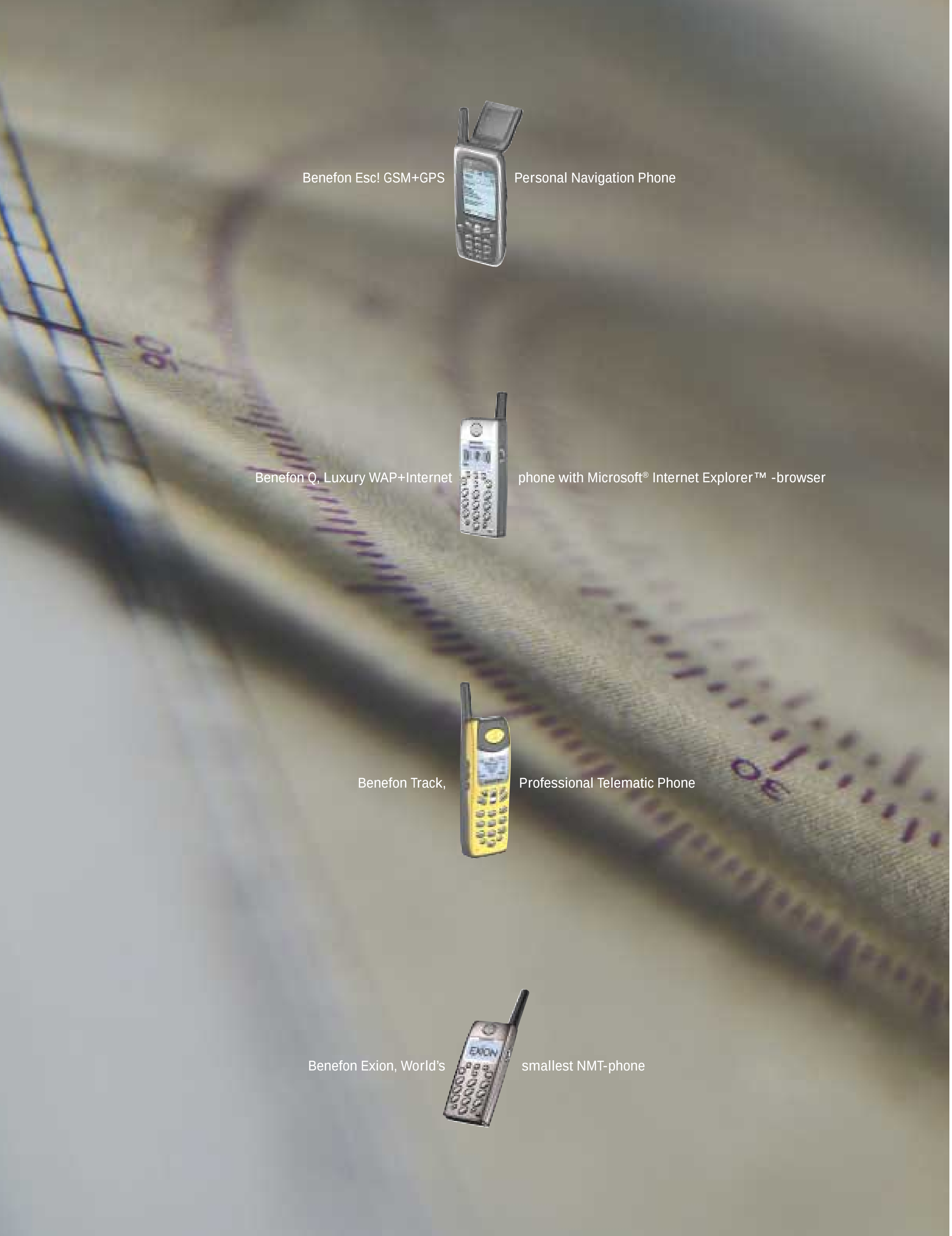
BENEFON

Annual Report 2000


Benefon Esc! GSM+GPS Personal Navigation Phone
Benefon Q, Luxury WAP+Internet phone with Microsoft® Internet Explorer™ -browser
Benefon Track, Professional Telematic Phone
Benefon Exion, World's smallest NMT-phone

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YEAR IN BRIEF

FEBRUARY 2001

Benefon introduces the World's smallest NMT 450i handset, the new Benefon Exion (28.2.)

Benefon teams with Global Locate and MSLocation to offer a unique hybrid GSM+AGPS positioning technology for mobile service providers (20.2.)

Trio and Benefon to offer complete PMR-over-GSM solution to mobile operators (20.2.)

Benefon and CT Motion to deliver high accuracy location-based services (6.2.)

