.

5.4.2. Technology background

Most of the companies within Punch Telematix are companies with a long track record and a significant product portfolio each in their own segment or knowledge area. In aggregate, Punch Telematix stands for more than 50 years of telematics knowledge.

Given the fact that the telematics market historically has been a 'proprietary solutions' market, a lot of the technology and knowledge has been put into the development of hardware and related back office applications. Currently all the hardware, with the exception of the open devices, which is part of the total solution bundles Punch Telematix is bringing to the market, is based on the Group's own development. Today this is a key strength and sits at the basis of Punch Telematix' 'total solutions offerings'. Moving forward, Punch Telematix can play an important role in the introduction of open standards and open devices.

The back office experience Punch Telematix has built in the past through the delivery of projects and the ASP model of the fleetworks product is a perfect knowledge and technology base to be used in the service provider model: providing a standard product/application which is fulfilling the majority of the customer's needs.

5.5. Punch Telematix market positioning

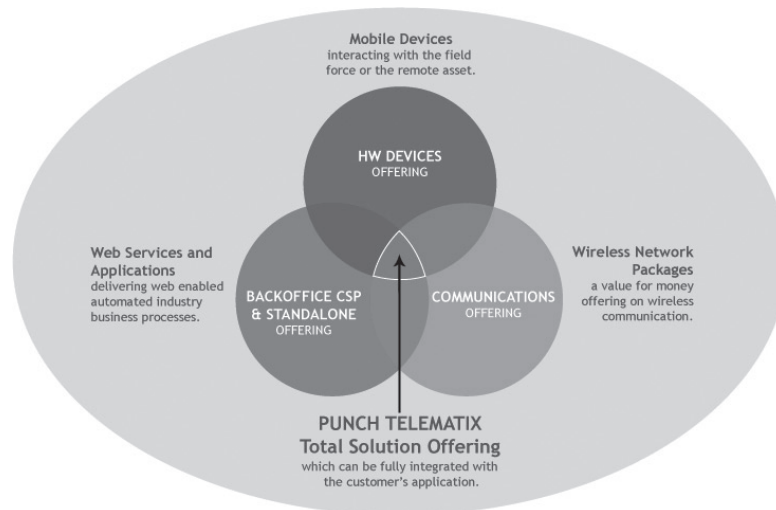


Figure 11: Punch Telematix total solutions offering

Punch Telematix offers total solutions combining different components such as hardware, airtime, service platform and back office service into a smooth and transparent service at a reasonable monthly cost. Mainly management's background and experience have led to the fact that Punch Telematix has focused very early on the acquisition and build out of the necessary know-how to manage, control and blend the necessary components (hardware, software, communication) into a flawless service.

Punch Telematix is one of the first companies in the telematics industry to approach each of the three market segments from a customer perspective (integration in the business process of the customer). The customer's objective is to achieve its business plan and he is therefore, keen on adopting solutions which allow to efficiently reach this goal. Punch Telematix tries to add value to companies' businesses by contributing to their enterprise resource planning, with the 'resource' being a remote one. Most of Punch Telematix' competitors are still in the technology stage, delivering technology and functionality. Integration of this technology and functionality in the overall activities of the company, and the service level attached thereto, is still considered to be "the customer's problem".

Another element that adds value to an efficient resource planning for the customer is cost predictability. Therefore, Punch Telematix plays an intermediate role between the customer and the mobile operator. This allows the Group to embed the SIM card with its hardware/user equipment, and can as such control and predict airtime usage as well as airtime cost. The customer does not receive separate invoice for the communication services.

Embedding hardware, software and communication (airtime) into a "packaged service" allows Punch Telematix to better control the price-squeeze on the individual components. Today, a majority of the revenues are generated by the hardware component. In the future, hardware will most likely continue to undergo price-erosion as the market evolves to open devices and standardization of operating systems. Future earnings in telematics will come from recurrent service models, ensuring a constant flow of revenue through long-term service-contracts.

5.6. Punch Telematix' solutions portfolio

Punch Telematix started to offer bundled solutions as from the end of 2005 with a typical contract duration of around 3 years. At that time the solution bundles were all vehicle mounted. Today Punch Telematix has 6 solution bundles, divided into vehicle-mounted solutions and portable solutions, with which it can basically address every market segment. The choice between a vehicle mounted and a portable solution is based on the need of the customer and its business model. Very often vehicle-mounted solutions are used in a business model with the primary focus on assets while portable solutions are used in a business model with the primary focus on mobile employees.

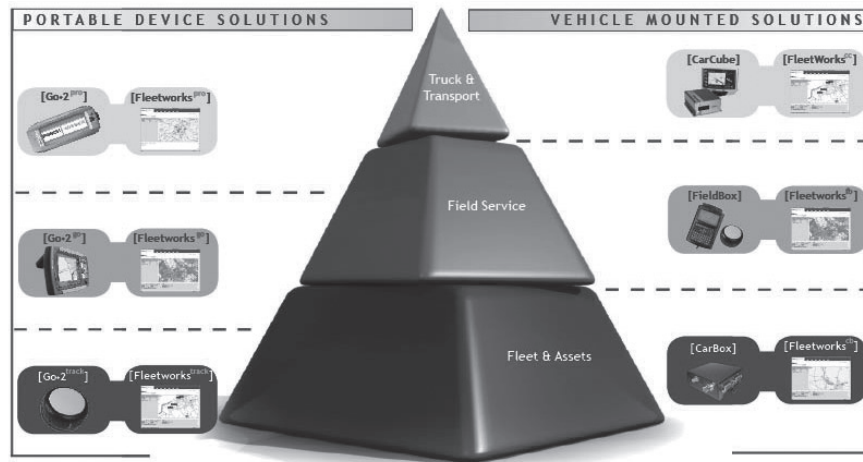


Figure 12: Punch Telematix solution portfolio

Although very few specific market data are available, Punch Telematix sees already a tendency that the market for portable devices will grow much faster than the market for vehicle-mounted vehicles. The figure below demonstrates an analogy between the market for portable devices and the navigation market.

Punch Telematix believes that one of the main reasons of the success of the Personal Navigation Devices compared to a "flat" evolution in the sales of in-car navigation is the user-friendliness and the flexibility offered by the "portable" navigation solution.

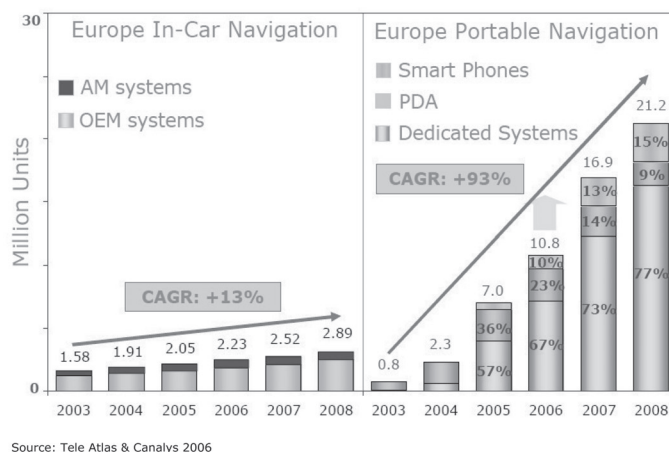


Figure 13: European in-car/portable navigation market

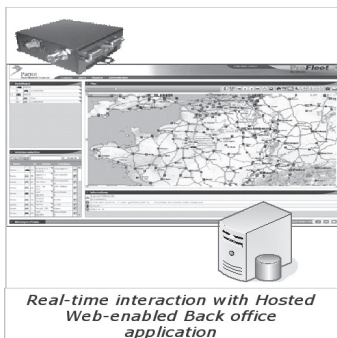
When looking at the total market potential in which Punch Telematix operates, Punch Telematix is convinced that penetration and market share will be determined by the user-friendliness and the flexibility as well as:

- Out of the box solutions: portable and easy to sell;
- No-nonsense: purpose built applications which are easy to operate;
- Monthly payable service: eliminates upfront investment for the customers;
- Easy and understandable invoice provided by one party;
- End-to-end secured service.

Punch Telematix is well placed to leverage the full potential of its complete solution portfolio in a vast majority of vertical segments. Punch Telematix reckons that having vehicle-mounted, open, easy to integrate solutions next to hosted (ASP), portable turnkey solutions allows Punch Telematix to acquire customers in all segments irrelative from the size of the companies. According to the European Automobile Manufacturers Association the total European market in terms of units in 2005 was as follows: truck and transport segment: 5,861,236 units, field force: 24,562,223 units and fleet & assets: 204,557,535 units¹³.

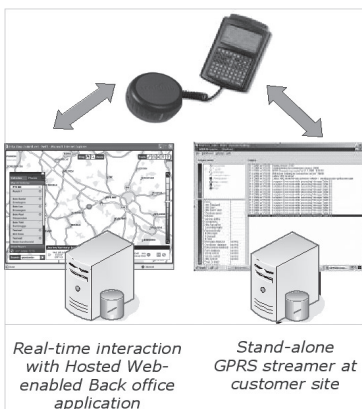
5.6.1. Vehicle-mounted solutions

• Carbox Bundle



The Carbox Bundle is the basic package used in environments where the business process can benefit from integrated tracking and tracing, security and alarming, location-based information and extensive reports.

• Fieldbox Bundle



The Fieldbox Bundle is in a way an extension of the successful Generation 8 and Generation 9 board computers of the former ICS. While in the past the G8/9 board computers were mainly working offline with data cassettes, they have been brought online now, allowing for two-way data communication over a GSM/GPRS connection, through the addition of a Carbox or a Go 2 track unit. Integration into customer specific software like ERP, CRM, TMS, etc, can be achieved via the GPRS streamer, a stand-alone software component installed at the customers' premises, which is designed to allow easy integration.

¹³ www.acea.be: European motor vehicle park 2004, vehicles new registration 2005 by country

- **Carcube Bundle**



The Carcube Bundle is becoming the standard onboard computer unit for the truck and transport market. It is used in environments where the business process can benefit from integrated tracking and tracing, task/job dispatching software, navigation, telephony and extensive reporting software.

Due to the flexibility of the Carcube Bundle, Punch Telematix can easily create solutions for specific vertical markets:

- 'fuel delivery': for this vertical market, the Carcube device is coupled with the fuel pump of the truck to collect and send data on the delivered quantities to the back-office. It also allows the driver to receive route and schedule information from the back-office. The combination allows for efficient, accurate and fraud-free deliveries. Invoicing can take place immediately after delivery because the invoice can be printed on a printer that is installed in the vehicle and coupled to the Carcube device.
- 'manure transport': as a consequence of recent new legislation, from the 1st of January 2007, every manure transport company of class C in Flanders will be obliged by law to equip its vehicles with an approved AGR-GPS system. Based on the flexibility and open architecture of the Carcube bundle, it was fairly easy for Punch Telematix to create a specific vertical market solution which meets the necessary specifications:
 - verification of documents prior to transportation;
 - identification and tracking of the vehicle during transportation;
 - reporting of loading and unloading activities;
 - feedback to the driver on succesful registration of such activities;
 - integration with the manure office ("mestbank") server, to send information in a specific format, including the AGR-GPS number, vehicle identification, position, time, chassis number trailer, document number, etc.

The market size for this solution in Flanders consists of 302 transport companies with a total of 1,781 vehicles. The intention of the 'Manure Office' (Mestbank) is to enforce this system in a later stage (probably next year) also on the class B manure transport companies.

Given that this type of regulation is a moving target, flexibility of the solution is definitely a strong advantage. Changes in the regulation and in the protocol can easily be adapted and uploaded to the vehicles, so that there is no manual intervention needed on the vehicle. By modifying a few particularities this niche solution can be commercialised in other countries like the Netherlands (already started), France and Germany.

5.6.2. Portable solutions

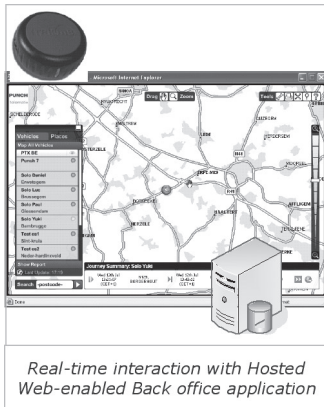
The portable solution bundles are designed to offer additional functionality beyond the vehicle and to take away installation barriers, which potentially can slow down the take-up of the mobile data services, such as:

- the fact that most of the currently offered devices lack portability;
- the fact that most of the currently offered solutions comprise purpose built applications;

- a relatively high upfront investment barrier;
- the fact that to benefit from the services implies receiving more than one bill because hardware, software, communication services and back-office services are not combined into one bill; and
- the fact that the solution is not permanently managed and secured by the supplier.

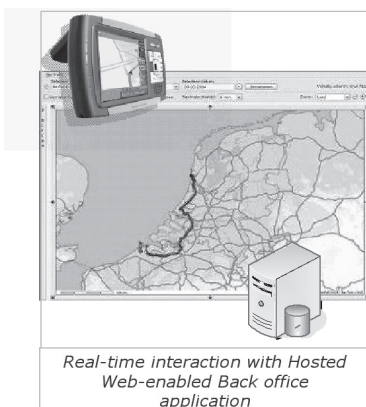
Below an overview of Punch Telematix' portable solution bundles.

• Go 2 Track Bundle



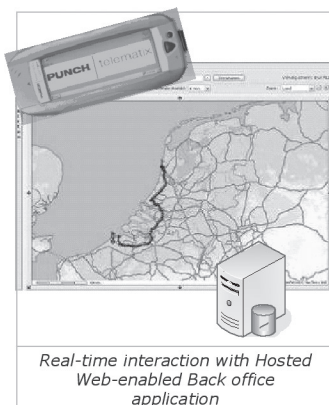
The Go.2 track bundle has the basic functionalities of the Carbox Bundle such as integrated tracking and tracing, security and alarming, location-based information and extensive reports, but does not need installation. GSM as well as GPS antennas are integrated in the unit, and power is provided through a cigarette lighter power connection. It can be bought off the shelf and made operational immediately.

• Go 2 Go Bundle



The Go.2 Go Bundle (patented solution) is in fact the combination of a track and trace unit like the Go.2 track unit combined with a personal navigation device. Basic functionalities are tracking and tracing, messaging, job and task dispatching, navigation and telephony.

• Go 2 Pro Bundle



The Go.2 Pro Bundle basically holds the same functionality but distinguishes itself through its ruggedized form factor as well as its extendibility with regards to enhanced functionalities based on add-on hardware and software: a bar code reader, the possibility to handle digital signatures, etc.

5.7. Strategy

Punch Telematix' goal is to become a pan-European telematics service provider of high-quality and easy to use products that have broad consumer appeal. Punch Telematix believes the key elements of its short, medium and long-term strategy are as follows:

- **Short term (< 6 months)**

2006's primary objectives are threefold. The first focus is to make sure that the customers Punch Telematix collected with the acquisitions in 2005 and 2006 are secured by excelling in the execution of the Group's customer facing initiatives: its ability to understand customer needs (listening skills, account management) and the quality of its problem solving (customer helpdesk, service and repair, etc...) are key as to keep customers loyal. The objective is to take the customer's experience beyond what it was used to before Punch Telematix' commercial activities.

Moreover, the maturity stage of some former solutions offered by the acquired companies and the technological evolution (especially in the communication area) provide Punch Telematix an opportunity for up sale. A substantial part of the existing customers still does not use solutions that are based on 'real-time' information coming from the remote workers/assets and is therefore not able to optimise its operational process nor drive costs down. And even those customers who have been exploiting the opportunities offered by the development of mobile communications often use expensive SMS to communicate back and forth. For those customers as well, Punch Telematix can realize substantial savings and increase their productivity.

Thirdly, whereas before mid 2005 Punch Telematix was principally a hardware telematics-applications supplier, selling some customized software as well, it has since then worked intensively on putting all elements in place to move the customers to the service model. By doing so, it aims to assure a lock-in of the existing customers and generate, at the same occasion, recurrent revenues for Punch Telematix into the future. On top of that, the blending of its technological components into a 'service' offered on a 'monthly subscription basis' opens substantial opportunities in market segments where investments were often difficult because of tiny margins.

- **Medium term (6 months - 3 years)**

The medium term strategy is to become a pan-European telematics service provider, providing a bundled package of technological means (hardware, software, wireless communications and back office services). In that perspective, Punch Telematix wants to leverage upon the strength of mobile operators as a channel-to-market for generic, off-the-shelf telematics products and services.

In order to achieve this, Punch Telematix has recently launched a new product line based on open devices with low vehicle connectivity. This will have the advantage that devices can be sold 'off the shelf', and be made operational immediately thanks to cigarette lighter installation, in the operators' business centres or via its direct sales channels. For projects with a need for deep integration or interaction with the business process of the customer a software development kit (SDK) will be provided on the open devices as well as on the back office software. Consequently, turn-key projects can be delivered either through the customers IT department, or through integrators.

- **Long term (>3 years)**

The long term strategy will be focused on connecting vehicles with off factory distributed telematics intelligence, and as such move from pure hardware sales in the after market to off factory hardware. Car manufacturers are building today already in their vehicles a number of components which can be found back in telematics devices. For example a whole range of cars do have today already a GPS device, crash detectors, etc. connected to the CAN bus (Car Area Network). For Punch Telematix it will be of major importance to integrate this intelligence in its offering so that its services can be made available to and become affordable for other segments.

5.8. Intellectual property

Historically, the acquired companies such as Acunia NV, Wevada NV and ICS B.V. spent a lot of their resources on R&D for the development of hardware (Carcube, Carbox) or software (fleetworks). The amounts spent historically under R&D can be found under Section 6.6. Nowadays, R&D activities are limited to the development of the service platform, needed to manage and monitor the data flow between the hardware devices and the back office applications. As such, for the time being R&D initiatives have been scaled down and the focus is currently on engineering activities needed to implement the service provider model (provisioning, monitoring and billing).

The design of the following hardware devices and related software is proprietary to Punch Telematix, but no patent filings were made to obtain exclusive rights on them, mainly because hardware in Punch Telematix' business model stands for open systems upon which specific applications can be run very easily. In other words, Punch Telematix' business model is not oriented towards the ability to exclude others from interacting with its hardware components but, towards providing hardware which can be easily blended with communication and back office software as to provide customers a straightforward and secured business solution.

