

New millennium,
New positioning,
New strategy,
New products,
New Benefon.



Year 1999 in brief

FEBRUARY 2000

Novomeridian Oy and Benefon to cooperate in fleet and staff management systems (24.2.)

Benefon to set up new business unit, Benefon Wireless Solutions (23.2.)

Benefon introduces a new GSM+GPS professional telematics phone, Benefon Locus (23.2.)

JANUARY 2000

Benefon introduces the innovative Benefon Q – a GSM phone with dual-mode WAP + HTML functionality (31.1.)

DECEMBER 1999

Benefon licenses Microsoft® Mobile Explorer™ to bring WAP and HTML based services and content to mobile phones (20.12.)

OCTOBER 1999

Vaasan Läänin Puhelin and Benefon have signed a major supply agreement for the innovative Dual SIM version of Benefon Twin (19.10.)

Benefon to join Hewlett-Packard's Mobile E-Services Bazaar (11.10.)

Benefon, Arboreal and Geodata introduce the first mobile map service in the world at Telecom 99 (8.10.)

Suunto and Benefon agreed to cooperate in marketing and development of products for personal navigation (8.10.)

Benefon introduces world's first GSM+GPS personal navigation phone, Benefon Esc! (8.10.)

Benefon introduces new GSM dual band phone, Benefon Twin (6.10.)

SEPTEMBER 1999

The EU "MORE – Mobile Rescue Phone" project entering tryout (30.9.)

Benefon supports the novel GSM network locationing by Radiolinja (29.9.)

Benefon supports emerging GSM 400 cellular standard (3.9.)

JULY 1999

Benefon announces the new NMT 450i handset, Benefon Dragon (2.7.)

MARCH 1999

Benefon introduces "MORE – Mobile Rescue Phone" project at CeBIT (18.3.)

Contents

President's Letter	4
Chairman of the Board	5
Strengthening GSM Market	6
Wireless Communication Instruments	8
Board of Directors' Report on the Fiscal Year 1999	10
Financial Data	14
Income Statement	15
Balance Sheet	16
Source and Use of Funds Statement	18
Notes to the Financial Statements	19
Key Figures	22
Key Figures per Share	22
Shareholders	23
Proposal of the Board of Directors to the Annual General Meeting	24
Auditors' Report	24
Calculation of Key Ratios	25
Income Statement (EUR)	25
Balance Sheet (EUR)	26
Source and Use of Funds Statement (EUR)	27
Key Figures (EUR)	28
Key Figures per Share (EUR)	28
Five Years Comparison 1995-1999	29
Information for the Shareholders	30

President's Letter

Playing a successful catch-up game in a fast growing market is not one of the easiest things in business, especially not for a relatively small company. It requires high level of determination and dedication together with plenty of business savvy, financial resources and, sometimes, a long time span. And a little bit of luck certainly helps.

When Benefon started the basic GSM technology and products development program seven years ago in spring 1993, we knew it would be a hell of a job for our fledgling firm. The first few years were quite discouraging as the first two products with lots of attached hopes did not succeed in the market where the state-of-the-art product technology seemed to escape us like the distant galaxies of our universe.

But, with cranked-up efforts and fast upward bending learning curve, the third product Benefon i0, even with the employed single-band technology with certain limitations, turned out to be a highly performing and well-balanced product that won the trust and even affection by lots of customers. This re-enforced our belief that there are no reasons why we could not create world class products also for the GSM market, as we had done for the NMT 450 market from the very beginning.

In parallel with the crash project to create and launch Benefon i0, the program for next generation product platform was started and organized. Everybody in the Company understood its critical importance and gave it a maximum support. The challenge we faced was amplified many fold with the suddenly encountered strong turbulence in the bread-and-butter NMT 450 business in autumn 1998 due to the Russian finance crisis which took the bottom off our basic profitability. In that situation all we could do was to believe that with the new product program we can make it in the GSM market and reach a new profitable business balance. In those days it was of utmost importance to have the very solid financial situation that we had been able to build during several preceding highly profitable years. This gave us a concrete chance to ride over the storm, and realize the now emerging new product range of innovative wireless communication instruments for mobile people.

The luck element came in form of an opportunity offered to us in late 1994 to participate an EU project MORE – Mobile Rescue Phone. The object of this project was to research technical possibilities and draft and test possible solutions in order to eventually realize a novel European personal security and rescue system based on a customized GSM/GPS terminal. The MORE project sensitized us at an early stage to the possibilities of locationing and personal navigation field in broader terms, and this eventually led us to the decision to conceptualize and realize a completely new product category starting with the novel GSM/GPS-instruments Benefon Esc! and Benefon Locus.

With the miniature mobile Internet terminal Benefon Q, our new GSM product range now covers the red-hot business areas of mobile Internet, location based services and personal navigation with huge aggregate exploitable business potential in coming few years. This will offer Benefon a unique chance to ride a strong growth wave for some time to come and reach a new level of volume and profits. It is clear that it will not be an easy ride, that we will face lots of problems needing new solutions. But, based on our track record of facing and resolving difficulties, there is a reason to believe that we can make it and that it will be an exhilarating high seas sailing experience for those on board.

Jorma U. Nieminen

Jorma Nieminen
President



Review by the Chairman of the Board

In 1999, Benefon went through a major change in its operations. Our company had long been known as a manufacturer of NMT phones with GSM phones as a sideline. Today, a majority of Benefon's product range consists of innovative GSM handsets, backed up by new NMT 450's.

For a small company, an almost complete overhaul of the product range is a huge challenge. It is commonly held that development of new GSM phones is not even possible without ten-digit investments. Benefon, however, has proved this view wrong and succeeded in launching several highly innovative products to accompany our new core product, the dual-band Benefon Twin. With slots for two SIM cards, this model will have a considerable competitive edge in mobile networks. Benefon Esc!, a combined phone and GPS device, will be an important tool for a wide range of users, in both professional and recreational contexts. Our latest release, the amazingly small Benefon Q, is one of the first WAP/Internet phones. In short, we have been releasing new products at a rate that would make any of the biggest manufacturers in the business proud.

Our next challenge is to make our products available to as many customers as possible and bring maximum added value to users.

This kind of overhaul is hardly feasible without the commitment and team spirit of all our staff. Every one of us has worked very hard to achieve our targets and even surpassed them in some cases. I feel sure that many of us find great satisfaction in achieving these results and have faith and confidence in our future work as well. The effort of past year has demanded a great deal from the entire team and will continue to do so, particularly as we have been told over and over again by a number of critics in the field that we are too small a company to make it in this race. At the end of the day, however, it will be our will to succeed that will bring results, while pessimism will not.

For shareholders, the past few years have been hard. No dividend has been paid and share prices have slipped back considerably. It has therefore been a great pleasure to see the upward trend which started last autumn and signaled the faith of many investors in Benefon's profitability. In this respect, the year 2000 is looking much brighter, as we can now expect to see the results of our hard work.

Raimo Voipio



Raimo Voipio
Chairman of the Board of Directors

Strengthening GSM Market



Tomi Raita
Director, Sales and Marketing

In 1999, marketing continued to focus on GSM systems, with a global increase in the number of subscribers. A significant phenomenon was the arrival of new GSM 1800 operators onto the market. Also, the number of new GSM 1900 subscribers increased in the Americas. It should be safe to assume that GSM systems will remain the basic service for mobile phones for many years to come.