DECEMBER 2000

Viasat to choose Benefon Track for their mobile assistance, safety and security service (20.12.)

NOVEMBER 2000

Benefon Track makes a platform for Vitaphone's new cardiophone service introduced at the Medica Exhibition in Düsseldorf (22.11.)

OCTOBER 2000

Benefon and Arbonaut co-operation: a unique phone equipped with unique services enables superior Internet accessibility (30.10.)

Benefon opens Representative Office in Moscow (9.10.)

President's Letter

Jorma Nieminen
President

Benefon is in the middle of a profound transformation process started two years ago. The objective is to establish Benefon as a leading global specialist firm in wireless instruments serving the providers of specific services and solutions for mobile people and, through this, to triple the sales of the Company by year 2003 and to resume profitability already in this year. The two first such GSM+GPS instruments Benefon Track and Benefon Esc! are to be lauched to the market in March-April. The initial client base for these two products by the time of writing this letter is already over 50 larger and smaller firms, and the number continues to grow. The targeted combined sales volume of the Track and the Esc! for the first 12 month period from the market launch is EUR 80 million, ie. more than the combined NMT and GSM sales of the Company last year. This sales boost is instrumental in resuming the profitability of the Company from the second quarter of this year onwards. In parallel with the market launch activities of the mentioned present products, the program for the next generation of wireless instruments with considerably enhanced core functionalities is on the way, with the objective to secure a solid position in the growing market for the period of 2002-2003.

Due to the reported delays of the product program and the consequent surge of the parts inventory last year, there is a concrete need to strengthen the finances of the Company. Therefore, the Company is now preparing to raise additional equity financing to enable the needed R&D expenditure for rapid completion of the next generation of products while assuring full scale market exploitation of the present product range and maintaining a reasonable cash margin. The general finance market condition may not be most favourable in these times for an equity issue but there seems to be sufficient interest among the potential investors to conclude the issue on reasonable terms.

After the financing issue has been resolved, the general business position of Benefon over the next few years looks promising. We have positioned ourselves in a growing new market that is big enough for us and where we can make a real difference to the providers of specific services and their customers. Even if there would be a period of slower growth in the general mobile terminal market, we believe to be able to grow fast in the vertical applications market. This is helped by our small size which makes it possible to effectively address even such applications that may not be big enough for large companies. We have also learned some good lessons about operating in a turbulent, fast changing market, especially regarding schedule forecasting and logistics management. The improvements in our operative processes, based on these lessons, will be quite valuable in managing the ramp-ups of the next generation products.

Review of the Year 2000 by the Chairman of the Board of Directors

Raimo Voipio
Chairman of the Board of Directors

The past year has been an extremely varied one on the mobile telecommunications market. In the beginning of the autumn, the market was still experiencing a period of strong growth. Now, with publication of the indicators for the close of the past financial year, the picture has changed considerably. The level of price competition has increased significantly. At the same time, finding new financing sources has become more difficult with the downturn in stock markets. In a global economy, changes in the U.S. market are strongly reflected in the European market.

Benefon put in a hard year's works for 2000. At the beginning of the year, the next generation Benefon Twin and Twin Dual SIM mobile telephones were brought to market. In the autumn, production was begun on the new Benefon Q ”Internet telephone”, which has deservedly received honourable mentions both for its technology and design.

Special attention should be given to the integration of global positioning services with mobile telecommunications. Benefon Track provides completely new opportunities for communication.

We have good reason to be very proud of these new products as well as of our Benefon ESC! personal navigation telephone, which is currently receiving its finishing touches. Our products are the envy of several larger mobile phone manufacturers. On the other hand, the past year has once again demonstrated that it is extremely difficult to predict the amount of work needed to develop new, revolutionary products. In this respect, continuous learning and a certain humility are important.

During the past year, a new approach was adopted in our mobile telecommunications business operations. The Benefon Wireless Systems business unit offers mobile telecommunications for applications developers. Benefon's primary objective is to be a partner to companies that need mobile telecommunications with an integrated locationing function as a part of their own business concepts. This requires that suppliers of communication instruments have an operational mode suited to this type of situation. On the other hand, these kinds of applications are often ideal for a small and flexible supplier like Benefon.

The past year has undoubtedly been a very demanding one for all Benefon personnel members: our entire product range has been replaced in the space of approximately one year. The need to learn new things, constant pressure from our customers and the insecurity resulting from heavy financing have probably been foremost in mind of everyone here at Benefon. Nonetheless, we have forged on and completed our work, proving that we are up to the task.