However, in one specific circumstance and because of the novelty of the approach, Punch Telematix decided to file a patent application with the European Patent Office on 19 June 2006 (Nr. EP06115664) in order to protect its personal navigation and communication device.

Punch Telematix also maintains five patent registrations filed by Acunia in Belgium, the United States and Japan, because those patents might be of interest in the future.

The software components, such as the Alturion Navigation Software, are protected by copyright laws in most countries.

Title		Description
Carbox II	Hardware and Software	A tracking device with embedded software that is a combination of a GSM/GPRS unit with a GPS receiver. It will read inputs/outputs and combine these with the GPS information. The CarBox will provide its information to the backend over GPRS, CSD or SMS.
Fleetworks	Software	Fleetworks is the server part of a fleet telematics solution capable of supporting many distinct customers. The customers can visualize their assets in real-time, retrieve reports and dispatch messages or tasks.
Fleetcore	Software	Fleetcore is the underlying service capable of communicating the by fleetworks generated content to and from capable devices. It translates the messages going from the devices to the back office and vice-versa.
Open telematics framework	Software	The Open Telematics Framework (OTF) is a foundation layer for provisioning software and configuration to capable devices. It also includes an efficient fault tolerant bi-directional messaging protocol. The OTF acts a switch to provision the hardware components with the right software upon.
Blackbox generation VIII and IX	Hardware and Software	The BlackBox (BB) Generation 8 and 9 are in-car computers to register vehicle-related activities and data, including driving times, fuel consumption, temperatures etc and store these data on a data cartridge. These devices also allow data and speech communications using various external devices.
Carcube	Hardware and Software	The carcube is a high-end onboard unit providing the end user navigation software and means to communicate with the back office (dispatching) of his/her employer.
Service platform (SP)	Software	An open and extensible platform providing routing and protocol translation functions for telematics devices. The product is the core of an SOA and is the platform on which Punch Telematix implements telematics services.
Alturion Navigation Software	Software	Alturion™ GPS is an easy-to-use GPS navigation solution for Pocket PCs or personal navigation devices (PND). The software offers a large range of functionalities and can be integrated with other business applications using the Software Development Kit (SDK).

Fuel Computer (Entrance Computer)	Hardware and Software	A device with embedded software designed to measure the amount of fuel taken from proprietary fuel pumps and store the related data.
Tempbox	Hardware and Software	A device with embedded software designed to coordinate the measurement of temperatures and send the data to an in-car computer or a printer.
Download Station	Hardware and Software	A device with embedded software designed to download the contents of data cartridges and to initialise or upload data into the data cartridge and which can be directly connected to a personal computer.

As far as brand protection is concerned, Punch Telematix has registered the name “Alturion” as a trademark in the European Union. Punch Telematix is also preparing trademark applications for the Carbox, Carcube, Go.2 Track, Go.2 Go and Go.2 Pro and Punch Telematix names. Finally the name Acunia and related names such as “Acunia Open Telematix Framework” are also registered as trademarks in several countries, including in the United States, but those names are no longer used.

5.9. Partnerships

On 22 May 2006, Punch Telematix announced a mutual cooperation agreement with Trakm8 Limited. The objective of the agreement is to seek competitive advantages within the telematics markets in the UK, US, South Africa and Europe. Key areas of this cooperation include:

- marketing of the products of both companies within the respective territories;
- development of a new STREAM software interface to accommodate the hardware of both parties;
- joint R&D initiatives to identify and eliminate redundant or duplicate technologies and functionality;
- joint ownerships of any new intellectual property rights as a result of these R&D activities;
- combined purchasing power to achieve manufacturing cost savings; and
- support and resources from either party during a major new contract bid situation.

On a case-by-case basis the Group also partners for specific projects with amongst others IBM, Oracle, GXS, Microsoft, SAP and Exact.

5.10. Sales and distribution

Punch Telematix addresses the end customer directly or indirectly depending on the (vertical) market segment. It is important for Punch Telematix to have a sales strategy balancing vertical market segment needs against volume/ value potential in order to address the customers in the appropriate manner and to safeguard its margins. Currently, 80% of the customers in Belgium and 50% in the Netherlands are approached directly.

As a rule of thumb, multinational corporates have other needs in terms of “solution-set” than small and medium enterprises have. Based upon these different “hot buttons”, as explained in the table hereunder, Punch Telematix has outlined its distribution strategy.

Multinational corporate customers	Small and Medium customers
<ul style="list-style-type: none"> • Are reluctant to work with small players • Fear hosted solutions • Dislike closed and proprietary solutions • Prefer stand-alone systems • Demand easy integrations in the existing ERP systems 	<ul style="list-style-type: none"> • Do not have the IT skills in house • Want simple solutions not disturbing their core activities • Flexible (portable), affordable and understandable • Expect 'proximity' • Prefer hosted (ASP) solutions, easily accessible via a simple web-interface
The sales to multinational corporates is about a direct sales force and/or a close relationship with specific integrators or VAR's as to "embed" Punch Telematix' solution into their "tailor-made development"	Distribution of those "off-the shelf" solutions is most efficient via local ICT sales offices or the distribution shops of a mobile operator.
Currently represent ca 80% of Punch Telematix' client base	Currently represent ca. 20% of Punch Telematix' client base

The Alturion software is also offered through distributors in Europe, the Middle East, North Africa, Russia, South-East Asia, Canada and the United States.

Below an overview is given in terms of type of customers, sales approach and sales cycle of each segment in which Punch Telematix is active.

5.10.1. Truck and transport segment

- Type of customers: European transport companies.
- Sales approach: direct in Belgium, France and the Netherlands as well as via integrators and partners.
- Sales cycle: 6-12 months.

The Truck and transport segment is a typical customer segment where an indirect "sales" channel provides few or no added value because of the complexity of the sale. Value added resellers and systems integrators, however, are an important means in order to get additional customer reach as they often clearly understand the customers' business process and are capable of integrating Punch Telematix' solutions into the customers' ERP systems.

5.10.2. Field services segment

- Type of customers: services companies.
- Sales approach: depending on the size of the company and the degree of customisation: a mix of direct & indirect sales via integrators as far as most of the complex sales is concerned. The sale of turnkey field service solutions on portable and open devices provides real opportunities for, for instance, ICT distributors or mobile operators.
- Sales cycle: 6-12 months.

5.10.3. Fleet and assets management segment

- Type of customers: construction companies, short-term rental companies.
- Sales approach: the sale of basic "track & trace" solutions, vehicle mounted or portable, can be sold by a multitude of business partners ranging from telecom expert over distributors to points of sale of mobile operators.
- Sales cycle: < 3 months.

5.10.4. The role of mobile operators

Punch Telematix sees an important role for the mobile operators as potential distributors of the Group's products and services to all of the targeted market segments.

As the western European mobile (voice) market is nearing saturation and voice revenues are declining, mobile operators are anxious to create new sources of revenue. The telematics market is such a potential source of new revenue.

This market specifically appeals because it is based on solutions with a long lifespan, deployed on a large number of modules (project can involve several hundred to thousands of devices), and this for a single client (low acquisition cost). It also helps boost the rate of return on a deployed network – by increasing the traffic on 2G and 3G networks, for instance. Mobile operators not being active in the telematics industry are taking risks that their installed base will be attacked from proactive competitors using this entry to move voice users (and the consequently greater average revenues per user (=ARPU's)) to their network.

Selling telematics as a solution bundle (device, airtime and back office application service) is a new approach in the market. Therefore, there are no reliable figures available as to the churn-rate for such services. It is possible however to compare the solution bundles to other existing mobile services, such as push e-mail/calendar services: these show great similarities to the Punch Telematix solution bundles. Push e-mail/calendar services are aimed at corporate users. The Punch Telematix solution bundles are targeted at managing fleets and assets. Yet there are many similarities between both services:

- Business-to-business: both services are targeted at business customers only;
- Technology: both offerings consist of an embedded device, airtime and a hosted back office application;
- Subscription model: for both services, a similar subscription model is used;
- Mobile workplace: both service bundles are used in the mobile workplace.

Punch Telematix expects that for its own services a similar churn rate as for push e-mail/calendar services, which is substantially lower than voice services, can be expected. Therefore Punch Telematix' services could be very interesting for the mobile operators.

However for a mobile operator, being active in the telematics space is and will remain complex, requiring specific focus and investments as the telematics market has a number of specific characteristics:

- The telematics market has more in common with computer services than with telecommunications. Customers' needs are stated more in terms of features and uses than of technology, and solutions generally need to be customized, as requirements will vary from industry to industry; and
- Network capacity requirements for telematics solutions are fairly limited, both for voice and data, since high bitrates are rarely needed. This means that the ARPU involved is relatively low. On the other hand, certain performance levels (latency, security, etc.) are critical for some players.

Therefore Punch Telematix can add value to the mobile operators activities. Today Punch Telematix is in discussion with mobile operators in order to establish an agreement whereby the Group's bundled offerings would be distributed by the mobile operator while the servicing and back-office would continue to be managed by Punch Telematix.

In the meantime, lead generation programs are up and running with Proximus in Belgium and in the course of being practically set-up with Vodafone Netherlands: the opportunity for Proximus and Vodafone is to i) differentiate the sales approach by talking to customers about solutions with a high added value as to move the customers away from a commodity discussion on the price of their voice minutes and ii) lock-in their installed base of simcards by cross selling activities, and finally, iii) boost the usage of new data services.

The lead generation program with Proximus resulted in the past months to a sale of about 700 units out of which the majority were bundle sales.

5.11. Manufacturing

It is Punch Telematix' strategy to outsource all manufacturing activities as it requires a level of economy of scales that the Group cannot and does not aspire to acquire. However, for some products Punch Telematix takes care of the assembly of the components into a finished end product.

The manufacturing of its products is outsourced to major electronic manufacturers throughout Europe. Less than 20% of the hardware manufacturing activities are done by Punch Technix, a Punch International Group company, in Slovakia.

The outsourcing of the manufacturing activities provides Punch Telematix:

- Streamlined supply chain: the full responsibility of manufacturing is per product outsourced to a single manufacturing party. Given the Punch Telematix requirement for transparency, the Group is aware and actively involved in the complete supply chain of its products, safeguarding its knowledge of manufacturing its products.
- Accountability: by assigning full responsibility of the manufacturing of a product line to a single manufacturer, Punch Telematix achieves the clear distribution of accountability of its manufacturing partner. This has resulted in a better quality focus of its manufacturer partner in every production step within his company, but as well within the complete preceding supply chain. Proper guarantee clauses give adequate assurance on after-sales support on the product (hardware) level.
- Advantage of combined purchasing power. Each manufacturing agreement is a true win-win situation for Punch Telematix and its manufacturing partner. On the one hand, Punch Telematix' component sourcing needs increase the overall component sourcing volume of the manufacturer, further increasing the purchasing power of the manufacturer. On the other hand the overall purchasing power obtained by the manufacturer directly benefits the lower component cost to Punch Telematix.
- Optimised cash flow. Given the payment terms negotiated in the manufacturing agreements, Punch Telematix has been able to positively balance in time the moment of cash flow out (to the manufacturing partner) versus cash flow in (Punch Telematix customer payments).

Punch Telematix' strategy related to its manufacturing partners is based upon principles of risk distribution (business continuity) and of staying in control of the manufacturing process, retaining the required knowledge (transparency).

- From a business continuity perspective, Punch Telematix has chosen not to outsource more than one product line to a manufacturing partner in order to retain its purchasing power.
- The outsourcing of a complete product line to a single manufacturing partner poses some risk. However the risk is mitigated to a large extent by Punch Telematix' capability of migrating the manufacturing of a product line between manufacturing partners on a fairly short time period. It is also envisioned to distribute the risk by assigning the manufacturing of a single product line to multiple manufacturing partners whenever the volume of manufacturing allows such strategy.
- All manufacturing agreements are based upon transparency and open book calculation. This allows Punch Telematix to remain in full control of the complete supply chain, as well as staying in control of the cost of manufacturing.

By having multiple manufacturing partners for Punch Telematix product line portfolio, Punch Telematix is capable of benchmarking its manufacturing partner in all aspects. Regarding to sourcing of components, Punch Telematix is at the centre of detecting the best source (price and quality evaluated), and of sharing this knowledge to its (other) manufacturing partners. This way the products' Bill of Material Cost is under constant scrutiny.

Likewise, the added value of the manufacturing partner itself is benchmarked. The knowledge of the complete cost structure of the manufacturing partner allows for lean outsourcing agreements:

- The infrastructure of its manufacturing partner (depreciation of their infrastructure), combined with insight in the achieved workload on its infrastructure (distribution of the depreciation cost).
- The direct labor cost (hour cost levels per expertise specified in the agreement), combined with the insight of the time required to process a manufacturing step.
- The financial mark-ups (related to financing the component sourcing), and the added value (margin) percentage levied by the manufacturing partner.

These benchmarks apply to all manufacturing partners, Punch Technix included.

5.12. Competition

The telematics industry in which the Group operates is highly competitive and dynamic, and Punch Telematix expects competition to increase as new companies target this market in response to its high growth potential. However, so far, the Group has seen a lot of competitors focusing on 1 or 2 components of the value chain and only a few of them are positioned in the same way as Punch Telematix: offering a total solution with a guaranteed service level at a total cost of ownership for the customer.

Nevertheless, Punch Telematix has been assessing each competitor in the specific market segments in which it operates. In the following paragraphs a non-exhaustive overview of its current principal competitors is listed for the segments in which the Group is competing. In addition, competition might in the future also come from equipment vendors such as Symbol Technologies Inc, Psion Teklogic or Intermec Technologies Corporation, system integrators such as Axias NV and Zetes Industries SA, mobile telecom operators and finally tracking and tracing solutions providers such as Siemens AG, Trakm8 Limited, Qualcomm Inc and Orange SA.

In the truck and transport segment, competition might also come from vehicle manufacturers. Some of them, such as Volvo (through the Dynafleet subsidiary), Mercedes and MAN, are already offering built-in telematics solutions as an additional option on new vehicles. Punch Telematix believes these built-in systems have the disadvantage that they are not based on open standards and thus create operational and integration difficulties for transport companies who own (or plan to own) trucks from several different manufacturers.

5.12.1. Truck and transport segment

Company	Company Description
Transics	Transics, founded in 1991 and headquartered in Belgium, has offices in the Netherlands, France and is active in Germany, Sweden and Spain. The company develops solutions for the transport market.
Groeneveld	Groeneveld, founded in 1971 and headquartered in the Netherlands, is active worldwide in the transport, off-road and industrial sectors.
Masternaut	Masternaut specializes in delivering live vehicle information over the Internet with on-board telematics linked to GPS satellites and the latest mobile communication technology. The company has a presence on the whole of the French territory and in five European countries.

Thales Telematics	Formerly known as Global Telematics, Thales Telematics was formed in 1997 as a 50:50 joint venture between UK based European Telecom and French defense and aerospace company Thales. Thales became the sole shareholder in 2001 and renamed the company in 2002. With global headquarters in Chessington, Surrey, Thales Telematics has expanded its range of products and services into other areas of the globe and today has offices in Australia, France, Germany and South Africa. (The company operates as Global Telematics in South Africa).
	Thales has several hardware offerings, ranging from telematics control unit (TCU), stealth tracking unit and trailer monitoring units to in-vehicle data terminals.
Minor planet	Minor planet, founded in 1998, provides Vehicle Management Information (VMI), a fleet management solution to improve customer efficiencies and revenues. VMI uses GSM or GPRS wireless data networks.
Carrier Web	Carrier-Web BV, founded in 2000, is a Dutch company that sells and services the e*freightrac Limited (founded in 2002) product line in the Benelux, France and Germany.

5.12.2. Field services segment

Company	Company Description
TomTom Work	In September 2004 TomTom acquired Datafactory. Datafactory is based in Germany and offers fleet management services and telematics units on the international market through partners and subsidiaries in Europe and the Middle East. The product has been renamed to TomTom Work and was introduced recently at Cebit 2006 in Hanover (Germany).
GPS Buddy	GPS Buddy is a technology company which designs and provides fleet management software solution packages including hardware in order to let users track, monitor, manage and message vehicles and their mobile workers. The company is incorporate din Ireland with development and sales offices in Ireland, the Netherlands, United Kingdom, Germany, Belgium and Sri Lanka.
Masternaut	Masternaut specializes in delivering live vehicle information over the Internet with on-board telematics linked to GPS satellites and the latest mobile communication technology. The company has a presence on the whole of the French territory and in five European countries.
Minor planet	Minor planet, founded in 1998, provides Vehicle Management Information (VMI), a fleet management solution to improve customer efficiencies and revenues. VMI uses GSM or GPRS wireless data networks.
Carrier Web	Carrier-Web BV, founded in 2000, is a Dutch company that sells and services the e*freightrac Limited (founded in 2002) product line in the Benelux, France and Germany.

5.12.3. Fleet and Asset Management segment

Company	Company Description
TomTom Work	In September 2004 TomTom acquired Datafactory. Datafactory is based in Germany and offers fleet management services and telematics units on the international market through partners and subsidiaries in Europe and the Middle East. The product has been renamed to TomTom Work and was introduced recently at Cebit 2006 in Hanover (Germany).
GPS Buddy	GPS Buddy is a technology company which designs and provides fleet management software solution packages including hardware in order to let users track, monitor, manage and message vehicles and their mobile workers. The company is incorporate din Ireland with development and sales offices in Ireland, the Netherlands, United Kingdom, Germany, Belgium and Sri Lanka.

Cybit	Cybit is a UK's Internet-based Telematics Service Provider (TSP). It provides over 1,000 organisations of all sizes across a wide range of industries with a comprehensive suite of online solutions to improve the management and control of nearly 25,000 fixed and mobile assets. ABI Research, the leading international technology research organisation, recently placed Cybit in the top-ten of global industry players in its newly issued Global Commercial Telematics Vendor Matrix. Cybit recently extended its reach into the maritime telematics sector following the acquisition of BlueFinger Limited, a global leader in the delivery of high value Economic Exclusion Zone (EEZ) management solutions to UK and international governments.
TrakM8	trakm8 is a UK based company, formed in April 2003 from Interactive Projects Limited. trakm8 has quickly established a market presence in over 20 countries worldwide shipping over 20,000 units to date. Initially establishing their reputation as a trusted platform provider, trakm8 has become a major industry player by supplying two FTSE 100 companies. With incremental growth currently exceeding 25% per month, trakm8 has formed close working relationships with other major technology suppliers such as Sony Ericsson, Tyco Electronics and ST Microelectronics.
Orange UK	<p>Orange Business Services unites the mobile strengths of Orange, the global business communications experience of Equant and the telecommunications capabilities of France Telecom. Orange has 86 million mobile customers, including 8 million business users. Orange provides IT and data services to 3,700 multinational customers including two-thirds of the Global Fortune 100. Orange maintains the world's largest seamless voice and data network, reaching 220 countries and offers local support in 30 languages and 166 countries and territories. Orange operates mobile phone networks in 17 countries including many of Europe's largest economies.</p> <p>Orange UK provides a number of telematics (M2M) services, including:</p> <ul style="list-style-type: none"> • (consumer/business service) The Orange "Find Nearest" service which offers the subscribers the ability to locate themselves if lost! Upon texting 'ME' to 300, the service texts back the user's location. • Orange Fleet Link offers flexible and controllable vehicle tracking. From business indicator reporting to full security tracking. • Orange Cell ID is a database designed to help businesses keep track of assets, goods and staff. It allows you to locate anything with an Orange SIM in it, via our GSM network - which covers over 90% of the UK population. Vehicles, goods in transit, even you staff in the field can be located, swiftly and accurately.
Masternaut	Masternaut specializes in delivering live vehicle information over the Internet with on-board telematics linked to GPS satellites and the latest mobile communication technology. The company has a presence on the whole of the French territory and in five European countries.
Minor planet	Minor planet, founded in 1998, provides Vehicle Management Information (VMI), a fleet management solution to improve customer efficiencies and revenues. VMI uses GSM or GPRS wireless data networks.
Carrier Web	Carrier-Web BV, founded in 2000, is a Dutch company that sells and services the e ² freightrac Limited (founded in 2002) product line in the Benelux, France and Germany.

5.13. Human resources

5.13.1. Executive management

The executive managers are:

Luc Lammens (°1964) – *Chief Executive Officer*¹⁴

Mr. Lammens, joined Punch Telematix in February 2006 as Vice-President Sales & Marketing and became in charge of Punch Telematix in May 2006. Prior to joining Punch Telematix, Mr. Lammens was one of the pioneers of Proximus, mobile operator created in 1994, in Belgium and part of Belgacom and Vodafone, where he was in charge of the Corporate Enterprises Market. Additionally he was steering member of Vodafone's global customer approach (MNC) and represented Proximus in the worldwide MNC activities. Besides having a proven track record in general management, sales and marketing, he holds an MBA from United Business Institutes, Brussels.

Paul Schillebeekx (°1965) – *Vice President Strategy and Business Development*¹⁴

Mr. Schillebeekx was appointed VP Strategy & Business Development of Punch Telematix in April 2006, having joined the Punch Wireless Applications division in May 2005 through the acquisition of Wevada by Punch, of which he was CEO since the end of 2002. Prior to Wevada, Mr. Schillebeekx has built up 15 years of international experience in the telecom and IT industry in general management, sales, business development and marketing. Being amongst others general manager Benelux and France for Clarent Communications and responsible for product development at Proximus. Mr. Schillebeekx has a degree in MCT (Communication technology) from Hogeschool De Nayer (Mechelen), a degree in Engineering from Hoger Instituut der Kempen (Geel) and an MBA from United Business Institutes, Brussels.

Frederic Boes (°1964) – *Chief Technical Officer Mobile Devices*¹⁴

Frédéric Boes, co-founder and CTO of Advantra was appointed CTO Mobile Devices of Punch Telematix in 2006. Mr. Boes has 21 years of international experience in production and development, mainly in wireless industries. He started his career at Philips, an excellent learning school with high quality standards, where he worked in production and development. In 1989 he started Advantra with the aim to develop and manufacture RF and telecom products. The company, at first playing a role in the subcontracting business rapidly became a world player in Paging-, RF technology and tracking products, and merged into Punch Telematix in 2005. Mr. Boes also started Punch Electronique in 1990, a former division of Punch International NV and became General Manager of Advantra UK in 1998, the former Philips Paging division in Cambridge. He has an Engineering degree in electronics, RF design and telecommunication and followed the Vlerick Management School for Starters.

Jan Wuytack (°1955) – *Finance Manager*

Jan Wuytack graduated as accountant in 1972. He started his career as accountant in the world of expedition and custom clearing, where he evolved to head-accountant / EDP-manager. In 1990 he made the switch to the Belgian branch of an international distribution firm. In 2006 he left the Financial Team as Responsible Accountancy and SAP / Belgium for the opportunity to work in a high-tech environment as Financial Manager at Punch Telematix.

¹⁴ Through his management company

5.13.2. Employees

As of 30 June 2006, Punch Telematix employed 101 personnel and management of which 29 at Punch Telematix Nederland B.V. (Hardinxveld-giessendam, the Netherlands), 42 at Punch Telematix NV (Wervik, Belgium) and 30 at Punch Telematix France SAS (Paris, France).

Table: Employee profile at 30 June 2006

Employee Profile	Number of FTE
Engineering (R&D included)	20
Production	6
Administration	8
Sales and Service	63
Management	4
Total	101

Table: Headcount evolution as total number of staff at year-end

	2003	2004	2005	30 June 2006
Belgium	14	28	36	42
The Netherlands	-	-	65	29
France	-	-	-	30
Total	14	28	101	101

The strategy of Punch Telematix' operations is in line with the Group's "think global, act local" approach:

- **centralized engineering departments**, grouping the key expertise of Punch Telematix' products and services.
- **centralized operations department**, responsible for the complete order fulfillment and rendering of Punch Telematix' solutions to its customers.
- **local sales and service organizations** organized and managed by country ('local feet on the streets').

The centralized functions are all performed out of Belgium.

5.14. Facilities

The Group's headquarters are located at Bootweg 4, B-8940 Wervik, Belgium, where it occupies one modern building of approximately 900 m² with offices, a warehouse and a testing and assembly space. The building is rented ("terbeschikkingstelling") from Punch Property International NV at a yearly cost of €74,244 excluding VAT. Furthermore the Group has offices in Belgium, the Netherlands and in France.

Table: Other facilities

Company	Address
Acunia International NV	Koperstraat 1a, Sint-Martens-Latem, Belgium
Alturion NV	Vollickstraat 67, 1785 Brussegem, Belgium
ICS Benelux NV	Bijenstraat 6, 9051 Sint-Denijs-Westrem, Belgium
Wevada NV	The Bridge, Bergensesteenweg 1424, 1070 Brussels, Belgium
Punch Telematix Nederland B.V.	Houtschelf 1, 3371 Hardinxveld-Giessendam, The Netherlands
Punch Telematix France SAS	90 Avenue des Champs Elysees, 75008 Paris, France

All international facilities are rented.

Punch Telematix is considering the relocation of its premises. At the end of 2006 the Dutch office will be moved to a more appropriate and cheaper office in Sliedrecht. This will result in a reduction of the yearly rent from approximately €300,000 to approximately €70,000. Punch Telematix also considers moving the French office, which could result in a reduction of the yearly rent from approximately €108,000 to approximately €40,000.

5.15. Legal proceedings

There are currently no material legal proceedings involving the Company as defendant.

Punch Telematix France SAS is involved as defendant in legal proceedings brought by the company Bremany Lease in relation to the termination of a lease agreement whereby the claimant has requested payment of damages in the amount of approximately €330,000. In this case, Punch Telematix France has been convicted on 26 July 2006 in summary proceedings to pay a provision of €220,000, payable in monthly instalments of €20,000. Punch Telematix France SAS is further involved as claimant in a claim against the company Nomadic whereby Punch Telematix France SAS claims damages in the amount of €600,000 for breach and termination of a supply agreement concluded between Nomadic and Punch Telematix France SAS. The defendant in this case (Nomadic) has filed a counterclaim for an amount of approximately €65,000. Six former employees of Punch Telematix France SAS have initiated a claim against Punch Telematix France SAS for alleged wrongful dismissal, with individual claims ranging from €9,500 to €40,000. Punch Telematix France SAS is also involved as defendant in a claim for wrongful performance of a commercial agreement, whereby the claimant claims an initial amount €12,000. After consultation with external legal advisors it was decided not to book provisions with regard to these claims.

Alturion NV has brought a claim against Mitac Benelux NV, MIO International Limited and Mitac International Corporation on 6 June 2006 before the commercial court of Brussels whereby it claims damages from the defendants for breach of contract. Alturion NV is claiming an amount of €2,750,000 for loss of profits and other damages suffered, including copyright infringement. To support its copyright infringement claim, Alturion NV has filed a request with the president of the Commercial Court for a descriptive seizure to be executed on the software currently used by Mitac Benelux NV. This request has been granted on 27 September 2006. Although Alturion NV believes there is no ground for a counterclaim, it cannot be excluded that the defendants in this case will launch a counterclaim against Alturion NV.

The other members of the Group are not involved in material legal proceedings at the date of this Prospectus.

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

The following discussions and analysis should be read in conjunction with (i) the Section entitled "Selected key financials" and (ii) the Company's audited consolidated financial statements, including the notes to those financial statements, included in this Prospectus. Certain statements in this Section are "forward-looking" statements and should be read in conjunction with the disclaimer "forward-looking information". Punch Telematix' consolidated financial statements have been prepared in accordance with IFRS.

6.1. Overview

The Punch International Group has been active in the telematics industry since 1998 (see also Section 5.4). It originally manufactured track and trace devices using the paging networks as a communication medium. The advent of new communication technologies and the increased need for mobile resources management inspired the Group, as from 2003, to acquire a number of companies, that were leading in a specific technology or vertical market segment of the telematics space.

The history of a buy and build strategy is an essential characteristic of Punch Telematix. Based on the complementary profile of the acquired companies and the successful integration over the course of 2005 and 2006, Punch Telematix was able to define a differentiating strategy.

It is Punch Telematix' aim to become a pan-European service provider offering a complete range of total solutions to all segments of the market for remote resource and asset management. By offering total solutions in a service provider model, Punch Telematix will generate more recurring revenues. The strategy foresees in geographical expansion, thus spreading R&D-expenditures and other fixed operational costs over a significant higher sales volume. The Group wants to be at least a top three player in every geographical market where it is present.

Strategy: standard products, recurring income, geographical expansion

Whereas before mid 2005 Punch Telematix was principally a hardware telematics-applications supplier that also sold some customized software, it is since then been developing into a "total solutions" provider generating recurring income by selling "airtime" and standard software "back office-applications" (that can however be customized to specific needs of the customer by third party integrators). The strategy is centered on (i) standardization of its product portfolio, (ii) geographical expansion and (iii) creation of an installed base with recurring income (airtime and software). This strategy also enables the Group to significantly decrease its selling prices and thus lowering the entry barrier for its customers substantially. Selling prices of the key products are expected to decrease with 10% on a yearly basis in the years to come. The loss of income incurred by these price-decreases is expected to be more than compensated by the volume increase of sold products.

The Group owns a complete product portfolio and technology that has been developed over the last years. The cost of R&D for this portfolio compared to the potential sales within the Belgian market was however much too high. The strategy now foresees in geographical expansion, primarily within Europe where this existing technology and

portfolio can be easily technically adapted for use within each specific market at a minimal cost. In the second half of 2005 the Group started with its expansion plans:

- In October 2005 the group acquired ICS (now Punch Telematix Nederland), a telematics company based in the Netherlands and a top three player in the Dutch telematics market. The company had its own product portfolio and R&D department. After thorough restructuring, which amounted to €1.5 million, it has become a sales office selling the standard Punch Telematix product portfolio;
- In January 2006 the Group acquired 80% of Atimis (now Punch Telematix France), a France based telematics company established in 2004. The remaining 20% was acquired in September 2006; and
- The Group has planned an expansion in at least 1 other European country in 2006 / beginning 2007.

The Group is currently still in process of realising synergies among the acquired companies: R&D-, purchase- & finance functions for all entities are being centralized in the Wervik headquarters, standard centralized ERP-software (SAP) is being implemented, etc.

The effects of this new approach on R&D expenses can already be measured: although R&D expenses are increasing in terms of nominal amounts, relative R&D expenses (compared to sales) dropped from 28% in 2004 to 16% in 2005 and are expected to be below 10% in 2006.

6.2. Sources of revenues

Punch Telematix has generated and intends to generate revenues from:

- the sale, renting out or repair & maintenance of hardware devices with embedded software components;
- the provision of wireless communication services (recurring revenues);
- the provision of back-office services (recurring revenues);
- the sale of navigation software from its Alturion subsidiary to third parties.

Revenue from sales of hardware devices, in a bundle sale or otherwise, and of software is recognized when delivery has taken place and the transfer of risks and rewards has been completed. Revenue from rendering communication and back-office services is recognized over the time of the contract.

Recurring revenues are defined as revenues that result from a long-term service contract (typically around 3 years) with the customer and not from a one-off sale. Up to the financial year 2005, the contribution of the two sources of recurring revenues was still limited. In line with the strategy, recurring revenues increased already in 2006 but were still less than €1 million. Going forward, the Group expects the recurring revenues to increase as described in Section 6.7.2. Revenues from the sale of navigation software in the first semester of 2006 contributed approximately €1 million.

Up to and including the first half of 2006, Punch Telematix also generated revenues from:

- the renting out of a building it leased in Ieper. This leasing contract has been taken over by Punch International NV on 30 June 2006, therefore these revenues (€600,000 on an annual basis) will not continue into the future. However financial costs (€77,000), salaries (€98,000) and maintenance and energy costs (€200,000) are also transferred to Punch International NV. Additionally depreciation will decrease with €180,000;
- the sale of wage calculation software offered as an add on to the former ICS product portfolio. In 2005 these sales represented approximately €450,000; and
- its Reflex activities (the paging business in the United States), which was sold to a third party on 30 June 2006. These activities were responsible for most of the revenues in 2004 and a substantial part in 2005. The absolute level of revenues from these activities has been declining. In the first semester of 2006, revenues of the Reflex activities still amounted to approximately €1 million.

6.3. Factors affecting results of operations

Punch Telematix believes the most important factors that affect its operations are:

- Market growth: the Group's sales plan is based on several forward looking market research reports that show significant differences in future growth;
- Group's organization: the Group will constantly have to streamline its organization in line with the eventual realized sales volumes;
- Timing of geographical expansion: with the focus primarily on geographical growth, timely execution of this expansion is essential in order to deliver the forecasted growth. Delays in this expansion will have impacts on forecasted results;
- Integration of new acquisitions: significant cost-savings are budgeted following acquisitions. If the integration and/or restructuring is delayed this could have a significant impact on a specific reporting period; and
- Competition: at present no real market leaders are present and the European market is very fragmented. If a sudden change in this situation should occur (for example due to a significant entry of a number of large multinational players) the Group could have to adapt its strategy to the new market conditions.

6.4. Income statement

The tables below set out selected information for the Group in accordance with IFRS, which has been extracted from the accountants' report:

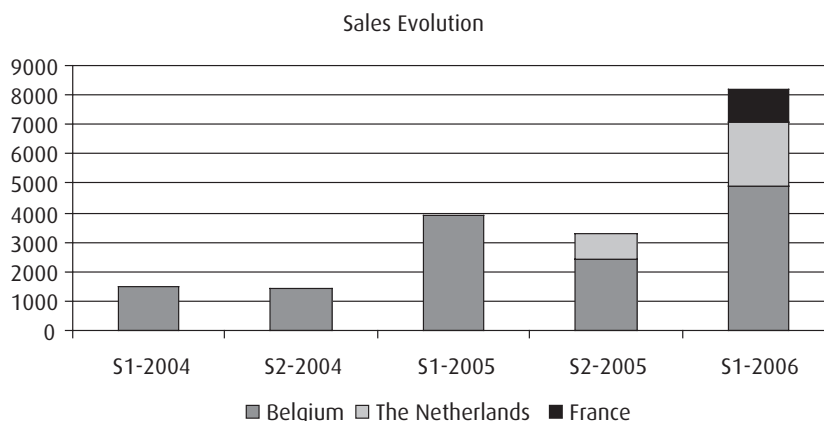
Key financial figures in 1,000 € (IFRS)	S1-2004 Unaudited	S2-2004 Unaudited	2004 Full year Audited	S1-2005 Audited	S2-2005 Unaudited	2005 Full year Audited	S1-2006 Audited
Sales	1,479	1,377	2,856	3,895	3,274	7,170	8,258
EBITDA	(692)	(80)	(772)	577	(879)	(302)	(819)
Operating result	(2,134)	(1,531)	(3,665)	(4,040)	(5,393)	(9,433)	(88)
Result before tax	(1,929)	(2,168)	(4,097)	(3,886)	(6,342)	(10,228)	(485)
Net result	(1,929)	(2,168)	(4,097)	(3,886)	(2,734)	(6,619)	(305)
Significant one-off elements							
Goodwill impairment	(1,047)	(1,047)	(2,095)	(4,000)	(2,500)	(6,500)	-
Deferred tax	-	-	-	-	3,611	3,611	270
Net result without one-offs	(881)	(1,121)	(2,002)	114	(3,845)	(3,730)	(575)

EBITDA: is not a defined term according to IFRS. Punch Telematix defines this term as earnings before interest and taxes, plus depreciation, amortisation, impairment and provisions booked, minus any potential reductions of these items.

6.4.1. Sales

Sales - geographical in 1,000 € (IFRS)	S1-2004 Unaudited	S2-2004 Unaudited	2004 Full year Audited	S1-2005 Audited	S2-2005 Unaudited	2005 Full year Audited	S1-2006 Audited
Belgium	1,479	1,377	2,856	3,895	2,356	6,251	4,880
The Netherlands	-	-	-	-	918	918	2,264
France	-	-	-	-	-	-	1,115
Net Sales	1,479	1,377	2,856	3,895	3,274	7,170	8,258
<i>Growth compared to same period previous year</i>				163%	138%	151%	112%

During the last three semesters, the Group succeeded in realizing the substantial sales growth as foreseen in her business plan. Sales have doubled compared to the same period of the previous year. The Group believes that after further streamlining its organization it should be able to continue to grasp the opportunities in this strongly growing market. The geographical expansion is also on track: during the first semester of 2006, already 41% of total sales were realized outside Belgium. As Punch Telematix has only started to offer bundled solutions as from 2006, the recurring revenues for this year are still below €1 million (See also Section 6.7.2).



6.4.2. Operating losses

Operating result - geographical in 1,000 € (IFRS)	S1-2004 Unaudited	S2-2004 Unaudited	2004 Full year Audited	S1-2005 Audited	S2-2005 Unaudited	2005 Full year Audited	S1-2006 Audited
Belgium	(2,134)	(1,531)	(3,665)	(4,040)	(1,333)	(5,373)	363
goodwill impairment	1,047	1,047	2,095	4,000	2,500	6,500	-
Belgium without GW-impairment	(1,087)	(483)	(1,570)	(40)	1,167	1,127	363
The Netherlands	-	-	-	-	(4,061)	(4,061)	1,377
France	-	-	-	-	-	-	(1,828)
Operating result	(2,134)	(1,531)	(3,665)	(4,040)	(5,393)	(9,433)	(88)
<i>Growth compared to same period previous year</i>				(89%)	(252%)	(157%)	98%
Operating result without GW- impairment	(1,087)	(483)	(1,570)	(40)	(2,893)	(2,933)	(88)
<i>Growth compared to same period previous year</i>				96%	(498%)	(87%)	(118%)

When analysing the evolution of the operating result, abstraction should be made of the goodwill impairment that are all related to the paging business which today is no longer part of the Group's activities.

The operating results excluding those impairments have improved significantly with the total Group almost creating a turnaround and thus showing a near break-even operating result over the first semester of 2006. This positive evolution is principally due to:

- the overall telematics-market gradually showing a positive evolution and becoming more mature;
- the refocusing of Punch Telematix towards a standardized product portfolio; and
- the geographical expansion which allows Punch Telematix to spread the overhead costs over higher revenues.

The above table clearly shows that the operations in Belgium and the Netherlands have realized a turnaround and have become profitable.

The operations in France are still loss-making mainly due to the fact that:

- the reorganization of the French entity is still ongoing and cost-savings from synergies on hardware and airtime will be only in place as from the beginning of September 2006; and
- Punch Telematix France is a relatively new company (founded in 2004), its client portfolio is smaller and therefore, compared to Belgium and the Netherlands, more effort has to be put into gaining market share.

6.4.3. Net Result

Net result - geographical	S1-2004	S2-2004	2004 Full	S1-2005	S2-2005	2005 Full	S1-2006
in 1,000 €			year			year	
(IFRS)	Unaudited	Unaudited	Audited	Audited	Unaudited	Audited	Audited
Belgium	(1,929)	(2,168)	(4,097)	(3,886)	1,323	(2,562)	156
goodwill impairment	1,047	1,047	2,095	4,000	2,500	6,500	-
Deferred taxation	-	-	-	-	(3,611)	(3,611)	(270)
Belgium without GW impairment & DTA	(881)	(1,121)	(2,002)	114	213	327	(114)
The Netherlands	-	-	-	-	(4,057)	(4,057)	1,368
France	-	-	-	-	-	-	(1,829)
Net Result	(1,929)	(2,168)	(4,097)	(3,886)	(2,734)	(6,619)	(305)
<i>Growth compared to same period previous year</i>				(101%)	(26%)	(62%)	92%
Net result without GW-impairment & DTA	(881)	(1,121)	(2,002)	114	(3,845)	(3,730)	(575)
<i>Growth compared to same period previous year</i>				113%	(243%)	(86%)	603%

Net result is also improving significantly and over the first half year of 2006 a turnaround was nearly realized. For the full year 2006 this turnaround on net result is expected.

When analysing the evolution of net result, goodwill impairment and the booking of deferred tax assets have to be taken into account. The above table gives a clear overview of these impacts.

6.5. Balance Sheet

Balance sheet in 1,000 € (IFRS)	30-06-2004 Unaudited	31-12-2004 Audited	30-06-2005 Unaudited	31-12-2005 Audited	30-06-2006 Audited
Non current assets	18,674	18,252	15,158	19,834	22,578
Cash	(36)	125	(82)	528	337
Other current assets	3,046	2,081	3,596	7,449	10,850
Total Assets	21,684	20,458	18,671	27,811	33,765
Total equity	12,176	10,008	6,122	3,388	20,981
Provisions	-	-	-	1,500	677
Financial debts	2,650	2,130	2,126	3,243	10
Other debts	6,858	8,321	10,423	19,680	12,097
Total liabilities	21,684	20,458	18,671	27,811	33,765
Net financial debt	2,686	2,005	2,208	2,715	(176)
Net financial debt / Equity	22%	20%	36%	80%	(1%)
Solvency (Equity / Total assets)	56%	49%	33%	12%	62%

Net financial debt = long and short term financial debt minus liquid assets

When revising the strategy it also became clear that in order to be able to execute the planned expansion strategy Punch Telematix would have to improve its balance sheet structure. In June of 2006 the Punch International Group, the reference shareholder of the Group increased the capital, by incorporation of outstanding debts, with €17.8 million.

In April 2006, Punch Telematix sold the MDRS wage calculation software package that was part of ICS. This package used to be offered as an add on to the former ICS product portfolio and contributed approximately €450,000 to the 2005 revenues.

On 30 June 2006, Punch Telematix sold the assets relating to the Reflex activities (i.e. paging business in the US) to a third party at book value (i.e. no impact on the profit and loss statement, no goodwill impact). These assets comprised manufacturing and testing equipment, the brand name, the domain name and the client base. No employees were part of the transfer. As a result, IFRS5 was not applied.

Also on 30 June 2006, Punch Telematix transferred to Punch International NV the 15-year lease agreement with Fortis Lease NV with respect to a building in Ieper which is rented out to a third party. Therefore, this building (book value of €3.2 million) and the related lease obligation (amounting to €3.2 million) are no longer recognised on the balance sheet at 30 June 2006.

Because of these transactions Punch Telematix is virtually free of financial debt and has a healthy balance sheet structure with a solvency ratio of 62%.

As a result of various current account transactions, on 30 June 2006 Punch Telematix had a net debt position of €560,000 vis-à-vis other entities of the Punch International Group. It is Punch Telematix' intention to eliminate the remaining inter-company positions on the balance sheet, other than those resulting from the ordinary course of business and from the €2 million financing provided by Punch International NV for the payment of the earn-out for the acquisition of Punch Telematix Nederland B.V. (see Section 6.6), by the end of 2006 by settling the remaining net debt.

6.6. Capital expenditures

Capital expenditures in 1,000 €	31/12/2004 Audited	31/12/2005 Audited	30/06/2006 Audited
Intangible assets	1,739	1,873	600
- of which R&D internally developed	805	1,156	532
- of which acquired through third parties	934	717	68
Land & buildings	355	1	-
Other tangibles	179	258	137
Total investments	2,273	2,132	737
Belgium	2,273	2,132	737
The Netherlands	-	-	-
France	-	-	-
Total investments	2,273	2,132	737

Capital expenditures over the last 2.5 years are shown in the table above. Principal investments relate to R&D expenditures and software licenses for the new product line that has recently been launched on the market. Investments in Other tangibles relate primarily to office equipment and vehicles.

Overview of acquisition prices and goodwill of acquired companies

in 1,000 €	2004	2005¹	2006²
Purchase price	-	6,358	1,910
Goodwill	-	5,782 ³	2,979 ⁴

¹ Wevada NV and Punch Telematix Nederland B.V. (former ICS B.V.).

² Punch Telematix France SAS (Atimis SAS) and Alturion NV.

³ Goodwill already includes an earn-out amount of €2 million for the acquisition of Punch Telematix Nederland payable to PON Holdings.

⁴ Goodwill does not yet include the possible earn-out to the former owners of Alturion NV.

Overview of earn-outs

- Punch Telematix Nederland B.V. (formerly ICS B.V.): the acquisition contract of October 2005 provides for a minimum earn-out payment of €2 million. This amount has been booked as a payable in the accounts of Punch Telematix. As per 20 October 2006, an agreement has been reached with PON Holdings with regard to the settlement of the earn-out for a total amount of €3.16 million. Punch International NV has agreed to finance the difference between this settlement amount and the booked amount of €2 million by subscribing to a capital increase for an amount of €1.16 million at the Offer Price. Punch International NV has furthermore agreed to provide a loan for up to 24 months to the Company for the remaining €2 million through the relationship agreement described in Section 4.9.;
- Alturion NV: the acquisition contracts of March 2006 with respect to the shares held by 3 of the former owners of Alturion NV, contain an earn-out formula. In aggregate, the earn-out amount will equal three times the 2006 EBIT figure, minus €1.0 million. The maximum additional earn-out payable pursuant to this provision is limited to €4.5 million. On the basis of the current estimates, Punch Telematix believes the total earn-out will amount to approximately €1.1 million. The earn-out amount will be payable at the occasion of the annual shareholders' meeting of Alturion NV resolving on the annual accounts for the financial year 2006. In order to make sure that the net proceeds of the Offering will be entirely available for the use of proceeds of the Offering as described in Section 2.2.3, Punch International NV has agreed to grant to the Company a loan for up to 24 months to cover any payments under this earn-out.

6.7. Outlook

6.7.1. Outlook for 2006

- Punch Telematix' objective for 2006 is to reach total revenues of €18 million;
- In the second part of 2006, Punch Telematix strives to convert as much as possible of the installed base in the truck & transport market to its' solution bundles generating recurrent revenues for the Group. In that perspective, obsolete hardware systems from the acquisition of ICS will be stopped. Existing customers will have the opportunity to upgrade their solution (from offline to real time) at an attractive price;
- Beside the upsales activities, Punch Telematix puts a lot of effort in the packaging of its mainstream solutions for specific vertical markets such as the fuel-sector, off-road machinery, construction companies etc. By doing this, Punch Telematix aims at becoming market leader in the field services and fleet & asset management market. A first result of this vertical market approach is the invitation of the Bouwunie (Belgian confederation of construction companies) to demonstrate, together with Proximus, the solutions offered in the area of security (avoiding equipment stolen on the wharf) and construction companies' specific challenges (such as CBA, CO₂ taxes etc);
- by the end of 2006, Punch Telematix strives to expand its footprint to another key geographical market in Europe, such as Germany, the UK or Spain.

6.7.2. Outlook for 2007 and beyond

In 2007 and beyond, Punch Telematix expects to increase its revenues by:

- Speeding up the development of the local market segments in which it is already present. In that perspective the distribution strategy will be key in the next coming years:
 - Close relationships with integrators or value added resellers for embedding the Group's mainstream solutions; and
 - Tight partnerships with distributors and/or mobile operators for the 'off-the-shelf' sales of the Group's portable solutions;
- Ensuring scalability of its service provider architecture as to support rapid geographical expansion; and
- Assessment of acquisition files which can provide Punch Telematix substantial growth in volume of units (upgradeable to the Group's solution bundles) or quick market access.

Punch Telematix also believes that by focussing on the execution of the strategy outlined above, it should be able to increase its revenues by approximately 50% in the fiscal year 2007, while maintaining the gross margin around the 2006 level. With the increased sales of bundled solutions, Punch Telematix aims to increase the share of recurring revenues to 15% of total revenues in the medium and 25% or above in the long term.

Punch Telematix also expects that the further development of the service provider architecture will represent the largest part of the capital expenditures with a yearly investment of between €1 million and €1.5 million.

7. FINANCIAL INFORMATION

7.1. Consolidated accounts 2004 – 2005 and 30 June 2006 prepared in accordance with IFRS

The consolidated financial statements of the Company for the years ending 31 December 2005, 31 December 2004 and as of 30 June 2006 comprise the Company and its subsidiaries, and form the Group.

These consolidated financial statements have been approved by the board of directors.

7.1.1. Consolidated income statement – End of year

Punch Telematix Consolidated in 1,000 €	Note	31/12/2004 Audited IFRS	31/12/2005 Audited IFRS
Sales	3	2,856	7,170
Other Operating Income	4	1,619	1,365
TOTAL REVENUES		4,475	8,535
Change in inventories	5	871	559
Cost of goods & services sold	5	(2,457)	(3,374)
Salaries & employee benefits	6	(1,584)	(1,974)
Depreciation, amortisation & impairment	7	(2,893)	(7,594)
Impairment losses on current assets	8	-	(37)
Other operating charges	9	(2,078)	(5,547)
TOTAL OPERATING EXPENSES		8,140	17,968
OPERATING RESULT		(3,665)	(9,433)
Finance Income / (Cost)	10	(432)	(794)
RESULT BEFORE TAX		(4,097)	(10,228)
Taxes	11	-	3,608
NET RESULT		(4,097)	(6,619)
Net result - Equity interest		(4,097)	(6,619)
Net result - Minority interest		-	-
EBITDA		(772)	(302)
Weighted average number of shares		3,303,417	3,303,417
Earnings per share - basic & diluted	13	(1.24)	(2.00)
Earnings per share taking into account the 4:1 reverse stock split - basic and diluted		(4.96)	(8.00)

EBITDA: is a not defined term according to IFRS. Punch defines this term as earnings before interest and taxes, plus depreciation, amortisation, impairment and provisions booked, minus any potential reductions of those items.

7.1.2. Consolidated income statement – Semestrial

Punch Telematix Consolidated in 1,000 €	Note	30/06/2004 Unaudited IFRS	30/06/2005 Audited IFRS	30/06/2006 Audited IFRS
Sales	3	1,479	3,895	8,258
Other Operating Income	4	514	1,180	961
TOTAL REVENUES		1,994	5,075	9,219
Change in inventories	5	274	(154)	314
Cost of goods & services sold	5	(1,291)	(1,224)	(3,573)
Salaries & employee benefits	6	(808)	(251)	(3,112)
Depreciation, amortisation & impairment	7	(1,442)	(4,463)	(669)
Impairment losses on current assets	8	-	(154)	337
Other operating charges	9	(860)	(2,868)	(2,604)
TOTAL OPERATING EXPENSES		4,128	9,116	9,307
OPERATING RESULT		(2,134)	(4,040)	(88)
Finance Income / (Cost)	10	205	155	(398)
RESULT BEFORE TAX		(1,929)	(3,886)	(485)
Taxes	11	-	-	180
NET RESULT		(1,929)	(3,886)	(305)
Net result - Equity interest		(1,929)	(3,886)	61
Net result - Minority interest		-	-	(366)
EBITDA		(692)	577	(819)
Weighted average number of shares	13	3,303,417	3,303,417	10,582,383
Earnings per share - basic & diluted		(0.58)	(1.18)	(0.03)
Earnings per share taking into account the 4:1 reverse stock split - basic and diluted		(2.32)	(4.72)	(0.12)

EBITDA: is a not defined term according to IFRS. Punch defines this term as earnings before interest and taxes, plus depreciation, amortisation, impairment and provisions booked, minus any potential reductions of those items.

7.1.3. Consolidated Balance sheet – End of year

Punch Telematix Consolidated in 1,000 €	Note	31/12/2003 Audited IFRS	31/12/2004 Audited IFRS	31/12/2005 Audited IFRS
Non Current Assets		18,871	18,252	19,834
Intangible Assets	14	15,229	14,583	12,499
PPE: Property, Plant & Equipment	15	3,608	3,634	3,710
Receivables (non current)	16	34	34	31
Deferred Tax Assets	11	-	-	3,595
Current Assets		3,074	2,206	7,977
Inventories	17	621	658	2,415
Contracts in progress	17	-	-	81
Trade debtors	18	2,322	965	3,790
Other amounts receivable	18	88	432	1,163
Deferred charges and accruals		32	26	-
Cash and cash equivalents		10	125	528
TOTAL ASSETS		21,944	20,458	27,811
Shareholders Equity		14,104	10,008	3,388
Ordinary Shares	19	8,123	8,123	8,123
Consolidated Reserves		13,012	5,982	1,885
Result of the Year		(7,031)	(4,097)	(6,619)
Minority Interests	20	-	-	-
Total equity		14,104	10,008	3,388
Non Current Liabilities		2,178	5,178	6,673
Interest bearing loans & borrowings (non current)	22	2,131	1,931	1,723
Deferred Tax Liabilities	11	16	16	-
Provisions - non current	21	-	-	1,500
Other Liabilities	23	31	3,231	3,450
Current Liabilities		5,662	5,272	17,751
Trade payables	24	1,129	676	2,368
Other current payables	24	3,573	4,376	13,612
Current tax Liabilities		21	21	212
Borrowings	22	939	199	1,520
Financial instruments	25	-	-	38
TOTAL LIABILITIES AND EQUITY		21,944	20,458	27,811
Net Financial Debt		3,060	2,005	2,715
Net Financial Debt / Total Equity		0.22	0.20	0.80
Total equity / Total Assets		64%	49%	12%

Net financial debt = long- and short- term financial debts - liquid assets

7.1.4. Consolidated Balance sheet – Semestrial

Punch Telematix Consolidated in 1,000 €	Note	30/06/2004 Unaudited IFRS	30/06/2005 Audited IFRS	30/06/2006 Audited IFRS
Non Current Assets		18,674	15,158	22,578
Intangible Assets	14	14,936	11,595	18,017
PPE: Property, Plant & Equipment	15	3,704	3,549	408
Receivables (non current)	16	34	14	288
Deferred Tax Assets	11	-	-	3,865
Current Assets		3,010	3,514	11,187
Inventories	17	1,100	679	1,555
Contracts in progress	17	-	-	-
Trade debtors	18	1,638	2,134	7,311
Other amounts receivable	18	283	755	1,635
Deferred charges and accruals		24	28	349
Cash and cash equivalents		(36)	(82)	337
TOTAL ASSETS		21,684	18,671	33,765
Shareholders Equity		12,176	6,122	21,347
Ordinary Shares	19	8,123	8,123	15,000
Consolidated Reserves		5,982	1,885	6,286
Result of the Year		(1,929)	(3,886)	61
Minority Interests	20	-	-	(366)
Total equity		12,176	6,122	20,981
Non Current Liabilities		2,178	5,326	687
Interest bearing loans & borrowings (non current)	22	2,131	1,829	-
Deferred Tax Liabilities	11	16	16	-
Provisions - non current	21	-	-	677
Other Liabilities	23	31	3,481	10
Current Liabilities		7,330	7,223	12,097
Trade payables	24	1,121	1,589	4,921
Other current payables	24	5,689	5,220	6,471
Current tax Liabilities		1	118	545
Borrowings	22	519	297	161
Financial instruments	25	-	-	-
TOTAL LIABILITIES AND EQUITY		21,684	18,671	33,765
Net Financial Debt		2,686	2,208	(176)
Net Financial Debt / Total Equity		0.22	0.36	(0.01)
Total equity / Total Assets		56%	33%	62%

Net financial debt = long- and short- term financial debts - liquid assets

7.1.5. Consolidated cash flow statement – End of year

Punch Telematix Consolidated in 1,000 €	31/12/2004 Audited IFRS	31/12/2005 Audited IFRS
Cash flow from operating activities		
Result before tax	(4,097)	(10,228)
Adjustments for:		
Depreciations, amortisations & impairment	2,893	7,632
Provisions	-	1,500
Derivatives		38
Subtotal	(1,204)	(1,059)
Movement trade & other receivables	1,019	(3,567)
Movement inventories	(37)	(1,838)
Movement trade & other payables	3,550	5,651
Other movements (related to acquisition of new participations)		2,905
Cash generated from operations	3,328	2,092
Income taxes	1	-
Net cash from operating activities	3,329	2,092
Cash flow from investing activities		
Acquisitions	(2,273)	(8,490)
- non current assets other than financial	(2,273)	(2,132)
- participations		(6,358)
Net cash from investing activities	(2,273)	(8,490)
Cash flow from financing activities		
New Loans	-	1,322
Loan repayments	(941)	(208)
Financing from Punch International NV		5,687
Net cash flow from financing activities	(941)	6,801
Net cash flow	115	403
Cash & cash equivalents		
Cash and cash equivalent at beginning of period	10	125
Cash and cash equivalent at end of period	125	528
Net Cash flow	115	403

7.1.6. Consolidated cash flow statement – Semestrial

Punch Telematix Consolidated in 1,000 €	30/06/2004 Unaudited IFRS	30/06/2005 Audited IFRS	30/06/2006 Audited IFRS
Cash flow from operating activities			
Result before tax	(1,929)	(3,886)	(485)
Adjustments for:			
Depreciations, amortisations & impairment	1,442	4,618	332
Provisions	-	-	(1,064)
Derivatives			(38)
Subtotal	(486)	732	(1,255)
Movement trade & other receivables	497	(1,627)	(4,260)
Movement inventories	(479)	(22)	941
Movement trade & other payables	2,088	2,103	8,292
Other movements (related to acquisition of new participations)		(639)	(3,249)
Cash generated from operations	1,619	547	468
Income taxes	-	-	-
Net cash from operating activities	1,619	547	468
Cash flow from investing activities			
Acquisitions	(1,245)	(750)	(2,647)
- non current assets other than financial	(1,245)	(749)	(737)
- participations		1	(1,910)
Sales	-	-	3,160
Net cash from investing activities	(1,245)	(750)	513
Cash flow from financing activities			
New Loans	-	97	-
Loan repayments	(420)	(101)	(3,082)
Financing from Punch International NV			1,910
Net cash flow from financing activities	(420)	(4)	(1,172)
Net cash flow	(46)	(207)	(191)
Cash & cash equivalents			
Cash and cash equivalent at beginning of period	10	125	528
Cash and cash equivalent at end of period	(36)	(82)	337
Net Cash flow	(46)	(207)	(191)

In June 2006 Punch International NV increased the capital of the Company by incorporation of debts for a total amount of €17.9 million. This is to be considered as a significant non-cash transaction.

7.1.7. Consolidated statement of changes in shareholders' equity

Punch Telematix Consolidated in 1,000 €	Ordinary Shares	Consolidated Reserves	Result of the Year	Shareholders equity
As per 31/12/2003	8,123	13,012	(7,031)	14,104
Transfer		(7,031)	7,031	
Result of the year			(4,097)	(4,097)
As per 31/12/2004	8,123	5,982	(4,097)	10,008
Transfer		(4,097)	4,097	
Result of the year			(6,619)	(6,619)
As per 31/12/2005	8,123	1,885	(6,619)	3,388
Transfer		(6,619)	6,619	
Result of the year			61	61
Capital increase	17,898			17,898
Incorporation of reserves	(11,021)	11,021		
As per 30/06/2006	15,000	6,286	61	21,346
Non distributable reserves: there are no reserves that can not be distributed				

7.1.8. Accounting policies

The principal accounting policies adopted when preparing these consolidated financial statements are set out below.

(a) Statement of compliance

The financial information has been prepared in accordance with those International Financial Reporting Standards and IFRIC interpretations in force as adopted within the EU.

(b) Basis of preparation

The financial information has been prepared under the historical cost convention.

The Operating Group should be read as the Company and its subsidiaries. The functional currency for the financial statements in the Prospectus is the EURO currency.

The Operating Group's companies maintain their books and records in the currency of and in compliance with statutory regulations of the countries in which they are incorporated and registered. Certain adjustments to the financial statements were recorded in order to present the consolidated financial statements in accordance with IFRS and to correct errors relating to the Relevant Period identified.

A summary of the more important accounting policies is set out below. The accounting principles have been applied consistently throughout the Relevant Period.

(c) Basis of combination

The financial statements have been prepared on a consolidated basis. Corporate entities meeting the definition of a subsidiary set out in IAS 27 'Consolidated and Separate Financial Statements' and being members of the Operating Group have been included in the consolidated financial statements from the date that control passed to the Punch International Group of companies and are excluded from the consolidated financial statements from the date that control ceases. Inter-company transactions and balances have been eliminated including unrealized profits and losses, except to the extent that unrealized losses cannot be recovered.

(d) Intangibles

Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognized in the income statement as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets to the extent that such expenditure is expected to generate future economic benefits and meets the recognition criteria set out in IAS 38 'Intangible Assets'. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as assets in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit. The amortization periods adopted do not exceed five years.

The capitalized development costs are assessed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Computer software development costs

Generally, costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the Operating Group that have probable economic benefits exceeding the cost beyond one year, are recognized as assets. Direct costs include staff costs of the software development team. Computer software costs that have been capitalized are amortized on a straight-line basis over the period of their expected useful lives, not exceeding a period of five years.

Other intangible assets

Expenditures on acquired patents, trademarks and licenses are capitalized and amortized using the straight-line method over their useful lives, but not exceeding 20 years.

(e) Impairment of fixed tangible assets and goodwill/intangible assets

Assets other than inventories, deferred tax assets, employee benefits and derivative financial instruments are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount (being the higher of its fair value less cost to sell and its value in use), an impairment loss is recognized in income. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the assets belong. Reversal of impairment losses recognized in prior years is recorded in income when there is an indication that the impairment losses recognized for the assets no longer exist or have decreased. As an exception, an impairment loss recognized for goodwill is not reversed in a subsequent period.

(f) Property, plant and equipment

Items of property, plant and equipment are stated at purchase price or production cost less accumulated depreciation and impairment losses.

Expenses for the improvement of property, plant and equipment are usually charged against income when incurred. They are, however, capitalized when they increase the future economic benefits expected to arise from the item of property, plant and equipment.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the item. Land is not depreciated.

Assets under construction represent plant and properties under construction and are stated at cost. This includes cost of construction, plant and equipment and other direct costs, including the related borrowing cost. Assets under construction are not depreciated until such time as the relevant assets are available for their intended use.

The estimated useful lives of the various identified asset categories are as follows:

Buildings	25 to 40 years
Equipment in buildings	10 years
Decoration of buildings	10 years
Production machines	8 years
Supporting material	8 years
ERP system	3 years
Office machinery	5 years
Office machinery hardware	5 years
Software	3-5 years
Furniture production department	5 years
Furniture offices	5 years
Vehicles production department	5 years
Other vehicles	3 years

The depreciation is calculated on a straight-line basis starting from the month of purchase.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable value.

(g) Government grants

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight line basis over the expected lives of the related assets.

(h) Investment properties

Investment property is included in property, plant and equipment.

(i) Leases

Where a company in the Operating Group is the lessee:

Finance leases

Leases of property, plant and equipment where a company in the Operating Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and the finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period. The leased assets are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. If there is no reasonable certainty that ownership will be acquired by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Operating leases

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

Where a company in the Operating Group is the lessor:

Finance leases

When assets are leased under a finance lease, the present value of the lease payment is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned financial income. Financial income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to the lessee) is recognized on a straight line basis over the lease term.

(j) Inventories

Inventories are valued at purchase price, following the “lower of cost or net realizable value” principle, fixed according to the weighted average cost method. Work in progress and finished goods are valued at direct production cost. The cost of production comprises the direct cost of materials, direct manufacturing expenses, appropriate allocation of material and manufacturing overhead, and an appropriate share of the depreciation and write-downs of assets used for production. If the purchase or production cost is higher than the net realizable value, inventories are written down to net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(k) Trade Receivables

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables.

Bad debts are written off to the income statement when identified.

(l) Taxation including deferred tax

Deferred income tax is provided in full using the balance sheet liability method, on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the tax bases.

Deferred taxes are not calculated on the following temporary differences:

- initial recognition of goodwill is not deductible for tax purposes; and
- the initial recognition of assets or liabilities that are not a business combination and affect neither accounting nor taxable profit.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Investments

Investments in subsidiaries

Control is presumed when the parent acquires more than half of the voting rights of the enterprise. Even when more than one half of the voting rights is not acquired, control may be evidenced by power:

- over more than one half of the voting rights by virtue of an agreement with other investors;
- or to govern the financial and operating policies of the other enterprise under a statute or an agreement;
- or to appoint or remove the majority of the members of the board of directors;
- or to cast the majority of votes at a meeting of the board of directors.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the group's interest in those associates are not recognized.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognized as goodwill. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit and loss in the period of acquisition.

Where a group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Interests in joint ventures

The Group's share of jointly controlled assets and any liabilities are consolidated using the equity method of accounting for investments in joint ventures.

(n) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, other short-term highly liquid investments, and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

(o) Discontinued operations

A discontinuing operation is a clearly distinguishable component of the Operating Group's business:

- that is disposed of or terminated pursuant to a single plan,
- that represents a major line of business or geographical area of operations; and
- that can be distinguished operationally and for financial reporting purposes.

(p) Share capital and share premium

External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

Dividends on ordinary shares are recognized in equity in the period in which they are declared.

Where the company or its subsidiaries purchase its own or its parent company's equity share capital, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from the total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(q) Provisions

Provisions are recognized when the Operating Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(r) Warranty

The Operating Group recognizes the estimated liability to repair or replace its products still under warranty at the balance sheet date. This provision is calculated based on the past history of the level of repairs and replacements or on basis of best estimates.

(s) Onerous contracts

The Operating Group recognizes a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

(t) Restructuring

Restructuring provisions mainly comprise lease termination penalties and employee termination payments, and are recognized in the period in which the Operating Group becomes legally or constructively committed to payment.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for restructuring;
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Costs relating to the ongoing activities of the Operating Group are not provided for in advance. Any fixed assets that are no longer required for their original use are transferred to current assets and carried at the lower of the carrying amount or the fair value less costs to sell.

(u) Borrowing costs and interest

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowing.

When borrowings are repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognized immediately in the income statement.

(v) Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Sales are recognized net of sales tax and discounts.

Revenue from sales of goods is recognized when delivery has taken place and the transfer of risks and rewards has been completed.

Revenue from rendering services is recognized by reference to the stage of completion when this can be measured by reference to labor hours incurred prior to the year-end as a percentage of total estimated labor hours for the contract. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

No revenue is recognized on barter transactions involving the exchange of similar goods and services.

Interest is recognized on a time proportion basis that reflects the effective yield of the asset.

Royalties are recognized on an accrual basis in accordance with the terms of agreements.

Dividends are recognized when the shareholders' right to receive payment is established.

(w) Employee benefit costs

Pension obligations

The Operating Group operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are held in separate trustee-administered funds or group insurances. The pension plans are funded by payments from employees and by the relevant companies in the Operating Group, taking into account the recommendations of independent qualified actuaries.

Benefit plans, pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of the employees based on actuarial calculations. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liabilities. Actuarial gains and losses are recognised over the average remaining service lives of employees. Net assets resulting from the over-funding of the pension obligations are recognised to the extent of the net present value of the future savings on the employer's contribution using the closed group method on the personnel at year-end. The Operating Group's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate. Pre-retirement pensions are treated as termination benefits. The costs are recognised when individuals agree to terminate their employment under these programs.

Other employees' benefits

The Operating Group's net obligation in respect of long-term employee benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate used is the yield at balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Operating Group's obligations.

Employee Compensation Benefits

All employees benefit payments were paid in cash and expensed to the profit and loss account.

7.1.9. Financial risk management

(a) Financial risk factors

The Operating Group entities seek to minimize potential adverse effects on the financial performance of their local business, however, fluctuations in market prices, foreign currency exchange rates on sales and purchases or inter-company loans are inherent risks in the performance of the business.

The Operating Group uses derivative financial instruments to hedge its exposure and interest rate risks arising from its operational, financing and investment activities. The net exposure is managed on a central basis in accordance with the principles laid down by general management. As a policy, the Operating Group does not engage in speculative or leveraged transactions, nor does it hold or issue financial instruments for trading purposes.

(b) Foreign exchange risk

Companies in the Operating Group might use forward contracts or other instruments, concluded with local banks to hedge their exposure to foreign currency risks in the local reporting currency.

Income statements of foreign entities are translated into the Operating Group's reporting currency at the weighted average exchange rates for the year and balance sheets are translated at the exchange rates ruling on closing date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as local currency assets and liabilities of the foreign entity and are translated at the closing date.

Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

(c) Interest rate risk

Interest rate risk is managed using derivative financial instruments to hedge its exposure to interest rate fluctuations.

(d) Credit risk

The Operating Group has no significant concentration of credit risks and has policies in place to monitor the credit risks on customers. For major projects the intervention of credit insurance companies or similar organizations is requested.

(e) Liquidity risk

Liquidity risk is linked to the evolution of the Operating Group's working capital. The Operating Group monitors the change in working capital through focused actions.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives will be governed by the Group's policies approved by the board of directors, which provides written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments that are designated and effective, as hedges of future cash flows will be recognized directly in equity and the ineffective portion will be recognized immediately in the

income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognized, the associated gains or losses on the derivative that had previously been recognized in equity will be included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity will be recognized in the income statement in the same period in which the hedged item affects net profit or loss.

For an effective hedge of an exposure to changes in the fair value, the hedged item will be adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss.

Gains or losses from re-measuring the derivative or for non-derivatives the foreign currency component of its carrying amount, will be recognized in profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting will be recognized in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized is equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts will be treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealized gains or losses reported in the income statement.

Fair value estimation

Fair value estimation is based on third parties estimations, when available. For hedging contracts fair value is the mark to market value.

7.1.10. Notes to the consolidated financial statements

1. Fully consolidated investments

1.1 Changes to the consolidation perimeter

- Wevada NV: acquired in May 2005
- ICS B.V.: October 2005
- Punch Telematix France SAS: January 2006
- Alturion NV: March 2006, but consolidated as from January 2006

1.2 Overview of the consolidation perimeter

Company	Country	31-12- 2003	30-06- 2004	31-12- 2004	30-06- 2005	31-12- 2005	30-06- 2006
Punch Telematix NV	Belgium	100%	100%	100%	100%	100%	100%
Acunia international NV	Belgium	100%	100%	100%	100%	100%	100%
Wevada NV	Belgium				100%	100%	100%
ICS Benelux NV	Belgium					100%	100%
Alturion NV	Belgium						100%
Punch Telematix Nederland B.V.	The Netherlands					100%	100%
Punch Telematix France SAS	France						80%

2. Geographical segment information

Consolidation	30/06/2004	30/06/2005	30/06/2006	30/06/2004	30/06/2005	30/06/2006
in 1,000 €	Unaudited	Audited	Audited	Unaudited	Audited	Audited
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Sales	1,479	3,895	8,258	1,479	3,895	4,880
Other Operating Income	514	1,180	961	514	1,180	955
TOTAL REVENUES	1,994	5,075	9,219	1,994	5,075	5,834
Change in inventories	274	(154)	314	274	(154)	802
Cost of goods & services sold	(1,291)	(1,224)	(3,573)	(1,291)	(1,224)	(2,777)
Salaries & employee benefits	(808)	(251)	(3,112)	(808)	(251)	(1,062)
Depreciation, amortisation & impairment	(1,442)	(4,463)	(669)	(1,442)	(4,463)	(601)
Impairment losses on current assets		(154)	337		(154)	337
Other operating charges	(860)	(2,868)	(2,604)	(860)	(2,868)	(2,171)
TOTAL OPERATING EXPENSES	4,128	9,116	9,307	4,128	9,116	5,472
OPERATING RESULT	(2,134)	(4,040)	(88)	(2,134)	(4,040)	363
Finance Income / (Cost)	205	155	(398)	205	155	(386)
RESULT BEFORE TAX	(1,929)	(3,886)	(485)	(1,929)	(3,886)	(23)
Taxes	-		180	-		180
NET RESULT	(1,929)	(3,886)	(305)	(1,929)	(3,886)	156
Net result - Equity interest	(1,929)	(3,886)	61	(1,929)	(3,886)	156
Net result - Minority interest			(366)			
EBITDA	(692)	577	(819)	(692)	577	627
Non Current Assets	18,674	15,158	22,578	18,674	15,158	15,605
Intangible Assets	14,936	11,595	18,017	14,936	11,595	11,315
PPE: Property, Plant & Equipment	3,704	3,549	408	3,704	3,549	208
Receivables (non current)	34	14	288	34	14	218
Deferred Tax Assets			3,865			3,865
Current Assets	3,010	3,514	11,187	3,010	3,514	15,807
Inventories	1,100	679	1,555	1,100	679	1,218
Contracts in progress						
Trade debtors	1,638	2,134	7,311	1,638	2,134	5,518
Other amounts receivable	283	755	1,635	283	755	8,688
Deferred charges and accruals	24	28	349	24	28	115
Cash and cash equivalents	(36)	(82)	337	(36)	(82)	269
Assets held for sale						
TOTAL ASSETS	21,684	18,671	33,765	21,684	18,671	31,412
Shareholders Equity	12,176	6,122	21,346	12,176	6,122	23,083
Ordinary Shares	8,123	8,123	15,000	8,123	8,123	15,000
Consolidated Reserves	5,982	1,885	6,286	5,982	1,885	7,926
Result of the Year	(1,929)	(3,886)	61	(1,929)	(3,886)	156
Minority Interests			(366)			
Total equity	12,176	6,122	20,980	12,176	6,122	23,083
Non Current Liabilities	2,178	5,326	687	2,178	5,326	10
Interest bearing loans & borrowings (non current)	2,131	1,829		2,131	1,829	
Deferred Tax Liabilities	16	16		16	16	
Provisions - non current			677			
Other Liabilities	31	3,481	10	31	3,481	10
Current Liabilities	7,330	7,223	12,097	7,330	7,223	8,319
Trade payables	1,121	1,589	4,921	1,121	1,589	3,268
Other current payables	5,689	5,220	6,471	5,689	5,220	4,624
Current tax Liabilities	1	118	545	1	118	415
Borrowings	519	297	161	519	297	13
Financial instruments						
TOTAL LIABILITIES AND EQUITY	21,684	18,671	33,765	21,684	18,671	31,412
Net Financial Debt	2,686	2,208	(176)			
Net Financial Debt / Total equity	0.22	0.36	(0.01)			
Equity / Total Assets	56%	33%	62%			

Consolidation	30/06/2004	30/06/2005	30/06/2006	30/06/2004	30/06/2005	30/06/2006
	Unaudited	Audited	Audited	Unaudited	Audited	Audited
in 1,000 €	The Netherlands			France		
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Sales			2,264			1,115
Other Operating Income			3			2
TOTAL REVENUES			2,267			1,117
Change in inventories			(488)			
Cost of goods & services sold			(245)			(551)
Salaries & employee benefits			(889)			(1,161)
Depreciation, amortisation & impairment			(55)			(13)
Impairment losses on current assets						
Other operating charges			787			(1,220)
TOTAL OPERATING EXPENSES			890			2,945
OPERATING RESULT			1,377			(1,828)
Finance Income / (Cost)			(10)			(2)
RESULT BEFORE TAX			1,368			(1,829)
Taxes						
NET RESULT			1,368			(1,829)
Net result - Equity interest			1,368			(1,464)
Net result - Minority interest						(366)
EBITDA			368			(1,815)
Non Current Assets			5,332			1,640
Intangible Assets			5,143			1,559
PPE: Property, Plant & Equipment			163			37
Receivables (non current)			26			44
Deferred Tax Assets						
Current Assets			(4,094)			(526)
Inventories			338			
Contracts in progress						
Trade debtors			798			994
Other amounts receivable			(5,358)			(1,695)
Deferred charges and accruals			68			166
Cash and cash equivalents			59			9
Assets held for sale						
TOTAL ASSETS			1,238			1,115
Shareholders Equity			(433)			(1,304)
Ordinary Shares						
Consolidated Reserves			(1,801)			160
Result of the Year			1,368			(1,464)
Minority Interests						(366)
Total equity			(433)			(1,669)
Non Current Liabilities			600			77
Interest bearing loans & borrowings (non current)						
Deferred Tax Liabilities						
Provisions - non current			600			77
Other Liabilities						
Current Liabilities			1,071			2,707
Trade payables			569			1,084
Other current payables			350			1,496
Current tax Liabilities			125			4
Borrowings			26			123
Financial instruments						
TOTAL LIABILITIES AND EQUITY			1,238			1,115
Net Financial Debt						
Net Financial Debt / Total equity						
Equity / Total Assets						

Consolidation	31/12/2004	31/12/2005	31/12/2004	31/12/2005	31/12/2004	31/12/2005	31/12/2004	31/12/2005
in 1,000 €	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited
	IFRS	IFRS	Belgium	IFRS	The Netherlands	IFRS	France	IFRS
Sales	2,856	7,170	2,856	6,251	918			
Other Operating Income	1,619	1,365	1,619	1,338	27			
TOTAL REVENUES	4,475	8,535	4,475	7,589	945			
Change in inventories	871	559	871	559				
Cost of goods & services sold	(2,457)	(3,374)	(2,457)	(3,059)	(315)			
Salaries & employee benefits	(1,584)	(1,974)	(1,584)	(1,522)	(452)			
Depreciation, amortisation & impairment	(2,893)	(7,594)	(2,893)	(7,573)	(21)			
Impairment losses on current assets		(37)		(32)	(5)			
Other operating charges	(2,078)	(5,547)	(2,078)	(1,335)	(4,212)			
TOTAL OPERATING EXPENSES	8,140	17,968	8,140	12,962	5,006			
OPERATING RESULT	(3,665)	(9,433)	(3,665)	(5,373)	(4,061)			
Finance Income / (Cost)	(432)	(794)	(432)	(800)	5			
RESULT BEFORE TAX	(4,097)	(10,228)	(4,097)	(6,173)	(4,055)			
Taxes	-	3,608	-	3,611	(2)			
NET RESULT	(4,097)	(6,619)	(4,097)	(2,562)	(4,057)			
Net result - Equity interest	(4,097)	(6,619)	(4,097)	(2,562)	(4,057)			
Net result - Minority interest								
EBITDA	(772)	(302)	(772)	2,232	(2,534)			
Non Current Assets	18,252	19,834	18,252	16,791	3,043			
Intangible Assets	14,583	12,499	14,583	9,685	2,813			
PPE: Property, Plant & Equipment	3,634	3,710	3,634	3,480	229			
Receivables (non current)	34	31	34	31				
Deferred Tax Assets		3,595		3,595				
Current Assets	2,206	7,977	2,206	9,813	(1,836)			
Inventories	658	2,415	658	806	1,609			
Contracts in progress		81		81				
Trade debtors	965	3,790	965	2,495	1,295			
Other amounts receivable	432	1,163	432	6,148	(4,985)			
Deferred charges and accruals	26		26					
Cash and cash equivalents	125	528	125	283	245			
Assets held for sale								
TOTAL ASSETS	20,458	27,811	20,458	26,604	1,207			
Shareholders Equity	10,008	3,388	10,008	5,189	(1,801)			
Ordinary Shares	8,123	8,123	8,123	8,123				
Consolidated Reserves	5,982	1,885	5,982	(372)	2,257			
Result of the Year	(4,097)	(6,619)	(4,097)	(2,562)	(4,057)			
Minority Interests								
Total equity	10,008	3,388	10,008	5,189	(1,801)			
Non Current Liabilities	5,178	6,673	5,178	5,173	1,500			
Interest bearing loans & borrowings (non current)	1,931	1,723	1,931	1,723				
Deferred Tax Liabilities	16		16					
Provisions - non current		1,500			1,500			
Other Liabilities	3,231	3,450	3,231	3,450				
Current Liabilities	5,272	17,751	5,272	16,243	1,507			
Trade payables	676	2,368	676	1,792	577			
Other current payables	4,376	13,612	4,376	12,681	931			
Current tax Liabilities	21	212	21	212				
Borrowings	199	1,520	199	1,520				
Financial instruments		38		38				
TOTAL LIABILITIES AND EQUITY	20,458	27,811	20,458	26,604	1,207			
Net Financial Debt	2,005	2,715						
Net Financial Debt / Total equity	0.20	0.80						
Equity / Total Assets	49%	12%						

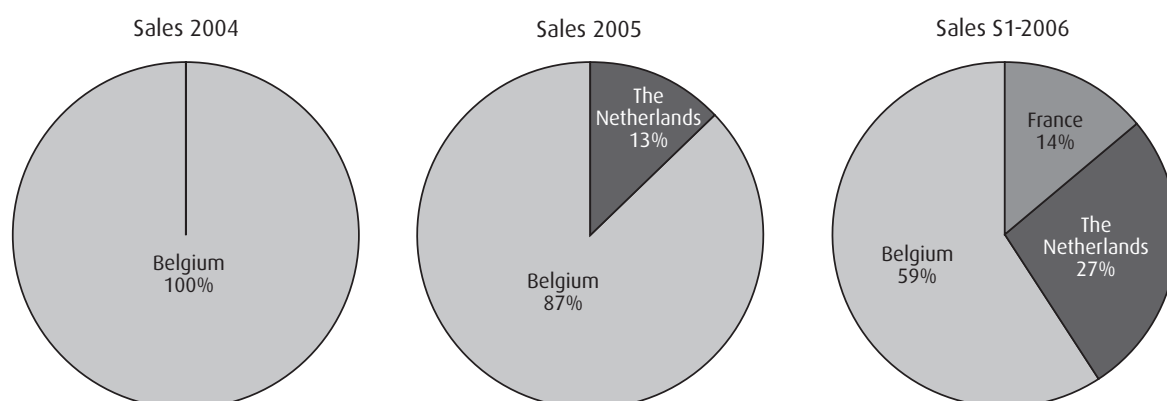
Capital expenditures in 1,000 €	31/12/2004 Audited	31/12/2005 Audited	30/06/2006 Audited
Intangible assets	1,739	1,873	600
- of which R&D internally developed	805	1,156	532
- of which acquired through third parties	934	717	68
Land & buildings	355	1	-
Other tangibles	179	258	137
Total investments	2,273	2,132	737
Belgium	2,273	2,132	737
The Netherlands	-	-	-
France	-	-	-
Total investments	2,273	2,132	737

3. Sales

Sales - geographical in 1,000 €	S1-2004 Unaudited	S2-2004 Unaudited	2004 Full year Audited	S1-2005 Audited	S2-2005 Unaudited	2005 Full year Audited	S1-2006 Audited
Belgium	1,479	1,377	2,856	3,895	2,356	6,251	4,880
The Netherlands	-	-	-	-	918	918	2,264
France	-	-	-	-	-	-	1,115
Total Sales	1,479	1,377	2,856	3,895	3,274	7,170	8,258
Growth compared to same period previous year				163%	138%	151%	112%

Sales 2005 have increased by 151% compared to 2004. Sales over the first half of 2006 are already higher than full year 2005.

The geographical expansion as planned in the new strategy is also already showing: over the first half of 2006 41% of sales are generated in the Netherlands and France.



When considering the sales volumes and the recent acquisitions of new companies it is important to notice that the Group has focused primarily on:

- Selling only products from the standard product portfolio, thus avoiding that all products from the different acquisitions have to be supported in the future. Technology that could create advantages for the existing product portfolio acquired through acquisitions has been or will be introduced in the current standard product portfolio.
- Focus has been put on generating profitable and sustainable revenues rather than high sales volumes; as a result sales for products with lower margins or declining sales prospects have been stopped or when possible these activities have been sold to third parties.
- In November 2005 the Group has introduced the "bundle sale": instead of selling hardware, installation, software and airtime separately, a global package is being offered to the customer at a monthly fee.

Since the introduction of the "bundle sale", the group has focused on creating an installed base with recurring revenues: airtime and back office application (software)

Composition of sales	31/12/2004	31/12/2005	30/06/2006
Hardware	yes	yes	yes
Installation, repair & Maintenance	yes	yes	yes
"Bundle sales" (hardware + installation + airtime + software)	no	as from 11-2005 onwards	yes
Airtime (seperate)	minor	minor	minor, only prolongation of existing contracts
Backoffice software (seperate)	minor	minor	minor, only prolongation of existing contracts
Alturion navigation software	no	no	yes
Reflex products	yes	yes	up to 30/06/2006 (1 mio €)
Salary administration software (ICS)	yes	yes	no

4. Other operating income

Other operating income consists principally of the following elements:

- Rental income of €600,000 on an annual basis and related services to this rental contract from a leased industrial building located in Ieper and rented out to third parties. This leasing contract has been taken over by Punch International NV as from 1 July 2006 onwards; and
- Re invoiced costs: concerns the re invoicing of costs (such as maintenance, real estate taxes, etc) for the building rented out in Ieper (see above) and other costs initially borne by the Group but finally paid by third parties in general (clients, etc).

5. Cost of goods sold & changes in inventory

Costs of goods sold & change in inventories in 1,000 €		31/12/2004 Audited	31/12/2005 Audited	30/06/2006 Audited
Total sales		2,856	7,170	8,258
Cost of goods sold	A	(2,457)	(3,374)	(3,573)
Change in inventories	B	871	559	314
of which developemnt capitalised	C	805	1,156	532
Change in inventories adjusted	D	67	598	(218)
Total cost of sales	A+D	(2,390)	(3,972)	(3,791)
Relative to sales		84%	55%	46%
Gross margin		466	3,198	4,467
Relative to sales		16%	45%	54%

Gross margin has improved significantly over the last 2.5 years due to relative cost of sales dropping from 84% in 2004 to 46% for the first half of 2006. Looking at the actual product portfolio only the figures for 2005 and the first semester of 2006 are really comparable. The improvement of the relative gross margin here can be attributed principally to the cost reductions related to the standardization of the product portfolio and the better bargaining power of the now centralized purchasing department, thanks to the higher sales volumes.

6. Salaries & employee benefits

Salaries & employee benefits in 1,000 €	31/12/2004 Audited	31/12/2005 Audited	30/06/2006 Audited
Total salaries & employee benefits	(1,584)	(1,974)	(3,112)
Relative to Sales	(55%)	(28%)	(38%)
Salaries	(1,286)	(1,554)	(2,377)
Social security costs	(198)	(358)	(599)
Other personnel costs	(100)	(62)	(137)
Total salaries & employee benefits	(1,584)	(1,974)	(3,112)
Belgium	(1,584)	(1,522)	(1,062)
The Netherlands	-	(452)	(889)
France	-	-	(1,161)
Total salaries & employee benefits	(1,584)	(1,974)	(3,112)
Number of employees in FTE's	28	101	101
Belgium	28	36	42
The Netherlands (*)	-	65	29
France	-	-	30

(*) FTE's for full year: Punch Telematix Nederland B.V. was however only consolidated as from november-2005

The above table shows the evolution of salary costs & related benefits. Relative employee cost has increased during the first half year of 2006 compared to 2005. This is mainly due to France where the cost of salaries compared to sales is very high. As Punch Telematix France SAS is a relatively new company (founded in 2004) more attention is given to develop the local Marketing & sales organization in order to realize the expected growth of sales. The Group estimates that within a year relative employee cost will be in line with the group's objectives.

Salaries & employee benefits do not contain fees paid to directors & top management. These fees are included in other operating charges. The Group has established a number of pension schemes for its employees. These pension arrangements are defined contributions and the assets of these arrangements are held separately from those of the group in funds administered and under control of trustees. Contributions to these pension schemes were €16k in 2004, €31k in 2005 and €63k for the first semester of 2006.

7. Depreciation, amortization & impairment

Depreciation, amortisation & impairment in 1,000 €	31/12/2004 Audited	31/12/2005 Audited	30/06/2006 Audited
Depreciation, amortisation & impairment	(2,893)	(7,594)	(669)
Depreciation intangible assets	(290)	(645)	(531)
Depreciation tangible assets	(508)	(449)	(138)
Goodwill impairment	(2,095)	(6,500)	-

Depreciation, amortization and impairment consist primarily of the depreciation of development expenses. Since 2004 the new product portfolio has been developed and the capitalized development expenses are since then being depreciated. As the Group is still developing new products, depreciation costs related to capitalized development are expected to increase in the years to come.

Depreciation of tangible assets over the first half of 2006 dropped primarily because of the transfer of a leased building (rented out to third parties) towards Punch International NV.

In 2004 and 2005 significant goodwill impairments related to the Reflex activities have been booked. These activities were based on the traditional paging technology, which use has been declining over the recent years. The reason

for the impairment was that the present value at these dates of the expected cash flows of the Reflex activities was below the goodwill on the balance sheet. The statutory auditor has given a qualified opinion on the balance sheet per 31 December 2004 and 30 June 2005 because he considered the goodwill on the balance sheet at these dates to be overstated. After the impairments that were booked in 2004 and 2005, the statutory auditor considered the remaining amount of goodwill on the balance sheet at 31 December 2005 (€10 million) and 30 June 2006 (€15 million) to be fairly stated. At present no additional impairments are foreseen. Impairment testing on cash generating units is executed based upon a discounted cash flow approach.

8. Impairment on current assets

Impairment on current assets consists virtually completely of impacts related to doubt-full debtors.

9. Other operating charges

Other operating charges in 1,000 €	31/12/2004 Audited	31/12/2005 Audited	30/06/2006 Audited
Other operating charges	(2,078)	(5,547)	(2,604)
Purchases of goods, services, etc...	(2,078)	(4,047)	(3,667)
Provisions	-	(1,500)	1,064

The above table shows the evolution of the other operating charges.

Purchases of goods, services, etc consists principally of the following costs:

- Rent
- Fees charged by Punch International NV for IT and finance services amounting to €435,000 in 2004, €125,000 in 2005 and €162,000 in the first semester of 2006
- Maintenance
- Gas, electricity & water
- Communication costs
- Insurance
- Honorary fees
- Director & management fees
- Transportation costs
- Publicity & representation
- Subcontracting
- Taxes other than income tax

Provisions: In 2005 a provision of €1.5 million has been booked for the costs related to the restructuring of Punch Telematix Nederland B.V. During the first half of 2006 this provision has been taken back for the already incurred costs.

10. Financial result

Financial result in 1,000 €	31/12/2004 Audited	31/12/2005 Audited	30/06/2006 Audited
Financial result	(432)	(794)	(398)
Interests	(334)	(422)	(454)
Other financial charges	(98)	(373)	57

The financial results contain the following elements:

- Interest expenses: this was the major component of the financial result. Interests have been paid with regards to a lease-contract (building) which has been transferred on 30 June 2006 towards Punch International NV and for the intercompany-loans granted by Punch International NV that have been incorporated in capital during June 2006. As a result of these operations interest cost will reduced significantly from the second half of 2006 onwards.
- Bank charges
- Exchange results
- Payment differences

11. Taxes

Taxes consist primarily of deferred taxation. The split between current and deferred taxation can be deducted from the table below:

Taxes	31/12/2004	31/12/2005	30/06/2006
in 1,000 €	Audited	Audited	Audited
Taxes	-	3,608	180
Taxes	-	(2)	(90)
Deferred taxes	-	3,611	270

The origin of this deferred taxation is explained in the table below. As can be deducted from this table significant deferred tax assets remain unbooked.

Deferred tax is calculated in full on temporary differences under the liability method using the local tax rate applicable in each country. Deferred tax assets have only been recognized on taxable losses when realisation of the tax benefit from these losses is probable over a limited period of time (within 5 years). Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balance net.

Origin of deferred taxation	31/12/2004	31/12/2005	30/06/2006
in 1,000 €	Audited	Audited	Audited
Tax loss carry forward leading to deferred tax asset	12,922	22,126	21,861
Temporary difference on R&D leading to deferred tax liability	805	1,800	1,604
Net deferred tax asset	4,120	6,909	6,885
Recognized in Balance sheet			
Deferred tax asset	-	3,595	3,865
Deferred tax liability	16	-	-
Net deferred tax	(16)	3,595	3,865
Unbooked deferred tax assets	4,136	3,314	3,021
Charged through P&L	-	3,611	270

Proof of tax in 1,000 €	31/12/2004 Audited	31/12/2005 Audited
Result before tax in conso	(4,097)	(10,228)
R&D capitalized	(805)	(1,156)
Depreciation on conso R&D	-	161
Goodwill impairment	2,095	6,500
Result before tax	(2,806)	(4,723)
Income tax using the belgian tax rate	1,393	3,478
Effect of tax rates in foreign jurisdictions	-	(101)
Tax effect of non deductible expenses	(739)	(2,275)
Tax effect of exempt revenues	274	393
Tax effect of tax loss carry forward	(944)	2,114
Under/overprovision in prior years	-	-
Other tax effects	16	-
Total tax	-	3,608
As per P&L	-	3,608

12. Discontinued operations

There are no discontinued operations. However, some events do have a significant impact on future revenues:

- Sale of the wage calculation software MDRS offered as an add on to the former ICS product portfolio in the Netherlands. In 2005 these sales represented approximately €450,000;
- Transfer to Punch International NV of a leased building rented out to third parties as from 30 June 2006. The yearly rental income of €600,000, the re-invoicing of certain costs and the related charges (depreciation of €180,000, financial charges of €77,000, salaries of €98,000 and maintenance and energy costs of €200,000) are therefore transferred to Punch International NV; and
- Sale by the Company of the assets relating to the Reflex activities (i.e. paging business in the US) to a third party on 30 June 2006. This sale took place at book value implying that they are no longer on the balance sheet on 30 June 2006 and there is no impact on the profit and loss statement for the first semester of 2006. A "goodwill and non compete" payment of \$500,000 may be paid by the buyer in October 2006. The assets comprised manufacturing and testing equipment, the brand name, the domain name and the client base. No employees were part of the transfer. As a result, the transfer does not qualify as a discontinued operation and IFRS5 was not applied.

13. Earnings per share

Earnings per share	31/12/2004 Audited	31/12/2005 Audited	30/06/2006 Audited
Net result ('000 €)	(4,097)	(6,619)	(305)
Weighted average number of shares	3,303,417	3,303,417	10,582,383
Weighted average number of shares - diluted	3,303,417	3,303,417	10,582,383
EPS (eurocent per share) - basic & diluted	(1.24)	(2.00)	(0.03)
Earnings per share taking into account the 4:1 reverse stock split - basic and diluted	(4.96)	(8.00)	(0.12)

14. Intangible assets

Intangibles	R&D costs	Other intangibles	Goodwill	Total
Acquisition cost				
At 31/12/2003	99	322	20,950	21,371
Change in perimeter				
Acquisitions		934		934
Own production capitalized	805			805
Disposals				
Exchange adjustments				
At 31/12/2004	904	1,256	20,950	23,110
Change in perimeter	617	2		619
Acquisitions		98	3,453	3,551
Own production capitalized	1,156			1,156
Disposals				
Exchange adjustments				
At 31/12/2005	2,677	1,356	24,403	28,436
Change in perimeter	4,909	24		4,933
Acquisitions		68	5,310	5,378
Own production capitalized	532			532
Disposals				
Exchange adjustments				
At 30/06/2006	8,118	1,448	29,713	39,279
Depreciation, amortisation & impairment				
At 31/12/2003	(99)	(322)	(5,721)	(6,142)
Change in perimeter				
Charge for the year		(290)	(2,095)	(2,385)
Disposals				
Exchange adjustments				
At 31/12/2004	(99)	(612)	(7,816)	(8,527)
Change in perimeter	(266)			(266)
Charge for the year	(315)	(330)	(6,500)	(7,145)
Disposals				
Exchange adjustments				
At 31/12/2005	(680)	(942)	(14,316)	(15,938)
Change in perimeter	(4,788)	(5)		(4,793)
Charge for the year	(351)	(180)		(531)
Disposals				
Exchange adjustments				
At 30/06/2006	(5,819)	(1,127)	(14,316)	(21,262)
Net book value				
At 31/12/2003		-	15,229	15,229
At 31/12/2004	805	644	13,134	14,583
At 31/12/2005	1,997	414	10,087	12,498
At 30/06/2006	2,299	321	15,397	18,017

Note 14BIS: Business Combinations

Overview of acquisition prices and goodwill of acquired companies

in 1,000 €	2004	2005 ¹	2006 ²
Purchase price	-	6,358	1,910
Goodwill	-	5,782 ³	2,979 ⁴

¹ Wevada NV and Punch Telematix Nederland B.V. (former ICS B.V.).

² Punch Telematix France SAS (Atimis SAS) and Alturion NV.

³ Goodwill already includes an earn-out amount of €2 million for the acquisition of Punch Telematix Nederland payable to PON Holdings.

⁴ Goodwill does not yet include the possible earn-out to the former owners of Alturion NV.

Overview of earn-outs

- Punch Telematix Nederland B.V. (formerly ICS B.V.): the acquisition contract of October 2005 provides for in a minimum earn-out payment of €2 million. This amount has been booked as a payable in the accounts of Punch Telematix. As per 20 October 2006, an agreement has been reached with PON Holdings with regard to the settlement of the earn-out for a total amount of €3.16 million. Punch International NV has agreed to finance the difference between this settlement amount and the booked amount of €2 million by subscribing to a capital increase for an amount of €1.16 million at the Offer Price. Punch International NV has furthermore agreed to provide a loan for up to 24 months to the Company for the remaining €2 million through the relationship agreement described in Section 4.9;
- Alturion NV: the acquisition contracts of March 2006 with respect to the shares held by 3 of the former owners of Alturion NV, contain an earn-out formula. In aggregate, the earn-out amount will equal three times the 2006 EBIT figure, minus €1.0 million. The maximum additional earn-out payable pursuant to this provision is limited to €4.5 million. On the basis of the current estimates, the Company believes the total earn-out will amount to approximately €1.1 million. The earn-out amount will be payable at the occasion of the annual shareholders' meeting of Alturion NV resolving on the annual accounts for the financial year 2006. In order to make sure that the net proceeds of the Offering will be entirely available for the use of proceeds of the Offering as described in Section 2.2.3, Punch International NV has agreed to grant to the Company a loan for up to 24 months to cover any payments under this earn-out.

Pro-forma key figures for 2005

In accordance with IFRS3, the Company has estimated the turnover and net result for the financial year 2005 as if Wevada NV and Punch Telematix Netherlands BV would have been acquired on the 1 January 2005 (in stead of in May 2005 and October 2005 respectively).

in 1,000 €	Pro-forma unaudited	Difference	Consolidated audited
Revenues	15,198	(6,663)	8,535
Net result	(5,958)	(661)	(6,619)

Overview of sales and net result realised by the acquired companies before the acquisition¹:

in 1,000 €	Sales	Net Result
Wevada NV (year 2004)	1,535	(604)
ICS B.V. (Punch Telematix Nederland B.V.) (year 2004)	7,202	(3,511)
Atimis SAS (year 2005)	2,748	(1,457) ²
Alturion NV (year 2005)	1,666	4

¹ As it were all loss-making companies, the Company has critically evaluated all the different products and services and if necessary has taken the loss-making products out of the market.

² fiscal year of 21 months.

15. Tangible assets

Property, Plant & Equipment	Land & Buildings	Installations, machinery & equipment	Furniture & vehicles	Other	Total
Acquisition cost					
At 31/12/2003	222	2,396	50	3,152	5,820
Change in perimeter					
Acquisitions	355	100	79		534
Own production capitalized					
Sales & Disposals					
Exchange adjustments					
At 31/12/2004	577	2,496	129	3,152	6,354
Change in perimeter		190	159	3	352
Acquisitions	1	3	7		11
Own production capitalized					
Sales & Disposals					
Exchange adjustments					
At 31/12/2005	578	2,689	295	3,155	6,717
Change in perimeter		56	1,714	268	2,038
Acquisitions			205		205
Own production capitalized					
Sales & Disposals	(578)	(2,459)	(41)	(3,152)	(6,230)
Exchange adjustments					
At 30/06/2006	-	286	2,173	271	2,730
Depreciation, amortisation & impairment					
At 31/12/2003		(1,397)	(42)	(773)	(2,212)
Change in perimeter					
Charge for the year	(25)	(315)	(8)	(160)	(508)
Sales & Disposals					
Exchange adjustments					
At 31/12/2004	(25)	(1,712)	(50)	(933)	(2,720)
Change in perimeter			(16)	178	162
Charge for the year	(29)	(37)	(45)	(338)	(449)
Sales & Disposals					
Exchange adjustments					
At 31/12/2005	(54)	(1,749)	(111)	(1,093)	(3,007)
Change in perimeter		(40)	(1,779)	(188)	(2,007)
Charge for the year	(24)	(16)	(21)	(77)	(138)
Sales & Disposals	78	1,595		1,158	2,831
Exchange adjustments					
At 30/06/2006		(210)	(1,911)	(200)	(2,321)
Net book value					
At 31/12/2003	222	999	8	2,379	3,608
At 31/12/2004	552	784	79	2,219	3,634
At 31/12/2005	524	940	184	2,062	3,710
At 30/06/2006	-	76	262	71	409

16. Long term receivables

Long term receivables principally contain guarantees paid related to the rental of offices. The balance sheet as per 30 June 2006 also contains an amount of €160,000 advance payment for the remaining 20% shares of Punch Telematix France SAS. These remaining 20% shares of Punch Telematix France SAS have been acquired by the Company beginning of September 2006 for an additional purchase price of €1. As a result of this transaction goodwill will increase with +/- €1 million.

17. Inventories & contracts in progress

Inventories & contracts in progress in 1,000 €	31/12/2004 Audited	31/12/2005 Audited	30/06/2006 Audited
Inventories	658	2,415	1,555
Contracts in progress	-	81	-
Total	658	2,496	1,555
Sales	2,856	7,170	8,258
Inventory rotation ratio (available stock in days)	84	127	34

Due to the acquisition of Punch Telematix Nederland B.V. in October 2005, the inventory rotation slowed to 127 days at the end of 2005 from 84 days at the end of 2004. The inventory rotation ratio has again improved significantly during the first half of 2006 to 34 days thanks to the standardization of the product portfolio and the centralized warehousing (in Wervik, Belgium). However it must be noted that inventory levels can still vary considerably depending on the delivery schedules to customers.

18. Current trade debtors & other amounts receivable

Current Trade debtors & Other amounts receivable in 1,000 €	31/12/2004 Audited	31/12/2005 Audited	30/06/2006 Audited
Trade debtors	965	3,790	7,311
Other amounts receivable	432	1,163	1,635
Total	1,397	4,953	8,945
Of which to Punch International Group	3	930	2,538
Of which to non related parties	1,394	4,023	6,407

Other amounts receivable from non-related parties primarily contain VAT-receivables.

19. Shareholders' equity

Evolution of share capital of the Company:

Date	Description	Shares	Capital
29/09/1998	Incoporation	2,026	5,023,885
26/11/1998	Share split	5,663	5,023,885
24/02/1999	Share split - capital increase	3,303,417	8,122,554
29/06/2006	Capital increase	10,582,383	15,000,000

Share capital of the Company has been increased through debt conversion in June 2006 for an amount of €17.8 million. This operation was followed by a capital decrease in order to clear the accumulated losses. As a result of both operations the share capital now amounts to €15,000,000 representing 10,582,383 shares.

The evolution of the consolidated shareholders equity of the Group can be found under 7.1.6., as per 30 June 2006 it amounts to €21.4 million.

20. Minority interests

Minority interests consist of the 20% participation held by third parties in Punch Telematix France SAS representing an amount of -€0.4 million. As mentioned above, this minority was acquired in September 2006, so that the Company, now controls 100% of this subsidiary.

21. Provisions

Provisions in 1,000 €	31/12/2004 Audited	31/12/2005 Audited	30/06/2006 Audited
Provisions	-	1,500	677
The Netherlands		1,500	600
France			77

Provisions as per 31 December 2005 relate primarily to restructuring costs of Punch Telematix Netherlands B.V. This provision has been used during the first semester of 2006 for the already incurred costs of restructuring. The remaining amount is expected to be used during the second half of 2006.

22. Interest bearing loans & borrowings

Interest bearing loans & borrowings in 1,000 €	31/12/2004 Audited	31/12/2005 Audited	30/06/2006 Audited
Non current	1,931	1,723	
Current	199	1,520	161
Interest bearing loans & borrowings	2,130	3,243	161
Cash & cash equivalents	125	528	337
Net Financial Debt	2,005	2,715	(176)

Interest bearing loans and borrowings consisted principally of a lease debt towards Fortis lease related to a building that was rented out to third parties. This lease debt and the building have been taken over by Punch International NV in June 2006. As a result as per end of June 2006 the Company has a cash position that is higher than the remaining financial debts.

The above-mentioned Fortis lease agreements had a lifetime of 15 years and the interest rate was fixed at the contract date for the entire lease term. It was secured by the related building.

The Debts movement schedule and Debt repayment schedule are shown below:

Interest bearing loans & borrowings	Non current	Current	Total
Movement shedule			
in 1,000 €			
As per 31/12/2003	2,131	939	3,070
Repayments		(939)	(939)
Transfer	(200)	200	
As per 31/12/2004	1,931	199	2,130
Repayments	(3)	(199)	(202)
Transfer	(205)	205	
New loans		1,316	1,316
As per 31/12/2005	1,723	1,520	3,243

Interest bearing loans & borrowings	31/12/2004				31/12/2005			
Repayment schedule	-1 year	2-5 years	+ 5 years	Total	-1 year	2-5 years	+ 5 years	Total
in 1,000 €								
Fortis lease	199	835	1,096	2,130	205	857	866	1,928
Bank overdrafts					1,315			1,315
Total borrowings	199	835	1,096	2,130	1,520	857	866	3,243
As per balance sheet								
Interest bearing loans & borrowings (non current)		835	1,096	1,931		857	866	1,723
Borrowings (current)	199			199	1,520			1,520
Total borrowings	199	835	1,096	2,130	1,520	857	866	3,243

All outstanding loans were € currency loans.

Lease payments	31/12/2004				31/12/2005			
	-1 year	2-5 years	+ 5 years	Total	-1 year	2-5 years	+ 5 years	Total
in 1,000 €								
Capital repayments	199	835	1,096	2,130	205	857	866	1,928
Lease interest payments	82	254	132	468	74	222	88	384
Total payments	281	1,089	1,228	2,598	279	1,079	954	2,312

The book value of the leased building at 31 December 2004 and 31 December 2005 respectively amounted to €2,2 million and €2,1 million.

23. Other non current liabilities

Other non-current liabilities over 2004 and 2005 contained in principal a loan granted by Punch International NV that has been converted in June 2006 into capital (also see 7.1.24 Shareholders equity). The remaining amount as per 30 June 2006 relates to a capital grant. All related party financing is realized at arms length at a market conform interest rate. It was agreed that the repayment would not be requested in the next 12 months. The applicable interest rate calculated on outstanding amounts to related parties is Euribor + 1.75%.

24. Trade & other current payables

Current Trade & other payables in 1,000 €	31/12/2004 Audited	31/12/2005 Audited	30/06/2006 Audited
Trade payables	676	2,368	4,921
Other payables	4,376	13,612	6,471
Total	5,052	15,980	11,391
Of which to Punch International Group	3,980	10,136	3,098
Of which to non related parties (of which to PON Holdings)	1,072	5,844	8,293 2,000

Other payables consist principally of:

- Salaries payable
- Social security payable (at 30 June 2006, less than €50,000 of these payable were overdue payables emanating from the difficult financial situation of Atimis SAS (now Punch Telematix France SAS) before its acquisition by the Company, all overdue payables have in the meantime been settled.)
- VAT payable
- Accruals

Current accounts towards Punch International NV and related Punch International Group companies bear interest at a market conform rate. The applicable interest rate calculated on outstanding amounts to related parties is Euribor +1.75%. €17.8 million of such outstanding payables were converted into equity in June 2006.

Also included in other debts is a debt of €2,000,000 towards PON Holdings, the previous owner of Punch Telematix Nederland B.V., which is part of the purchase price of this company. This amount is not overdue

Punch Telematix Nederland B.V. (formerly ICS B.V.): the acquisition contract of October 2005 provides for a minimum earn-out payment of €2 million. This amount has been booked as a payable in the accounts of Punch Telematix. As per 20 October 2006, an agreement has been reached with PON Holdings with regard to the settlement of the earn-out for a total amount of €3.16 million. Punch International NV has agreed to finance the difference between this settlement amount and the booked amount of €2 million by subscribing to a capital increase for an amount of €1.16 million at the Offer Price. Punch International NV has furthermore agreed to provide a loan for up to 24 months to the Company for the remaining €2 million through the relationship agreement described in Section 4.9.

25. Financial Instruments

In 2005 the Group has hedged, through currency swap contracts, its currency-exposure to the USD related to the reflex-activities. At year-end 2005 these contracts (sale of a total of \$1.75 million at a fixed USD/EUR rate) had a negative market-to-market value of €37,668 which is shown in the balance sheet. At the end of June 2006, there were no remaining financial instruments.

26. Related party transactions

All transaction with related parties are realized at arm's length. The principal transactions concern:

Punch International NV

On 31 October 2006, in view of the listing of the Company's shares on Eurolist by Euronext Brussels, the Company entered into a relationship agreement with Punch International NV in which parties wanted to document their existing and future commercial relations on an arm's length basis.

In particular, the relationship agreement relates to the repayment by the Company of existing inter-company debt, including without limitation, the advance made by Punch International NV to the Company, by way of loan, for an amount of €3,160,000 as settlement for all outstanding liabilities, obligations and amounts under the share purchase agreement pursuant to which PON Automotive Parts B.V. sold its shares in Punch Telematix Nederland B.V. to the Company. An amount of €1,160,000 of this advance must be repaid by the Company to Punch International NV, within five business days from completion of the Offering, from the proceeds of an increase of the Company's share capital by €1,160,000 in cash subscribed for by Punch International NV (see also Section 3.4.3). The remaining €2,000,000 still outstanding must be repaid by the Company in one or more instalments at the Company's discretion within a period of 24 months as of 31 October 2006.

In addition, pursuant to this relationship agreement Punch International NV will advance any additional earn-out amounts that might be payable under clause 3 of the share purchase agreements entered into between the Company and three of the four former shareholders of Alturion NV relating to the transfer of their shares in Alturion NV.

The relationship agreement also documents the provision of IT & finance services by Punch International NV to the Company. The amount invoiced for the provision of these services during the first semester of 2006 amounted to €162,000.

On 29 June 2006, Punch International NV converted €17.8 million debt into equity of the Company.
See Section 3.4.3.

On 30 June 2006, Punch International NV has taken over the lease agreement between Fortis Lease NV and the Company with respect to the leasing of a building in Ieper which is rented out to a third party. At his occasion, also the renting contract with this third party for an annual lease amount of approximately €600,000 and all related rights and obligations have been taken over by Punch International NV. The impact of this transaction on the profit and loss statement and balance sheet is described in Section 6.

On 30 June 2006, Punch International NV acquired all of the shares in SpaceChecker owned by the Company at book value.

In June 2006, Punch International NV has taken over at book value for a global price of €150,711 all shares of Com Trans BV, ICS Industrial Control Systems Polska Sp.z.o.o. and Pon Motorcycle parts Trading GmbH originally owned by the former ICS (now Punch Telematix Netherlands BV).

Punch Technix N.V.

On 17 February 2005, the Company entered into a supplier agreement with Punch Technix N.V. pursuant to which Punch Technix N.V. supplies the Company with carbox devices which are produced in the Slovakian Namestovo plant. Purchase-prices are market-conform and are renegotiated upon changes in these conditions. These purchases represent less than 20% of total cost of goods for hardware of Punch Telematix.

Punch Property International NV

On 15 February 2005, the Company entered into a lease agreement with Punch Property International NV relating to the lease of the Wervik building owned by Punch Property International NV. The annual rental costs amount to approximately €75,000.

Executive management

The Company has entered into management agreements with Straightline BVBA, represented by Luc Lammens and BB Networks BVBA, represented by Paul Schillebeekx, Nabusaur NV, represented by Frédéric Boes and Jan Wuytack (see Section 4.5).

Related party balances at years end in 1,000 €	31/12/2004 Audited	31/12/2005 Audited	30/06/2006 Audited
Current trade & other payables	3,980	10,136	3,098
Other liabilities non current	3,200	3,200	-
Current trade & other receivables	3	930	2,538
Net related party balance payable (receivable)	7,177	12,406	560

27. Contingent liabilities and assets

In relation to the acquisition of Alturion NV, the Company agreed to an earn-out mechanism with three of the four sellers-managers of Alturion NV. The amount of the earn-out is calculated in function of the performance of Alturion NV over the accounting year 2006. The aggregate maximum amount of the earn-out that the Company may have to pay to the sellers-managers of Alturion NV amounts to €4,500,000. Payment of the earn-out amount would take place mid 2007. On the basis of the current estimates, Punch Telematix believes the earn-out will amount to approximately €1.1 million.

Contingent asset:

The sale by Punch Telematix of the assets relating to the Reflex activities (i.e. paging business in the US) to a third party on 30 June 2006 took place at book value implying that they are no longer on the balance sheet on 30 June 2006 and there is no impact on the profit and loss statement for the first semester of 2006. A "goodwill and non compete" payment of \$500,000 may be paid by the buyer in October 2006. The assets comprised manufacturing and testing equipment, the brand name, the domain name and the client base.

Deferred tax assets amounting to respectively €4.1 million, €3.3 million and €3.0 million at 31 December 2004, 31 December 2005 and 30 June 2006 were unrecognised in the balance sheet at these dates, but remain at the disposal of the Company.

28. Capital and other financial commitments

"Landgraaf" guarantee: €1.1 million. This guarantee relates to a commercial contract of Punch Telematix Nederland B.V. Should any amounts be claimed towards PON Holdings due to bad execution of this contract, the Company is liable up to an amount of €1.1 million.

Punch Telematix Nederland B.V. (formerly ICS B.V.): the acquisition contract of October 2005 provides for a minimum earn-out payment of €2 million. This amount has been booked as a payable in the accounts of Punch Telematix. As per 20 October 2006, an agreement has been reached with PON Holdings with regard to the settlement of the earn-out for a total amount of €3.16 million. Punch International NV has agreed to finance the difference between this settlement amount and the booked amount of €2 million by subscribing to a capital increase for an amount of €1.16 million at the Offer Price. Punch International NV has furthermore agreed to provide a loan for up to 24 months to the Company for the remaining €2 million through the relationship agreement described in Section 4.9.

29. Post balance sheet events

The remaining 20% shares of Punch Telematix France SAS have been bought on 5 september 2006 by the Company for an additional purchase price of €1. This transaction leads to an additional goodwill of approx. €1 million.

Punch Telematix Nederland B.V. (formerly ICS B.V.): the acquisition contract of October 2005 provides for a minimum earn-out payment of €2 million. This amount has been booked as a payable in the accounts of Punch Telematix. As per 20 October 2006, an agreement has been reached with PON Holdings with regard to the settlement of the earn-out for a total amount of €3.16 million. Punch International NV has agreed to finance the difference between this settlement

amount and the booked amount of €2 million by subscribing to a capital increase for an amount of €1.16 million at the Offer Price. Punch International NV has furthermore agreed to provide a loan for up to 24 months to the Company for the remaining €2 million through the relationship agreement described in Section 4.9.

Alturion NV: the acquisition contracts of March 2006 with respect to the shares held by 3 of the former owners of Alturion NV, contain in an earn-out formula. In aggregate, the earn-out amount will equal three times the 2006 EBIT figure, minus €1.0 million. The maximum additional earn-out payable pursuant to this provision is limited to €4.5 million. On the basis of the current estimates, the Company believes the total earn-out will amount to approximately €1.1 million. The earn-out amount will be payable at the occasion of the annual shareholders' meeting of Alturion NV resolving on the annual accounts for the financial year 2006. In order to make sure that the net proceeds of the Offering will be entirely available for the use of proceeds of the Offering as described in Section 2.2.3, Punch International NV has agreed to grant to the Company a loan for up to 24 months to cover payments any under this earn-out.

There are no other significant events that should be mentioned.

30. Income statement 2003

The Company has prepared all figures in this Prospectus in accordance with IFRS starting with an opening balance sheet that is IFRS compliant as per 31 December 2003. As no consolidation has ever been prepared in a previous GAAP, transition-impacts to IFRS are not available. However, the Company has prepared consolidated figures for the 2003 income statement based upon the statutory Belgian GAAP figures of the individual companies which are shown below.

Punch Telematix Consolidated	31/12/2003	31/12/2004	Variance	N
in 1,000 €	Unaudited Belgian GAAP	Unaudited Belgian GAAP		
Sales	2,581	2,856	275	1
Other Operating Income	289	1,619	1,331	2
TOTAL REVENUES	2,869	4,475	1,606	
Change in inventories	825	871	46	
Cost of goods & services sold	(1,796)	(2,457)	(660)	3
Salaries & employee benefits	(731)	(1,584)	(852)	
Depreciation, amortisation & impairment	(617)	(2,893)	(2,276)	4
Impairment losses on current assets	(5,781)		5,781	5
Other operating charges	(1,569)	(2,078)	(509)	
Income taxes	1	-	-	
TOTAL OPERATING EXPENSES	9,669	8,140	(1,529)	
OPERATING RESULT	(6,800)	(3,665)	3,135	
Finance Income / (cost)	(236)	(432)	(196)	
RESULT BEFORE TAX	(7,036)	(4,097)	2,939	
Taxes	5	-	(5)	
NET RESULT	(7,031)	(4,097)	2,934	

- 1) 2004: Acunia business acquired trough asset deal
- 2) 2003: only partial rental income from building rented out
- 3) 2003: take into account stock impairment of €0.3 mio (see below)
- 4) 2004: inclusive impairment of €2.1 mio on paging business
- 5) 2003: inclusive impairment of €5.1 mio for US, Mexico & Netherlands Advantra investments €0.3 mio impairment of stocks & €0.3 mio bad debts

7.2. Auditors' report

7.2.1. Auditor's report on the consolidated financial statements for the years ended 31 December 2005 and 31 December 2004

To the Board of Directors of Punch Telematix NV:

We have audited the consolidated financial statements of Punch Telematix NV and its subsidiaries for the years ended 31 December 2005 and 31 December 2004, prepared in accordance with International Financial Reporting Standards as adopted in the EU, and the legal and regulatory requirements applicable in Belgium, which show a balance sheet total of respectively 27.811 thousand EUR and 20.458 thousand EUR and a net loss for the year of respectively 6.619 thousand EUR and 4.097 thousand EUR. These consolidated financial statements include one subsidiary, incorporated in a foreign country, which has been audited by another auditor; within the framework of our assignment, we obtained his clearance on the amounts reflected in the consolidated financial statements in relation to this subsidiary.

The preparation of the consolidated financial statements and the assessment of the information to be included in the consolidated directors' report, are the responsibility of the board of directors.

Our audit of the consolidated financial statements was carried out in accordance with the auditing standards applicable in Belgium, as issued by the Institut des Reviseurs d'Entreprises / Instituut der Bedrijfsrevisoren. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements.

Qualified opinion on the consolidated financial statements, with explanatory paragraph

In accordance with those standards, we considered the Group's administrative and accounting organisation, as well as its internal control procedures. Company officials have responded clearly to our requests for explanations and information. We have examined, on a test basis, the evidence supporting the amounts included in the consolidated financial statements. We have assessed the accounting policies, the consolidation principles, the significant accounting estimates made by the Company and the overall consolidated financial statement presentation.

We believe that our audit, as well as the audit performed by our Dutch colleague, provides a reasonable basis for our opinion.

We noted that an impairment loss on goodwill was recognised in the income statement at 31 December 2005 and 31 December 2004, amounting to respectively 6.500 thousand EUR and 2.095 thousand EUR, amounts which in our opinion should have been charged in full or partly to previous periods. Consequently the goodwill amount and the net equity shown on the balance sheet per 31 December 2004 in our opinion is overstated by 6.500 thousand EUR and the income statement for the period ended 31 December 2004 is understated by the same amount.

In our opinion the consolidated financial statements for the years ended 31 December 2005 and 31 December 2004, subject to the impact on the income statement of the goodwill impairment and subject to the overstated goodwill value and overstated net equity value in the balance sheet as at 31 December 2004, give a true and fair view of the Group's assets, liabilities, statement of changes in equity, cash flows, results of operations and disclosures, in accordance with International Financial Reporting Standards as adopted in the EU.

Without jeopardising the above statement, we draw your attention to the fact that during 2004 and 2005 the Group suffered significant losses. These losses are partially funded by subordinated loans from the parent company amounting to 500 thousand EUR and partially by current account advances from the direct parent and/or its related entities amounting to 9.494 thousand EUR. The parent company approved, in an extra-ordinary shareholders' meeting held before notary at 29 June 2006 a capital increase by incorporating an amount of 17.896 thousand EUR in order to strengthen the equity of the Group, so that the going-concern is guaranteed.

Additional certifications and information

We supplement our report with the following certifications and information which do not modify our audit opinion on the consolidated financial statements:

The consolidated directors' report contains the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the Group is facing, and of its situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious contradictions with the information of which we became aware during our audit.

BDO Atrio Réviseurs d'Entreprises Soc. Civ. SCRL

Represented by Koen De Brabander

Merelbeke, 23 October, Belgium

7.2.2. Auditor's report on the consolidated half-year financial statements for the periods ended 30 June 2006 and 30 June 2005

To the Board of Directors of the Company:

We have audited the consolidated half-year financial statements of Punch Telematix NV and its subsidiaries for the periods ended 30 June 2006 and 30 June 2005, prepared in accordance with International Financial Reporting Standards as adopted in the EU, and the legal and regulatory requirements applicable in Belgium, which show a balance sheet total of respectively 33.498 thousand EUR and 18.671 thousand EUR and a net loss for the year of respectively 3.886 thousand EUR and 305 thousand EUR. These consolidated half-year financial statements include two subsidiaries, incorporated in a foreign country, which have been audited by other auditors; within the framework of our assignment, we obtained their clearance on the amounts reflected in the consolidated half-year financial statements in relation to this subsidiary.

The preparation of the consolidated half-year financial statements and the assessment of the information to be included in the consolidated directors' report, are the responsibility of the board of directors.

Our audit of the consolidated half-year financial statements was carried out in accordance with the auditing standards applicable in Belgium, as issued by the Institut des Reviseurs d'Entreprises / Instituut der Bedrijfsrevisoren. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the consolidated half-year financial statements are free of material misstatements.

Qualified opinion on the consolidated half-year financial statements

In accordance with those standards, we considered the Group's administrative and accounting organisation, as well as its internal control procedures. Company officials have responded clearly to our requests for explanations and information. We have examined, on a test basis, the evidence supporting the amounts included in the consolidated half-year financial statements. We have assessed the accounting policies, the consolidation principles, the significant accounting estimates made by the Company and the overall consolidated half-year financial statement presentation.

We believe that our audit, as well as the audits performed by our colleagues, provides a reasonable basis for our opinion.

We noted that an impairment loss on acquisition goodwill was recognised in the income statement at 30 June 2005, amounting to 4.000 thousand EUR, amount which in our opinion should have been charged in full or partly to previous periods. Notwithstanding of the recorded impairment as at 30 June 2005, we are still of the opinion that the goodwill amount as at 30 June 2005 referring to the initial acquisition of the Advantra technology amounting to 9.134 thousand EUR is overstated. An additional impairment loss was recognised in the income statement of the second half-year 2005 amounting to 2.500 thousand EUR.

In our opinion the consolidated half-year financial statements for the periods ended 30 June 2006 and 30 June 2005, subject to the impact on the income statement of the goodwill impairment and subject to the overstated goodwill value and the net equity in the balance sheet as at 30 June 2005, give a true and fair view of the Group's assets, liabilities, statement of changes in equity, cash flows, results of operations and disclosures, in accordance with International Financial Reporting Standards as adopted in the EU.

Additional certifications and information

We supplement our report with the following certifications and information which do not modify our audit opinion on the consolidated half-year financial statements:

The consolidated directors' report contains the information required by law and is consistent with the consolidated half-year financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the Group is facing, and of its situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious contradictions with the information of which we became aware during our audit.

BDO Atrio Réviseurs d'Entreprises Soc. Civ. SCRL

Represented by Koen De Brabander

Merelbeke, 23 October, Belgium

8. BUSINESS GLOSSARY

AGR	Automatische Gegevensregistratie (Automated Data Registration)
ASP	Application Service Provider model
AVL	Automatic Vehicle Location
BO	Back-Office
CAGR	Compounded Annual Growth Rate
CAN	Controller Area Network, a network for communications of data between components of a car
CB	CarBox, an embedded telematics device developed and commercialised by Punch Telematix
CBA	Collective bargaining agreements
CDMA	Code division multiple access, a circuit switched wireless telecommunications protocol mainly used in the United States
CRM	Customer Relationship Management, a generic term for software applications that allow to manage information on the customer relationships
CSD	Circuit switched data (GSM data), data sent over a circuit switched wireless telecommunications protocol such as GSM
DSRC	Dedicated Short Range Communications
ERP	Enterprise Resource Planning, a generic term for software applications that allow to manage enterprise resources
ETSI	European Telecommunications Standards Institute
FM	Fleet Management
FME	Fleet Management Entity
FRS	Functional Requirements Specification
FSA	Field Service Automation
FW	Back office telematics framework, communication and data storage
GIS	Geographic Information System
GPRS	General packet radio system, a package switched wireless communications protocol
GPS	Global Positioning systems
GSM	Global System for Mobile Communication, a circuit switched wireless telecommunications protocol mainly used in Europe
HSPDA	High-Speed Downlink Packet Access, a package switched wireless telecommunications protocol
I/O	Input/Output
ICT	Information and Communications Technology
LBS	Location Based Services
M2M	Machine to Machine
MRM	Mobile Resource Management
OBD	On Board Diagnostics
OBU	On Board Unit
OEM	Original Equipment Manufacturer
PDA	Personal Digital Assistant
PND	Personal Navigation Device
POI	Point of Interest
Provisioning	an activity typical for a telecommunication service provider, which implies making the necessary changes to the service provider's systems and databases to allow a new customer to use the provider's services and to allow the provider to keep track of the usage

PTX	Punch Telematix
RFID	Radio Frequency Identification
SDK	Software Development Kit
SIM Card	A card that is embedded in a mobile communications device to allow the device to be identified by the wireless telecommunications service provider
SME	Small and Medium-sized Enterprise
SMS	Short Message Service
SOA	Service Oriented Architecture, an novel approach for software development
SOHO	Small Office/Home Office
TCU	Transmission Control Unit
TMC	Traffic Management Center
TSP	Total Service Provider
UHF	Ultra High Frequency
UI	User Interface
UMTS	Universal Mobile Telecommunications System, a package switched wireless telecommunications protocol
VoIP	Voice over Internet Protocol, a telecommunication technology which allows to transport voice communications over the internet protocol
WiFi	Wireless Fidelity, a package switched wireless telecommunications protocol

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