Last year, network operators introduced a number of value-added services for their GSM systems. The most interesting of these was GPS, which enables provision of tailored GPS positioning services based on subscribers' locations, and "mobile payment systems" for wireless e-commerce.

For Benefon, 1999 was a year of a clear shift towards the manufacture of GSM phones. At the beginning of the year, we launched Benefon i0, a GSM 900 phone which was the first in the world to employ the T9[®] text input system, reducing the time for writing text messages to a third. It was hardly a surprise, then, that Benefon i0 was very well received both on the Finnish market and abroad. In the autumn, we released a new GSM product family which consisted of the dual-band Benefon Twin GSM 900/1800 and the Benefon Esc! personal navigation phone with an integrated GPS satellite receiver. The economic impact of these products will be carried over to the year 2000 and strengthen Benefon's market position considerably.

The NMT 450 market remained stable in 1999, with most of the export going to Eastern Europe. The Russian market recovered from its 1998 crisis and new export deliveries were soon underway. Our market position as a NMT 450 supplier was strengthened, with only a slight disturbance in production caused by a shortage of component supply at the end of the year. In the autumn, we released a new NMT 450 product, the Benefon Dragon, which was very well received by the market. The Benefon Dragon supports all the latest NMT 450 system functions such as short-message services and voice privacy. It is also the world's smallest full-power 1.5 W handset.

The NMT 450 product line was pruned and updated by discontinuing the Benefon Forte, the Benefon Sigma and other older models. As far as we know, the Benefon Forte had a longer life than any other mobile phone model in the world, and the production line ran for eleven years. Development of new NMT 450 phones will continue in 2000 as well.

Benefon also took an active part in developing NMT 450 specifications in various working groups and other forums. We are also keeping a close eye on the drafting of the new GSM 400 standard and have expressed our support for the standard as a possible alternative to other digital systems. Development of a Benefon GSM 400 phone will depend on the market outlook and the required infrastructure.

The sales volume increased considerably from the previous year but was slowed during the second half of the year by a shortage of component supplies. Furthermore, overall profitability suffered from a downturn in market prices. The components supply situation improved significantly at the turn of the year and similar shortages that could disturb production are not envisaged in the near future.

Benefon is launching a completely new product line in 2000, which is expected to bring major growth in sales volumes.

During the year, Benefon attended several international trade fairs such as CeBIT (Hanover), Svyaz (Moscow), Europe Telecom 99 (Geneva), Simo (Madrid) and Sircom (Paris). We also took part in several mobile telecommunications seminars and various local trade fairs.

Tomi Raita



Benefon Twin. Twice as good a GSM: 900/1800 Dual Band, optionally two SIM-card holders, and twin-colour case with user-changeable display masks.



Benefon Dragon. The smallest full-power NMT 450 phone in the world.

Wireless Communication Instruments

For Contemporary Nomads and other inhabitants of the Mobile Internet Era



Jukka Nieminen
Director, Product Marketing

1999 saw a complete reorientation and refocusing of Benefon's positioning, products and strategy.

An internal revolution of novel ideas and innovation took place. Old paradigms were questioned, customer and consumer preferences were explored with an open mind, new technologies were studied and applied aggressively. The New Benefon is innovative, agile and very sensitive to our masters: the marketplace, the customer, the consumer.

The New Benefon is also very conservative. We are more than ever embracing the tested Benefon virtues: respect of individuality, uncompromised performance and professional quality of our wireless instruments, and stylish, understated Finnish design. (The last one we actually renamed New Finnish design, just to be sure of some rethinking there, too.)

And the bottom line? A completely new portfolio of products and businesses, targeted at specialty markets as well as some high-quality segments of the mobile phone market. A new business model, focusing Benefon to the wireless instruments bit, and engaging best-in-class partners to contribute other bits in the value network, to jointly provide great whole products and services.

Some highlights of the new product range, rolling out during the winter and the summer, to illustrate the point:

- Benefon Esc! personal navigation phone is an iconic product. Compact survival kit of the contemporary nomad. Certainly, it is a water-resistant dual-band GSM phone, a twelve-channel GPS navigator, personal organiser and an alarm clock and all that other Benefon stuff. However, the most interesting aspect about Benefon Esc! is its Internet-based Mobile Map Service, developed jointly with Geodata and Arboreal. This service not only provides the user with European-wide selection of road maps, city maps and even hiking maps and navigational charts, but also with other practical information about addresses, routes, points of interest and more. True to its outdoor-loving character, Benefon Esc! is distributed also through Suunto, the global leader in outdoor information systems.
- Benefon Q is a personal, miniature wireless communication centre, powered by Microsoft® Mobile Explorer™ WAP + HTML browser and Internet e-mail client. This is the ideal device for mobile professionals and quality-conscious individuals, a true multi-purpose tool for today's information jungle, in a very wearable size. The longer-term significance of Benefon Q is that it is our first product using Microsoft®'s standards-based platform for Mobile Internet, the backbone of the now emerging mobile information society.
- Benefon Twin is a small and elegant, yet complete GSM dual-band phone, with Benefon quality and performance, and many unique extras like the twin-colour system. It supports quick GSM data, and – like all Benefon GSM products – location-based services. It is even available with an optional second SIM-card slot and – like all Benefon products – an optional high-gain cross-country antenna for extreme coverage.

- Benefon Dragon is simply the best NMT 450 phone available. It is the smallest NMT 450 phone with full power and performance. Benefon also continues to design new NMT 450 phones, to ensure that network operators have a source for modern, high-quality handsets for years to come.

Looking ahead, the main focuses for Benefon in the year 2000 is to improve operational capability as well as distribution and brand awareness in selected markets, to fully leverage the strong product range.

Looking further ahead, there are major challenges again waiting. The pace of market and technology development is breathtaking, amidst the turbulence of what is probably the biggest convergence of industries ever. Global competition is harsh. How to prevail and prosper?

Benefon staff has shown tremendous fighting spirit in achieving feats declared categorically unobtainable to us by the industry know-it-alls. It is vital to preserve this spirit of commitment, innovation and obsession about customer value, also now when the businesses are growing fast.

Nurturing and recruiting top talent is crucial. In our highly complex and dynamic business environment, only a crack organisation can achieve its goals with determination.

Most important is to focus development activities in those areas where Benefon can sustain competitive advantage through products delivering unique value, contributing to the way we run our businesses and to the way we live our lives.

The Benefon products and associated services highlighted above are doing exactly this, by freeing us from many of the constraints of a specific time and place. Much more will become possible to do, with a little help from evolving technologies in wireless access, mobile internet and personal navigation. We at Benefon will be there to do our bit of innovation.

Jukka Nieminen



Benefon Q. The perfect Wireless Communication Centre powered by Microsoft® Mobile Explorer™ WAP + HTML browser, weight only 89 grams.



Benefon Esc! A compact survival kit of the contemporary nomad: GSM Dual Band phone, twelve-channel GPS navigator and Internet-based Mobile Map Service, surface and quality of steel.

Board of Directors' Report on the Fiscal Year 1999

Year 1999 signified an important turning point in the history of Benefon, as the Company received general recognition as a developer and manufacturer of innovative wireless communication instruments utilizing GSM networks. Though the net sales were one and a half percent below the sales of the previous year and the operating loss was heavy, the share price almost doubled over the year and almost tripled during the last quarter. The sharp appreciation of the share followed several announcements of new innovative GSM products that took place in the final quarter. These announcements are a concrete proof that the proportionally massive long-term product development program of the Company begins to bear fruit.

In October, at the Telecom 1999 Show in Geneva, the Company introduced a small dual band GSM phone Benefon Twin together with Benefon Esc!, the world's first GSM/GPS phone for personal navigation. Soon after this came Benefon Twin Dual SIM, the first GSM phone for two SIM cards that was developed for a regional DCS operator Vaasan Läänin Puhelin Oy in Western Finland. In December, the Company announced an agreement to integrate the Microsoft® Mobile Explorer™, including a dual mode (WAP/HTML) micro-browser, into Benefon's first WAP phone unveiled in February 1, 2000, in Cannes.

With these newest products that received a loud applause in the market, Benefon is now one of the most interesting GSM manufacturers. The previous GSM phone Benefon iO, brought to the market in January 1999 and retired from production less than a year later at the end of last year, made the GSM sales to approach the NMT 450 sales for the first time. The new products, the first of which will become available in this first quarter of 2000, are believed to lift the sales to a level substantially higher than that of last year.

The most central contemporary topics of the still growing GSM market are mobile Internet connection and location based services, both of which are forecast to grow very fast in the next few years. Benefon is well positioned regarding these new GSM applications and in the development of equipment and solutions for location based services market Benefon is a pioneering company worldwide. Together with up-to-date GSM technology and the new Finnish high design in the products, this position gives the Company excellent opportunities in the quickly transforming GSM markets.

The NMT 450 markets in Russia and elsewhere in Eastern Europe have recovered from the jolt caused by the Russian financial crisis in autumn 1998. The market position of the Company is well recognized in these markets, and the new small NMT 450 phone Benefon Dragon has bolstered it further. During 1999, several old products were retired from production and, at the end of the year, only Benefon Spica and Titan were left in the product range in addition to Benefon Dragon. The order stock for NMT 450 products grew sharply in the second half of 1999 but it could not be exploited to the full due to serious supply problems by two parts vendors. Both problems, however, were solved by the end of the year, and the NMT 450 sales have been brisk right from the beginning of this year.



From left to right:
Raimo Voipio, Anders Svartbäck, Jorma J. Nieminen, Pekka Aura and Jorma U. Nieminen

Members of Board of Directors:

Raimo Voipio
MSEE
Benefon Oyj's board member since 1999

Anders Svartbäck
M.B.A
Fondita Rahastoyhtiö Oy, Partner
Benefon Oyj's board member since 1994

Jorma J. Nieminen
Managing Director of Finnfoam Oy
Benefon Oyj's board member since 1993

Pekka Aura
Engineer
Managing Director of Satel Oy
Benefon Oyj's board member since 1993

Jorma U. Nieminen
MSEE
Founder and President of Benefon Oyj
Board member since 1988

To help complete and exploit the new GSM product range, Benefon has entered into a number of cooperation agreements. Besides the mentioned recent agreement with Microsoft® and the 1998 agreement with Tegic Communications to integrate the predictive text input system T9™ into Benefon products, the Company initiated last year cooperation with Geodata and Arboreal to develop map services for Benefon Esc!, with Suunto Oyj regarding distribution and continuing development of personal navigation products and with Radiolinja, Yomimedia, Modelsoft and Hewlett Packard to realize and pilot GSM network positioning solutions. Benefon has also been an active participant in the national research project "Personal Navigation" led by the State Research Center.

Of longer standing co-operation activities one should not forget the EU TIDE project MORE, started in January 1995 and to be concluded in this March, which has created the technical and mental preparedness for Benefon to address readily and effectively the now "hot" areas of personal navigation and location based services. Benefon has in

recent years also, together with Ericsson and Nokia, been actively participating in the NMT 450 and GSM 400 standards development.

In spite of the heavy financial losses of 1998 and 1999, the Company has been increasing the product development expenditure. This has been made possible by drawing on the large cash and capital reserves accumulated during several strong years of mid 1990's. The main emphasis in product development has for long been on the GSM products but, to strengthen its established good NMT 450 market position, the Company has continued to develop also NMT 450 products. The Benefon Dragon, brought to the market in last autumn, has fulfilled the expectations and it has become the leading NMT 450 product. Altogether, the R&D expenditures in 1999 amounted to a record level of 21 percent of the net sales.

The clean-up of the product range that was started in 1998 continued last year so that, at the end of the year, of the old products only the NMT 450 phones Benefon Spica and Titan remained in production after the NMT 450 hand-portable Benefon Sigma and Company's first product Benefon Forte NMT 450 car phone from 1989 were retired in addition to the already mentioned single band GSM phone Benefon iO and its predecessor Benefon Vega. In connection with this product clean-up, the inventory was cleared of all non-current items related with these retired products, together with their specific accessories and spare parts stock, and a corresponding write-off was implemented in the books. After these measures, the inventory is now substantially clean of non-current items.

The planned write-off schedule of the capitalized prior-year basic GSM technology development expenditure was continued. The final 3 MFIM amount, left over after last year's 6 MFIM write-off, will be written off during the first half of 2000, after which there are no capitalized R&D expenses in the books. The program to review and pre-empt the Y2K problem in various systems of the Company was completed successfully and the Millennium shift did not cause problems in the operations of the Company.

In 1999, the number of personnel grew three percent and was, on average, 296.

The shipment volume in 1999 grew 44 percent from 1998 but, due to lower average prices, the net sales were reduced by one and a half percent and amounted to

233 MFIM, of which the share of exports was 89 percent. As the expenditure level was kept high for future growth and, as described, there were the mentioned write-offs of old R&D-expenses and of non-current material items, the 46 MFIM operating loss in 1998 grew into 71 MFIM in 1999. The loss before appropriations and taxes was 73 MFIM compared with the same of about 44 MFIM in 1998.

As a result of the loss, the shareholders' equity with appropriations fell from 148 MFIM to 75 MFIM at the year's end, of which the share of non-restricted shareholders' equity was 43 MFIM. Simultaneously, the total liabilities rose from 26 MFIM to 75 MFIM, so that the Company's equity ratio fell from 84 percent to 49 percent. Cash reserves at the end of the year stood at 27 MFIM, down from 72 MFIM a year before.

According to the outlook into the first half of this year the sales will rise rapidly and will bind up substantial additional operating capital even though the operating result seems to turn clearly positive. In order to finance the needed additional operating capital and to secure sufficient cash margins, the Company has agreed on a one-year credit facility amounting to 70 MFIM.

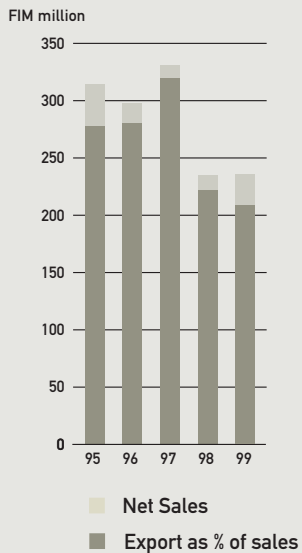
In order to maintain as large a margin as possible in the Company's finance and capital structure during the on-going business development program to build new growth platform for the Company, the Board has decided to propose to the Shareholders' Meeting that no dividend would be distributed for the fiscal year 1999. However, the intention is to preserve the Company's long standing dividend policy, according to which a reasonable part not less than 30 percent of the annual income should be distributed as dividends to the shareholders if there are no particular justified reasons to deviate from this policy.

The Chairman of the Board changed in 1999. The Company's long-standing Chairman Mr. Jukka Helkama served as the Chairman until April 23, 1999, whereafter he was succeeded by Mr. Raimo Voipio. The rest of the Board, Mr. Jorma J. Nieminen, Mr. Anders Svartbäck, Mr. Pekka Aura and Mr. Jorma U. Nieminen, remained unchanged.

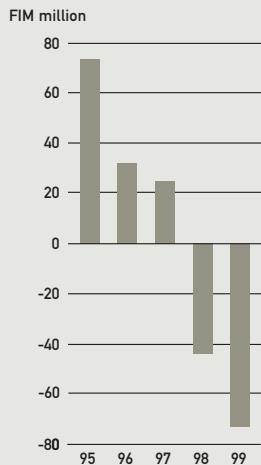
Benefon's S-share is quoted on the Helsinki Stock Exchange's I-list. The Company's parent company is Halyard Oy.

Financial Data

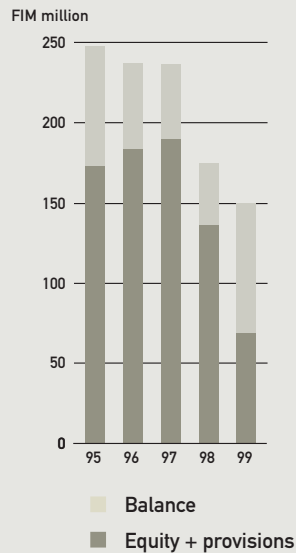
Net Sales



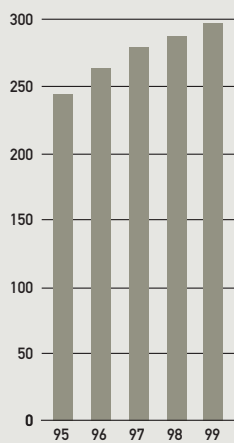
Result after Financial items



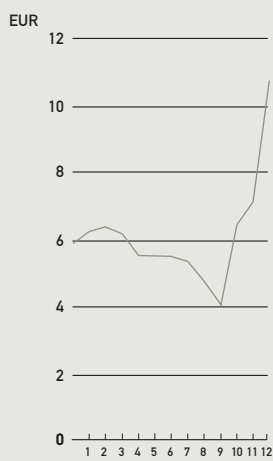
Balance Sheet



Personnel 31.12.



S Class share price 1999



Income Statement

	1.1.-31.12.1999		1.1.-31.12.1998	
	FIM 1 000		FIM 1 000	
NET SALES		233 012		236 129
Increase (+)/decrease (-) in inventories				
finished products		-1 170		-1 519
Production for own use		70		63
Other operating income		3 417		2 675
Materials and services				
Materials, supplies and products				
Purchases during the financial period	167 688		147 021	
Increase (-)/decrease (+) in inventories	-3 890	-163 798	-17	-147 004
External services		-471		-1 181
Personnel expenses		-57 326		-52 642
Depreciation and value adjustments				
Depreciation according to plan		-18 651		-20 747
Other operating expenses		-66 009		-62 122
OPERATING LOSS		-70 926		-46 348
Financial income and expenses		-1 803		2 250
LOSS BEFORE APPROPRIATIONS AND TAXES		-72 729		-44 098
Appropriations				
Change in accelerated depreciation		4 690		5 360
Income taxes				1
LOSS FOR THE PERIOD		-68 039		-38 737

Balance Sheet

	31.12.1999		31.12.1998	
	FIM 1 000		FIM 1 000	
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Development expenses	3 039		9 118	
Intangible rights	2 694		2 626	
Other capitalized expenses	2 805	8 538	3 459	15 203
Tangible assets				
Machinery and equipment		23 929		26 907
Investments				
Investments in associated companies	347		347	
Investments in other shares	135	482	185	532
CURRENT ASSETS				
Inventories				
Raw materials and consumables	45 510		41 620	
Finished products	1 754	47 264	2 923	44 543
Non-current receivables				
Loans receivables	50			
Other receivables	4			
Prepaid expenses and accrued income	1 317	1 371		
Current receivables				
Trade receivables	24 975		7 902	
Other receivables	10 334		3 578	
Prepaid expenses and accrued income	6 691	42 000	3 095	14 575
Financial investments				
Fund units		7 610		10 970
Cash in hand and at banks		19 205		61 167
		150 399		173 897

	31.12.1999		31.12.1998	
	FIM 1 000		FIM 1 000	
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Subscribed capital	9 307		9 307	
Reserve fund	16 403		16 403	
Profit from previous financial years	110 739		163 436	
Dividend distribution			-13 960	
Loss for the period	-68 039	68 410	-38 737	136 449
APPROPRIATIONS				
Accelerated depreciation		6 688		11 378
LIABILITIES				
Non-current				
Loans from credit institutions	5 906			
Pension loans		5 906	1 136	1 136
Current				
Loans from credit institutions	10 000		690	
Pension loans			85	
Advances received	1 421		1 247	
Trade payables	32 148		11 919	
Amounts owed to Group company	101		576	
Other current liabilities	1 326		1 188	
Accrued liabilities and deferred income	24 399	69 395	9 229	24 934
		150 399		173 897

Source and Use of Funds Statement

	1.1.-31.12.1999 FIM 1 000	1.1.-31.12.1998 FIM 1 000
Cash flow from operations:		
Loss before extraordinary items	-72 729	-44 098
Adjustments:		
Depreciation according to plan	18 651	20 747
Unrealized exchange differences	2 291	378
Financial income and expenses	-424	-2 173
Other adjustments	-63	-10
Cash flow before change in working capital	-52 274	-25 156
Change in operating capital		
Non-interest bearing current receivables, increase(-)/decrease(+)	-27 458	27 492
Inventories, increase (-)/decrease (+)	-2 720	1 502
Non-interest bearing current liabilities, increase(+)/decrease(-)	33 318	-3 143
Cash flow from operation before financial items and taxes	-49 134	695
Interest paid for other financial expenses from operations	-4 104	-5 128
Dividend received from operations	647	539
Interest received from operations	4 015	6 745
Income taxes paid		1
Cash flow from operations	-48 576	2 852
Cash flow from investmets:		
Investments in intangible and tangible assets	-9 008	-6 823
Proceeds from sale of intangible and tangible assets	63	10
Cash flow from investmets	-8 945	-6 813
Investments in fixed assets:		
Withdrawal of current loans	10 041	32
Payment of current loans	-516	-20
Withdrawal of non-current loans	5 906	
Payment of non-current loans	-1 911	-782
Non-current receivables, increase(-)/ decrease(+)	-1 321	
Dividends paid		-13 960
Cash flow from financing	12 199	-14 730
Change in liquid funds, increase(+)/ decrease(-)	-45 322	-18 691
Liquid funds at 1.1.	72 137	90 828
Liquid funds at 31.12.	26 815	72 137

Notes to the Financial Statements

The Company's parent company is Halyard Oy, place of registered office Salo, Finland.

Copies of the consolidated financial statements are available at Benefon Oyj's head-office, at street address Meriniitynkatu 11, 24100 Salo, Finland.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fixed assets and depreciation:

Fixed assets are stated at cost. The acquisition cost of fixed assets items includes items not yet fully depreciated. Depreciation is calculated on a straight-line basis so as to write-off carrying value of fixed assets over their expected useful lives.

Inventories:

The cost of inventories include variable cost only. Inventories are valued at lower of cost and net realizable value. Cost is determined on a first in – first out (FIFO) basis.

Foreign currencies:

Receivable and payable balances outstanding at year end are translated to Finnish Markka using the year end exchange rate of the Bank of Finland. Currency options and forward contracts that are used for hedging of currency risks are valued at the market value (options) and using the year end exchange rates (forward contracts).

Development costs:

Development costs incurred during 1999 have been charged to income. The capitalized development expenses relate to the prior-year basic GSM-technology development.

Deferred taxes:

Deferred taxes have not been accounted for in the financial statements. The tax loss carry forward resulting from the loss for the the financial years 1998 and 1999 corresponds to some FIM 30 840 000 of deferred tax assets.

NOTES TO INCOME STATEMENT

1. NET SALES BY MARKET AREA/FIM 1 000

	1999	1998
Finland	25 509	14 103
Other European countries	199 737	214 784
Other countries	7 766	7 242
Total	233 012	236 129

2. PERSONNEL EXPENSES AND AVERAGE PERSONNEL

PERSONNEL EXPENSES/FIM 1 000

	1999	1998
Salaries and wages	45 741	41 721
Pension expenses	6 919	6 829
Other personnel expenses	4 666	4 092
Total	57 326	52 642

Pension expenses above consist of contributions to a pension insurance company and there are no off-balance pension liabilities.

SALARIES PAID TO THE PRESIDENT AND OTHER MEMBERS OF THE BOARD/FIM 1 000

	1999	1998
The President and other members of the Board	719	684

AVERAGE PERSONNEL

	1999	1998
Production	194	178
Other	102	108
Total	296	286

3. DEPRECIATIONS/FIM 1000

The length of useful economic life in depreciation calculations:

Capitalized expenses for completed development projects	3 years
Intangible assets	5 years
Other long-term expenses	10 years
Machinery and equipment	5 years

	1999	1998
Depreciations according to plan		
Development expenses	6 079	6 079
Intangible assets	1 201	1 110
Other long-term expenses	654	897
Machinery and equipment	10 717	12 661
Total	18 651	20 747

Change in accelerated depreciation

Machinery and equipment	-4 289	-4 959
Other long-term expenses	-401	-401
Total	-4 690	-5 360

Accumulated accelerated depreciation		
Machinery and equipment	4 645	8 934
Other long-term expenses	2 043	2 444
Total	6 688	11 378

4. FINANCIAL INCOME AND EXPENSES/FIM 1 000

	1999	1998
Dividend income		
From associated companies	635	410
From others	12	130
Total dividend income	647	540
Interest income	1 683	2 424
Exchange rate gains	2 191	4 328
Total financial income	4 521	7 292
Interest expenses		
To Group company	-9	-22
To others	-94	-97
Total interest expenses	-103	-119
Exchange rate losses	-6 061	-4 550
Other financial expenses		
To Group company	-2	-4
To others	-158	-369
Total other financial expenses	-160	-373
Total financial expenses	-6 324	-5 042
Financial income and expenses total	-1 803	2 250

NOTES TO BALANCE SHEET

5. CHANGES IN FIXED ASSETS/FIM 1 000

	1999	1998
Development expenses		
Cost 1.1.	18 236	18 236
Increase		
Decrease		
Cost 31.12.	18 236	18 236
Accumulated depreciation 1.1.	-9 118	-3 039
Accumulated depreciation of decrease		
Depreciation for the period	-6 079	-6 079
Accumulated depreciation 31.12.	-15 197	-9 118
Net book value 31.12.	3 039	9 118
Intangible assets		
Cost 1.1.	5 548	4 513
Increase	1 269	1 641
Decrease	-814	-606
Cost 31.12.	6 003	5 548
Accumulated depreciation 1.1.	-2 922	-2 418
Accumulated depreciation of decrease	814	606
Depreciation for the period	-1 201	-1 110
Accumulated depreciation 31.12.	-3 309	-2 922
Net book value 31.12.	2 694	2 626

Other long-term expenditure		
Cost 1.1.	8 972	8 972
Increase		
Decrease	-2 421	
Cost 31.12.	6 551	8 972
Accumulated depreciation 1.1.	-5 513	-4 616
Accumulated depreciation of decrease	2 421	
Depreciation for the period	-654	-897
Accumulated depreciation 31.12.	-3 746	-5 513
Net book value 31.12.	2 805	3 459

Machinery and equipment		
Cost 1.1.	71 687	69 825
Increase	7 739	5 181
Decrease	-15 934	-3 319
Cost 31.12.	63 492	71 687
Accumulated depreciation 1.1.	-44 780	-35 438
Accumulated depreciation of decrease	15 934	3 319
Depreciation for the period	-10 717	-12 661
Accumulated depreciation 31.12.	-39 563	-44 780
Net book value 31.12.	23 929	26 907

Share of machinery and equipment of net book value 31.12.	22 900	25 659
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6. SHARES IN ASSOCIATED COMPANIES

Satel Oy:

Benefon Oyj owns 1 750 shares corresponding to 35% of all shares. The nominal value of this shareholding is FIM 35 000 and the book value is FIM 347 000. The shareholders' equity of Satel Oy at 31.3.1999 amounted to FIM 23 977 844. The profit for the fiscal year 1.4.1998 - 31.3.1999 was FIM 7 636 410.

7. CURRENT PREPAID EXPENSES AND ACCRUED INCOME/FIM 1 000

	1999	1998
Development subsidy	4 220	1 682
Other prepaid expenses and accrued income	2 471	1 413
Total	6 691	3 095

8. FINANCIAL INVESTMENTS/FIM 1000

	1999	1998
Replacement price	7 838	11 789
Net book value	7 610	10 970
Difference	228	819

9. SHAREHOLDERS' EQUITY

Share capital by type of shares			
	Number of Shares	Nominal value FIM	Voting rights, %
Common stock (K Class)	500 000	1 000 000	70.6%
Investment shares (S Class)	4 153 370	8 306 740	29.4%
Total	4 653 370	9 306 740	100.0%

Distributable equity/FIM 1 000

	1999	1998
Profit from previous financial years	110 739	149 476
Loss for the period	-68 039	-38 737
Total	42 700	110 739

10. ACCRUED LIABILITIES AND DEFERRED INCOME/FIM 1 000

	1999	1998
Marketing support accrual	12 360	
Accrued personnel expenses	7 886	6 903
Other accrued liabilities and deferred income	4 153	2 326
Total	24 399	9 229

11. RECEIVABLES AND PAYABLES WITHIN THE GROUP/
FIM 1 000

Current payables to	1999	1998
Halyard Oy	101	603

12. LIABILITIES WITH MATURITY OVER 5 YEARS/FIM 1 000

	1999	1998
Pension loans		849
Loans from credit institutions	1 969	

13. BOND LOAN WITH STOCK OPTIONS

During 1997 a bond loan with stock options was issued to be subscribed by all permanent personnel and members of the

Board of Directors of the Company and the Managing Director of the parent company. The loan subscription period was 26.5. - 6.6.1997. The loan amount was FIM 105 000 and its maturity was two years. The loan paid no interest.

The stock options associated with the bond loan entitle to the subscription of an aggregate of 350 000 S-shares of the Company. These shares represent 2% of the total number of votes carried by the Company's shares. The subscription price of one share is FIM 125 (EUR 21.02) subtracted by the per share dividends paid after June 1997. The share subscription period for the first half of the stock options began on 1.4.1999, and for the second half it begins on 1.4.2001. The subscription period ends on 1.4.2003 for all stock options.

New shares shall entitle to dividend for the financial year in which the subscription takes place.

14. PLEDGED ASSETS AND CONTINGENCIES/FIM 1 000

Pledges and mortgages given on own behalf

Liabilities secured by chattel mortgage	1999	1998
Loans from credit institutions	10 000	
Pension loans		1 221
Chattel mortgage nominal value	40 837	12 000
Leasing commitments		
	1999	1998
Due next year	2 790	30
Due later	5 464	11
Total	8 254	41

15. OPEN DERIVATIVE INSTRUMENTS/FIM 1 000

	Underlying value		Fair value	
	1999	1998	1999	1998
Foreign currency derivatives				
Forward contracts	29 729		-1 876	
Options				
Purchased	20 810	35 209	37	223
Written	36 682	62 328	-523	-258
Interest rate derivatives				
Forward contracts		20 000		24
Options				
Purchased				
Written		20 000		-36

Underlying value include also forward contracts which have been closed off. Currency options written are used in connection with purchased currency options.

The Company is exposed to foreign exchange risk arising from sales and purchases in foreign currencies. In accordance with the established company policy Benefon's aim is to hedge all significant currency risks. Currency position is monitored constantly and hedging is carried out the basis of the Company's net currency position. Hedging is

done primarily with forward contracts and currency option contracts.

The Company is exposed to interest rate risk mainly through changes in the interest rate level of the financial investments. Investments are mainly done in short term and low-risk instruments with high liquidity. The Company hedges its interest rate exposure by using interest rate forward contracts.

Key Figures FIM 1 000

	1999	1998	1997	1996	1995
Net sales	233 012	236 129	330 227	295 686	312 637
Export % of net sales	89.1	94.0	96.3	94.1	88.7
Operating profit/loss	-70 926	-46 348	27 539	27 823	60 652
% of net sales	-30.4	-19.6	8.3	9.4	19.4
Profit/loss before extraordinary items	-72 729	-44 098	25 280	32 239	73 834
% of net sales	-31.2	-18.7	7.7	10.9	23.6
Profit/loss before appropriations and taxes	-72 729	-44 098	25 280	32 239	73 834
% of net sales	-31.2	-18.7	7.7	10.9	23.6
Return on equity %	-66.8	-24.6	9.1	12.0	33.0
Return on investment %	-58.1	-24.7	15.6	17.4	41.6
Equity ratio %	49.1	83.8	85.6	83.9	75.8
Current ratio	1.7	5.3	6.4	6.0	4.2
Gross investments in fixed assets	8 959	6 822	21 332	14 408	27 248
% of net sales	3.8	2.9	6.5	4.9	8.7
R&D expenses	50 055	41 200	43 154	47 454	38 296
% of net sales	21.5	17.4	13.1	16.0	12.2
Non-interest bearing liabilities	59 294	23 582	26 814	26 508	42 593
Average number of personnel	296	286	278	263	242

Key Figures Per Share

	1999	1998	1997	1996	1995
Earnings/share, FIM	-15.63	-9.15	3.89	4.96	11.87
Equity/share, FIM	15.72	31.08	43.24	42.34	40.38
Dividend/share, FIM			3.00	3.00	3.00
Dividend/earnings, %			77.1	60.5	25.3
Effective dividend yield, %			4.8	3.8	2.8
P/E ratio	neg.	neg.	16.1	15.9	9.0
Share price 31.12., FIM	75.51	28.30	62.50	79.08	108.00
Lowest price, FIM	22.95	24.00	60.50	66.00	
Highest price, FIM	81.45	73.00	130.00	126.00	
Average price, FIM	44.31	47.15	90.53	82.24	
Share price 31.12., EUR	12.70	4.76	10.51	13.30	18.16
Lowest price, EUR	3.86	4.04	10.18	11.10	
Highest price, EUR	13.70	12.28	21.86	21.19	
Average price, EUR	7.45	7.93	15.23	13.83	
Market capitalization of the Company 31.12.,MFIM	351.4	131.7	290.8	368.0	502.6
Trading of shares, S Class	3 726 836	3 167 819	3 718 232	2 750 529	2 845 379
Trading of shares, % S Class	89.7	76.3	89.5	66.2	68.5
Number of shares, S Class	4 153 370	4 153 370	4 153 370	4 153 370	4 153 370
Number of shares, K Class	500 000	500 000	500 000	500 000	500 000

Shareholders

BREAKDOWN BY TYPE OF OWNER

Share register 31.12.1999		
	shares, %	votes, %
Financial institutions	10.6	3.5
Companies	33.0	72.0
Private individuals	47.8	21.7
General government	3.3	1.1
Non-profit organizations	0.4	0.1
Others	4.9	1.6
Total	100.0	100.0

BIGGEST SHAREHOLDERS

Share register 31.12.1999		
	shares, %	votes, %
Halyard Oy	11.2	56.7
Finnfoam Oy	7.8	10.6
Odin Finland	4.6	1.5
LEL Työeläkekassa	2.5	0.8
Brüninghaus Anna-Louise	2.3	0.7
Conventum Oyj	1.8	0.6
Helkama Bica Oy	1.7	0.6
Assetman Oy	1.7	0.6
Rakshit Tommi	1.5	0.5
Tapiola Keskinäinen Vakuutusyhtiö	1.3	0.4
Nieminen Jorma U.	0.6	4.2
Nurminen Jouko	0.4	2.1
Administrative registered shares	7.6	2.5
Others	55.0	18.2
Total	100.0	100.0

The Board of Directors and the President own and administer in total 951 300 shares which correspond to 20.4% of all shares and 71.8% of all votes.

DISTRIBUTION OF SHAREHOLDING

Share register 31.12.1999

Number of shares	Number of shares hold	% of shareholders	Number of share stock	% of shareholders
1-100	926	27.9	75 245	1.6
101-1 000	1 985	59.7	873 278	18.8
1 001-10 000	367	11.0	955 720	20.5
10 001-	47	1.4	2 748 967	59.1
	3 325	100.0	4 653 210	100.0
Nominee registered				0.0
On joint book-entry accounts			160	
Total			4 653 370	100.0

Proposal of the Board of Directors to the Annual General Meeting

The Board of Directors proposes to the Annual General Meeting that no dividend will be distributed and that the loss of the financial year FIM 68 039 655.06 will be booked to profit from previous financial years.

Salo, February 15, 2000

Raimo Voipio

Jorma U. Nieminen

Jorma J. Nieminen

Pekka Aura

Anders Svartbäck

Auditors' Report

TO THE SHAREHOLDERS OF BENEFON OYJ

We have audited the accounting records, the financial statements and the corporate governance of Benefon Oyj for the financial year 1999. The financial statements, which include the report of the Board of Directors, the income statement, balance sheet and notes to the financial statements, have been prepared by the Board of Directors and the President. Based on our audit we express an opinion on these financial statements and the corporate governance.

We have conducted our audit in accordance with the Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the President have legally complied with the rules of the Companies Act.

In our opinion the financial statements showing loss of FIM 68 039 655.06 have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of the result of operations as well as the financial position of the company. We recommend that the financial statements be adopted and the members of the Board of Directors and the President be discharged from liability for the financial year audited by us. The proposal by the Board of Directors regarding the handling of the loss for the year is in compliance with the Company Act.

Salo, March 2, 2000

SVH Pricewaterhouse Coopers Oy
Authorized Public Accountants

Veikko Soinio
Authorized Public Accountant

Tapio Ali-Tolppa
Authorized Public Accountant

Calculation of Key Ratios

Return on equity %, (ROE)	=	100 x	$\frac{\text{Profit before appropriations and taxes } /. \text{ income taxes}}{\text{Equity + appropriations (average)}}$
Return on investment %, (ROI)	=	100 x	$\frac{\text{Profit before appropriations and taxes + financial items}}{\text{Total assets } /. \text{ non-interest bearing liabilities (average)}}$
Equity ratio %	=	100 x	$\frac{\text{Equity + appropriations}}{\text{Total assets } /. \text{ advances received}}$
Current ratio	=		$\frac{\text{Liquid assets + inventories}}{\text{Current liabilities}}$
Earnings/share, FIM	=		$\frac{\text{Profit before appropriations and taxes } /. \text{ income taxes}}{\text{Number of shares}}$
Equity/share, FIM	=		$\frac{\text{Equity + appropriations}}{\text{Number of shares}}$
Dividend/share, FIM	=		$\frac{\text{Dividend}}{\text{Number of shares}}$
Effective dividend yield %	=	100 x	$\frac{\text{Dividend/share}}{\text{Share price 31.12.}}$
P/E ratio	=		$\frac{\text{Share price 31.12.}}{\text{Earnings/share}}$

Income Statement, Balance Sheet, Source and Use of Funds Statement (EUR)

	1.1.-31.12.1999		1.1.-31.12.1998	
	EUR 1 000		EUR 1 000	
NET SALES		39 190		39 714
Increase (+)/decrease (-) in inventories of finished products		-197		-256
Production for own use		12		11
Other operating income		575		450
Materials and services				
Materials, supplies and products				
Purchases during the financial period	28 203		24 727	
Increase (-)/decrease (+) in inventories	-654	-27 549	-3	-24 724
External services		-79		-199
Personnel expenses		-9 642		-8 854
Depreciation and value adjustments				
Depreciation according to plan		-3 137		-3 489
Other operating expenses		-11 102		-10 448
OPERATING LOSS		-11 929		-7 795
Financial income and expenses		-303		378
LOSS BEFORE APPROPRIATIONS AND TAXES		-12 232		-7 417
Appropriations				
Change in accelerated depreciation		789		902
Income taxes				
LOSS FOR THE PERIOD		-11 443		-6 515

Balance Sheet (EUR)

ASSETS	31.12.1999 EUR 1 000		31.12.1998 EUR 1 000	
NON-CURRENT ASSETS				
Intangible assets				
Development expenses	511		1 533	
Intangible rights	453		442	
Other capitalized expenses	472	1 436	582	2 557
Tangible assets				
Machinery and equipment		4 025		4 525
Investments				
Investments in associated companies	58		58	
Investments in other shares	23	81	31	89
CURRENT ASSETS				
Inventories				
Raw materials and consumables	7 654		7 000	
Finished products	295	7 949	492	7 492
Non-current receivables				
Loans receivables	8			
Other receivables	1			
Prepaid expenses and accrued income	222	231		
Current receivables				
Trade receivables	4 200		1 329	
Other receivables	1 738		602	
Prepaid expenses and accrued income	1 125	7 063	520	2 451
Financial investments				
Fund units		1 280		1 845
Cash in hand and at banks		3 230		10 288
		25 295		29 247
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Subscribed capital	1 565		1 565	
Reserve fund	2 759		2 759	
Profit from previous financial years	18 625		27 488	
Dividend distribution			-2 348	
Loss for the period	-11 443	11 506	-6 515	22 949
APPROPRIATIONS				
Accelerated depreciation		1 125		1 914
LIABILITIES				
Non-current				
Loans from credit institutions	993		191	
Pension loans		993		191
Current				
Loans from credit institutions	1 682		116	
Pension loans			14	
Advances received	239		210	
Trade payables	5 406		2 004	
Amounts owed to Group company	17		97	
Other current liabilities	223		200	
Accrued liabilities and deferred income	4 104	11 671	1 552	4 193
		25 295		29 247

Source and use of Funds Statement (EUR)

	1.1.-31.12.1999 EUR 1 000	1.1.-31.12.1998 EUR 1 000
Cash flow from operations:		
Loss before extraordinary items	-12 232	-7 417
Adjustments:		
Depreciation according to plan	3 137	3 489
Unrealized exchange differences	385	64
Financial income and expenses	-71	-365
Other adjustments	-11	-2
Cash flow before change in working capital	-8 792	-4 231
Change in operating capital		
Non-interest bearing current receivables, increase(-)/decrease(+)	-4 618	4 624
Inventories, increase (-)/decrease (+)	-457	253
Non-interest bearing current liabilities, increase(+)/decrease(-)	5 603	-529
Cash flow from operation before financial items and taxes	-8 264	117
Interest paid for other financial expenses from operations	-690	-862
Dividend received from operations	109	91
Interest received from operations	675	1 134
Income taxes paid		
Cash flow from operations	-8 170	480
Investments in fixed assets:		
Investments in intangible and tangible assets	-1 515	-1 148
Proceeds from sale of intangible and tangible assets	11	2
Cash flow from investmets	-1 504	-1 146
Cash flow from financing:		
Withdrawal of current loans	1 689	5
Payment of current loans	-87	-3
Withdrawal of non-current loans	993	
Payment of non-current loans	-321	-131
Non-current receivables, increase(-)/decrease(+)	-222	
Dividends paid		-2 348
Cash flow from financing	2 052	-2 477
Change in liquid funds, increase(+)/decrease(-)	-7 622	-3 143
Liquid funds at 1.1.	12 133	15 276
Liquid funds at 31.12.	4 510	12 133

KEY FIGURES/EUR 1 000

	1999	1998	1997	1996	1995
Net sales	39 190	39 714	55 540	49 731	52 582
Export % of net sales	89.1	94.0	96.3	94.1	88.7
Operating profit/loss	-11 929	-7 795	4 632	4 679	10 201
% of net sales	-30.4	-19.6	8.3	9.4	19.4
Profit/loss before extraordinary items	-12 232	-7 417	4 252	5 422	12 418
% of net turnover	-31.2	-18.7	7.7	10.9	23.6
Profit/loss before appropriations and taxes	-12 232	-7 417	4 252	5 422	12 418
% of net sales	-31.2	-18.7	7.7	10.9	23.6
Return on equity %	-66.8	-24.6	9.1	12.0	33.0
Return on investment %	-58.1	-24.7	15.6	17.4	41.6
Equity ratio %	49.1	83.8	85.6	83.9	75.8
Current ratio	1.7	5.3	6.4	6.0	4.2
Gross investments in fixed assets	1 507	1 147	3 588	2 423	4 583
% of net sales	3.8	2.9	6.5	4.9	8.7
R&D expenses	8 419	6 929	7 258	7 981	6 441
% of net sales	21.5	17.4	13.1	16.0	12.2
Non-interest bearing liabilities	9 973	3 966	4 510	4 458	7 164
Average number of personnel	296	286	278	263	242

KEY FIGURES PER SHARE

	1999	1998	1997	1996	1995
Earnings/share, EUR	-2.63	-1.54	0.65	0.83	2.00
Equity/share, EUR	2.64	5.23	7.27	7.12	6.79
Dividend/share, EUR			0.50	0.50	0.50
Dividend/earnings, %			77.1	60.5	25.3
Effective dividend yield, %			4.8	3.8	2.8
P/E ratio	neg.	neg.	16.1	15.9	9.0
Share price 31.12., EUR	12.70	4.76	10.51	13.30	18.16
Lowest price, EUR	3.86	4.04	10.18	11.10	
Highest price, EUR	13.70	12.28	21.86	21.19	
Average price, EUR	7.45	7.93	15.23	13.83	
Market capitalization of the Company 31.12., EUR million	59.1	22.2	48.9	61.9	84.5
Trading of shares, S Class	3 726 836	3 167 819	3 718 232	2 750 529	2 845 379
Trading of shares, % S Class	89.7	76.3	89.5	66.2	68.5
Number of shares, S Class	4 153 370	4 153 370	4 153 370	4 153 370	4 153 370
Number of shares, K Class	500 000	500 000	500 000	500 000	500 000

Five year Comparison 1995-1999

INCOME STATEMENT (FIM 1 000)	1999	1998	1997	1996	1995
Net sales	233 012	236 129	330 277	295 686	312 637
Cost of operations	-285 287	-261 730	-286 538	-255 823	-241 858
Depreciation according to plan	-18 651	-20 747	-16 200	-12 040	-10 127
Operating profit/loss	-70 926	-46 348	27 539	27 823	60 652
Financial income and expenses	-1 803	2 250	-2 259	4 416	13 182
Profit/loss before appropriations and taxes	-72 729	-44 098	25 280	32 239	73 834
Change in accelerated depreciation and untaxed reserves	4 690	5 360	2 978	2 252	-1 228
Income taxes		1	-8 002	-9 772	-18 248
Profit/loss for the period	-68 039	-38 737	20 256	24 719	54 358

BALANCE SHEET (FIM 1 000)

ASSETS					
Non-current assets	26 261	31 264	39 828	37 793	33 221
Accelerated depreciation	6 688	11 378	16 738	13 641	15 845
Inventories	47 264	44 543	46 045	54 799	42 753
Other current assets	70 186	86 712	133 344	129 622	156 402
	150 399	173 897	235 955	235 855	248 221

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity					
Subscribed capital	9 307	9 307	9 307	9 307	9 307
Reserve fund	16 403	16 403	16 403	16 403	16 403
Unrestricted equity	42 700	110 739	163 436	157 140	146 381
Reserves and accelerated depreciation	6 688	11 378	16 738	19 716	21 968
Current and non-current liabilities					
Non-current interest-bearing liabilities	5 906	1 136	1 911	2 693	6 370
Non-current non-interest-bearing liabilities			105		
Current interest-bearing liabilities	10 101	1 352	1 346	4 088	4 839
Current non-interest-bearing liabilities	59 294	23 582	26 709	26 508	42 953
	150 399	173 897	235 955	235 855	248 221

INCOME STATEMENT (EUR 1 000)	1999	1998	1997	1996	1995
Net sales	39 190	39 714	55 549	49 731	52 582
Cost of operations	-47 982	-44 020	-48 192	-43 026	-40 678
Depreciation according to plan	-3 137	-3 489	-2 725	-2 025	-1 703
Operating profit/loss	-11 929	-7 795	4 632	4 679	10 201
Financial income and expenses	-303	378	-380	743	2 217
Profit/loss before appropriations and taxes	-12 232	-7 417	4 252	5 422	12 418
Change in accelerated depreciation and untaxed reserves	789	901	501	379	-207
Income taxes	-	0	-1 346	-1 644	-3 069
Profit/loss for the period	-11 443	-6 515	3 407	4 157	9 142

BALANCE SHEET (EUR 1 000)

ASSETS					
Non-current assets	4 417	5 258	6 699	6 356	5 587
Accelerated depreciation	1 125	1 914	2 815	2 294	2 665
Inventories	7 949	7 492	7 744	9 217	7 191
Other current assets	11 804	14 584	22 427	21 801	26 305
	25 295	29 247	39 685	39 668	41 748

INCOME STATEMENT (EUR 1 000)

Shareholders' equity					
Subscribed capital	1 565	1 565	1 565	1 565	1 565
Reserve fund	2 759	2 759	2 759	2 759	2 759
Unrestricted equity	7 182	18 625	27 488	26 429	24 620
Reserves and accelerated depreciation	1 125	1 914	2 815	3 316	3 695
Current and non-current liabilities					
Non-current interest-bearing liabilities	993	191	321	453	1 071
Non-current non-interest-bearing liabilities	-	-	18	-	-
Current interest-bearing liabilities	1 699	227	226	688	814
Current non-interest-bearing liabilities	9 973	3 966	4 492	4 458	7 224
	25 295	29 247	39 685	39 668	41 748

Information for the Shareholders

ANNUAL GENERAL MEETING OF THE SHAREHOLDERS

The Annual General Meeting of Benefon Oyj shall be held in Salo, at Sininen Talo at Rummunlyöjankatu 2, on Friday 14th April 2000 starting at 10.00 a.m.

PROPOSAL FOR THE DISTRIBUTION OF A DIVIDEND

The Board of Directors shall propose to the Annual General Meeting of the Shareholders that no dividend shall be distributed.

TAXATION VALUE

The taxation value of share was assessed to be EUR 9.17 (FIM 54.52) in 1999.

FINANCIAL INFORMATION

Benefon Oyj publishes the following financial information:

-annual report in Finnish and English in week 13

-half-year report in Finnish and English in week 33

Annual report shall be sent to all registered shareholders of Benefon Oyj.

From the beginning of 2000 Benefon Oyj does not publish printed half-year report. Half-year report will be available immediately after publishing in Benefon's Internet pages www.benefon.com. Paper copies can be attained upon request from Benefon Oyj, tel. +358-2-77 400, fax +358-2-733 2633, e-mail: info@benefon.fi.

INSIDER REGULATIONS

Benefon Oyj will follow the new regulations on insider holdings drawn up by Helsinki Exchanges, effective from 1st of March, 2000.



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