The challenging nature of product development has lead to unexpected delays in the completion of new products. This has then been reflected in a tightening of our financing situation. When this is considered in light of the steep drop in the global financing market, (especially in the case of the technology sector) the situation has proven very difficult for Benefon. In spite of these adversities, we were able to increase our shareholder equity last autumn. In my opinion, this is a good indication of the fact that Benefon's current approach has met with approval, and it is seen as a step in the right direction - a step that will open up new possibilities for the Company. Given these facts, it is a pleasure to continue working for the Company that still manufactures the best personal communication instruments in the world.

Wireless Instruments on the Growth Curve

Juha-Pekka Takku
Director, Sales and Marketing

GSM-network systems continued their dominance in telecommunications and global growth in the year 2000, as the number of subscribers increased by 71 percent. Subscriber growth was largely driven by different prepaid subscriptions, which enjoyed rapidly increasing popularity. Still the general assumption is that market growth will be leveling down.

Slower growth can be expected also to the sales of mobile phones which reached a new record level of over 400 million pcs, growing by 46% over the previous year. 2000 was the year of ”WAP-fever”, but generally the range of available WAP-services was still limited and the price of services relatively high. This resulted in a low usage rate of rapidly introduced WAP-services, which was quite a disappointment for many operators. Network operators continued to introduce massive amounts of new services, with many of them based on text messaging. This led to an explosive growth of SMS-messaging in almost all markets .

Looking at the market trends, one can already see the shifting from a traditional low end–high end segmentation towards differentiated products targeted tospecific user segments. Especially in countries with high penetration rate, it has become obvious that consumers will use different devices for different purposes, varying from specific hobbies to office use, travelling or sports. This trend creates a lot of potential for companies focusing on special segments. In this new environment Benefon is comitted to develop solutions for perhaps the hottest areas in the trade, such as wireless Internet applications, location-based services and personal navigation.

During 2000, Benefon sales increased by 52 percent over last year, as we continued to launch the new product range, introduced in 1999-2000. The Benefon Twin, with the unique Dual-Sim feature, gained a lot of positive attention, which also opened the door to several new markets, thus allowing introduction of the Benefon brand to many new territories. With the launch of the Twin, Benefon enhanced its distribution network, particularly in Western Europe, by appointing strong new partners as distributors in the key countries. Also, in many Eastern European countries the Benefon brand was re-launched with new key GSM-partners.

Working in close co-operation with the Benefon Wireless Solutions Business unit, Customer Marketing introduced the Benefon Track to service providers and service developers all over the world. With location-based services being one of the hottest application areas in the telecom business, the introduction of Track resulted in a flurry of enquiries, and substantial contracts with partners were signed during the autumn. The economic impact of these contracts will be carried over into 2001, as the Track deliveries are carried out.

One of the highlights of 2000 was the launch of Benefon Q, the first miniature internet phone with a Microsoft® Mobile Explorer™ WAP+HTML microbrowser. It provided our distribution network with a powerful tool to enter the professional high-end market, which is currently in the throes of WAP-fever. Benefon Q received excellent ratings in various mobile phone magazines, trend magazines as well as in operator tests, and both the designing world and retail chain professionals praised its stylish looks. The Benefon brand was introduced in several new countries in conjunction with the Q launch. However, sales at the end of the year were negatively affected by the glut of some major brands in the distribution network.

During 2000, Benefon continued to strengthen its position in the Eastern European markets by offering a new, wider range of products in the GSM-range. The focus in Western Europe and Scandinavia was in building distribution networks, launching the brand and, in particular, promoting the Benefon Partnership Proposition, in which Benefon will commit itself, in co-operation with application partners, to providing exciting new products and services for locationing, among other applications.

The general level of NMT 450 market remained relatively stable in 2000, but sales were focused more on key Eastern European countries, where market growth is still expected. During 2000, the Benefon Dragon became the clear market leader in NMT 450 phones. The Dragon's small size and outstanding performance was a winning combination, and Benefon's market share was significantly increased. Working in close co-operation with the NMT operators concerning marketing and promotions resulted in a record year for NMT 450 sales in Russia, Bulgaria and Croatia. The NMT product line was updated by discontinuing the Benefon Spica and Benefon Titan.

Benefon also attended several international trade fairs such as CeBIT (Hannover), Svyaz (Moscow), Simo (Madrid), Communic Asia (Singapore) and Sircom (Paris). Our location-based solutions were promoted in several telecommunications seminars and local trade fairs.

The main goals for 2001 will be launching of the Benefon Track and ESC!, promoting Benefon Partnership Proposition and increasing our market share in Western European GSM markets by introducing new services and products in close co-operation with our key partners. Ensuring improved profitability together with continuous growth in sales will be one of the main targets this year.

The Wireless Instruments Partnership Proposition

The growth of the global mobile communication market is levelling off. Increasing competition is affecting service revenues and driving profits down. New technologies bring about major investments and uncertainty about payback, making investors more cautious than before.

As carriers and other service providers are seeing less and less new subscribers, the key to success becomes increasing loyalty and average revenue of existing customers. Individual consumer lifestyles as well as various business solutions, now going mobile, drive diversification and segmentation of the converging mobile-IT-services market.

True, the emerging mobile information society must be based on open standards and interfaces, ensuring interoperability of devices, infrastructure and services. However, it is no longer adequate to think only in terms of a horizontal mass market. Consumers and businesses want services and solutions addressing their specific needs and preferences. Whoever caters to these vertical needs here and now, not always waiting for yet another breakthrough technology to save the world, is facing a good chance of making money today and being well positioned tomorrow when some of these vertical applications move to mass market.

Benefon's mission is to be the wireless instruments partner of choice for providers of specific services and solutions for mobile people. Benefon offers a one-stop handset solution: wireless devices combining navigation, telematics, mobile Internet and wireless access based on GSM evolution. The offering is completed by product adaptation to customer application, manufacturing, logistics, distribution, marketing support and after sales services.

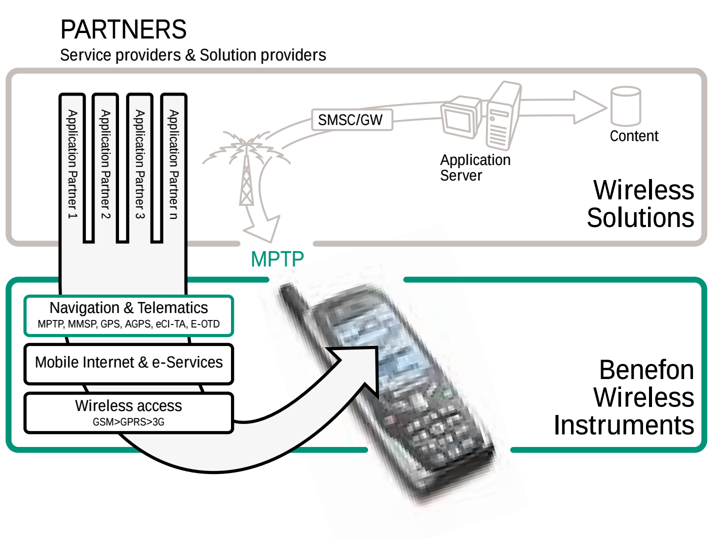
Benefon builds partnerships with solution developers, so as to be able to offer mobile network operators and other service providers complete end-to-end service solutions for vertical applications in B2C, B2B and M2M markets. Unique wireless instruments enable unique services, adding value to businesses and consumers.

Let us illustrate with the example of precision locationbased services. First, Benefon can provide a hybrid-positioning platform, based on the Benefon Esc! GSM+GPS personal navigation phone and the Benefon Track GSM+GPS telematics phone, combined with location server products from Benefon partners. This solution is deployable overnight with precision GPS location capability, and can be readily expanded with GPS assistance over GSM network and with GSM network based positioning. It is available now, it gives state-of-the art positioning capabilities outdoors and indoors with a precision of down to 5 meter, it is very flexible for service providers, it requires zero investments in networks and it enables mobile network operators to capitalise on their location assets here and now with minimum risks.

Knowing where is only a good start. The Benefon Track and The Benefon Esc! support open Mobile Phone Telematics Protocol (MPTP), with already hundreds of adopting companies around the world. MPTP enables applications like personal navigation, geomessaging, location aware communities, sports, healthcare, safety, security, fleet and staff management, location enhanced yellow pages and advertising to name but a few. Mobile Map Service Protocol (MMSP) brings a new GIS-based user interface to users, adding more power to personal navigation and precision location-based services. Benefon partners already offer complete solutions for service providers in all of these application areas.

The morale: Think vertical! Start deploying now! Earn money today and move to control your market tomorrow. We are ready to help you. For more information, look at the Partner area at http://www.benefon.com.

Jukka Nieminen
Director, Product Marketing



Board of Directors´ Report on the Fiscal Year 2000

Last year´s business activity was marked by the profound transformation process started two years ago with the objective to re-position Benefon in the world market. The mission statement of the Company was re-defined “to be the wireless instruments partner of choice for providers of specific services and solutions for mobile people”. This new statement is believed to provide a solid guidance for the business of the Company for the next years. The pioneering work of the past more than five years to develop location based service solutions, together with needed technology and user instruments, provides a strong base line for pursuing this mission.

Financially, last year was difficult for Benefon and the set financial objectives were mostly not reached even though the Company got started in many Western European markets, the entire product range was renewed, the net sales increased by over 50 percent and the average gross margin improved. The main cause behind the deviation was the delay in getting the new product range to the market. Especially the delays with the unique GSM/GPS products Benefon Track and Benefon Esc! cut off a major slice from the planned sales income and result. In addition to the product delays, the result was hurt also by the occurred slow-down of the general economic growth and subsequent weakness in the market demand, introducing all normal consequences coming with the reduced demand and disturbing the marketing activities of the Company.

Though the main objective of product development, ie. getting the products to the market, was grossly delayed from the plan, the product technology of the Company was thoroughly renewed. The new product platform, comprising dual-band GSM functionality, versatile Internet browser, 12 channel GPS receiver and the MPTP telematics protocol, was largely finished and the first two products, Benefon Twin and Benefon Q, were launched to market. The market launch of the GSM/GPS products Benefon Track and Benefon Esc! was postponed to March-April of 2001.

With the new product platform, Benefon is now capable of addressing a multitude of needs by offering solutions based on the telecom channel by the GSM network, mobile use of the Internet, positioning of the user by means of the GPS system and/or the GSM network and the MPTP telematics protocol glueing the overall solution together. Over the passed year, the Company has entered into several important partnerships with service providers and other value network parties. The business potential of these partnerships is notable already in the short term and even bigger in the longer term even if it has not yet been turned into sales and sales income due to the mentioned product delays. The building of the partnership network with the attached business potential continues.

Marketing network was developed with entering into new distribution agreements in a number of countries. Own international presence was increased by opening a representative office in Moscow, a procurement office in Tokyo region and by establishing a sales subsidiary Benefon S.A. in Paris.

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

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

The NMT 450 business proceeded quite well and it continued to be an important part of the total. The NMT 450 product range was reduced radically and in late year it consisted of just one product, Benefon Dragon. At the same time, however, a project was going on to develop the amazingly small and performant NMT 450 designer phone Benefon Exion which will be the bench-mark product in the market. The Exion is believed to further strengthen Benefon´s position in the NMT 450 market but it can even increase the attractiveness of NMT 450 services in the GSM environment.

The sales of the GSM products did not develop according to expectations because the market introduction of the new dual band products was significantly delayed and the general market situation deteriorated towards the end of the year. However, Benefon Q and the dual SIM version of the Twin have received positive attention in the market helping the Company to improve her standing as a recognized manufacturer of GSM products. In addition, own GSM networks expertise has increased in a major way and it has been possible to build new operator relations. This will facilitate also the market introduction of the Track and the Esc!.

A strategically important product program to develop the next generation of the wireless mobile instruments was started. The objective is to secure for Benefon a solid position in these growing markets for years 2002-2003. The technology platform of this program comprises eg. GPRS, AGPS and advanced Internet functions.

The R&D expenditure rose to 79 MFIM and its proportion of the net sales stayed at the high level of 22 percent even with the sales growing more than 50 percent. Most of the R&D expenditure went into the new GSM and GSM/GPS products but also the NMT 450 development continued. All R&D costs were directly expensed in the period and also the final 3 MFIM part of the earlier R&D capitalizations was amortised whereafter there are no capitalized R&D expense items in the balance sheet.

The number of personnel in year 2000 grew by 27 percent and it averaged 377.

Both the number of products delivered and the net sales grew by 52 percent and the net sales rose to 353 MFIM. The export share of the sales was 92 percent. Provisions for fast growth raised the cost of personnel by 29 percent and other operating costs by 55 percent. Helped by the growth of net sales and the improvement of the average gross margin, the aggregate of the material margin grew 75 percent from the previous year. The operating loss was reduced by 11 MFIM from the previous year but it was still at 60 MFIM. However, in proportion to the net sales, the operating loss level was reduced significantly into 17 percent of the sales, down from 30 percent of sales a year before. Because of the substantial increase of interest bearing liabilities and the rise of interest rates, the net financing costs increased by 7 MFIM and were 9 MFIM. The net loss for the period was reduced by 3 MFIM from previous year and it was 65 MFIM. In proportion to the sales, the net loss was reduced from 29 percent of the sales in 1999 to 18 percent of the sales in last year.

The material inventory grew over the year by 116 MFIM because of the overly long component lead times and the realized delays of the product program. The inventory level was significantly above the normal level binding up a large amount of capital. