

## **Punch Telematix sees growth slow down**

Wervik, Belgium – 3 July 2007 - Punch Telematix, a growing, innovative telematics company listed on the stock exchange, announced today that sales for the first half of 2007 were lower than expected. The sales figure of € 27 million forecast for 2007, corresponding to 42% growth compared with the 2006 financial year, will not be achieved. The first half of the financial year will close with an operating loss.

There are various reasons for this slow-down in growth.

In France, the new start after the takeover of Atimis, now known as Punch Telematix France, is proving to be more difficult than anticipated. Punch has been particularly active on this market in the low-end fleet & assets segment (tracking & tracing of goods). At the beginning of this year, the company also started on the French market with the sale of the CarCube, aimed at the high-end truck & transport segment, in which Punch Telematix can provide more added value. This market segment is, however, characterised by longer sales cycles.

A decision has been taken to stop supplying the FieldBox bundle, an expansion of existing on-board computers from ICS, which was taken over in 2005. The solution is, in principle, intended for the field services segment, but practice has shown that the main demand in this segment is for mobile applications. In addition, the FieldBox is a product which is at the end of its life cycle. The operational costs for production and support can therefore no longer be justified. Last year, the FieldBox bundle generated sales of around € 2 million, with around € 0.6 million of that figure achieved during the first half of the year. The expected impact of the decision on the first half of the current business year amounts to approximately € 1.5 million.

The significant growth in sales expected from the mobile Go.2 product portfolio for the field services segment, and which was supposed to compensate for the fall in sales of fixed applications in that segment, has not materialised for the time being on account of delays in the commercial launch – initially planned for April 2007 – resulting from production/technical problems. Production of the low-end Go.2 Track has now been commenced and this solution bundle can then be offered and supplied from September 2007. The Go.2 Pro, aimed at the high-end segment, will be available from around October 2007. The positive impact on the 2007 financial year will be limited because of the long sales cycles in the high-end segment.

The anticipated growth in external sales has been temporarily abandoned. In view of the present market situation, characterised by unrealistic expectations with regard to sales multiples, execution of the acquisition strategy has been deliberately postponed.

In conclusion, the glut of OEM navigation software combined with substantial price erosion in the PND market (market for portable navigation systems) is making it difficult for Alturion to maintain its position and obtain the same results as in the fourth quarter of 2006.

However, there are a number of positive factors that could partially compensate for things in the second half of the year.

The basis of the business model is fundamentally sound: over 80% of sales are 'bundle sales' offered at a fixed monthly subscription rate and constitute an important source of future recurring revenues.

In Belgium and the Netherlands, growth of the CarCube product is entirely in line with the expectations set out in the business plan. Punch Telematix is gaining market share in the truck & transport segment in Belgium and, in particular, the Netherlands, especially with transport companies operating more than 100 vehicles. Sales growth amounted to around 70% for the first half of the year in the Netherlands alone. No fewer than 1800 units were sold to the Belgian and Dutch truck & transport segment during the first half of the year. A number of the big names in the Netherlands, each with more than 100 installed units, include Peter Appel, transport company for Albert Heijn and others, which sees the use of the CarCube solution in its 230 vehicles as a clear competitive advantage, as well as Zandbergen, transport contractor for Coca Cola, St van de Brink, Zijderlaan, Van der Laan, Maters Huissen, Wim Bosman, Rutges Cargo and Oegema Transport. References in Belgium include Trafuco (125 vehicles), Van Dijck Transport (180 vehicles) and ESSO, which uses CarCube for home deliveries via its trading centre (100 vehicles).

Despite the sluggish start, a well-filled pipeline has now been set up in France, which should translate into concrete sales in the very near future. The new sales organisation is already operational in both Germany and Spain. Punch Telematix has been successful in attracting talent from the telematics sector for both teams.

Luc Lammens, CEO of Punch Telematix, stated: "We have to face the facts. This has upset the calculations and it will be virtually impossible to make this up in the second half of the year. What is positive, however, is that our business model is fundamentally sound. Our customers are enthusiastic about our services and are even introducing new customers. I find this an important value indicator and key to the future! Furthermore, we are convinced that we can look forward to a very positive future with the new mobile applications."

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#### **About Punch Telematix**

Punch Telematix is a pan-European telematics service provider. It offers a complete range of total solutions for remote resource and asset management, from low-end, over mid-range to high-end telematics applications, to all segments of the market. Punch Telematix offers widely useable solutions based on an open, modular and scalable architecture. Agreements with various mobile operators (including Proximus and Vodafone) allow Punch Telematix to offer not only the hardware and software components of the front-end and the back-office, but also



the necessary data communications. The solution bundles of Punch Telematix are offered at a monthly flat fee including hardware, airtime and software, providing customers with a low barrier (no capital expenditure required), cost predictable solution.

Punch Telematix is listed on Eurolist by Euronext Brussels (ticker: PTX).

**More information**

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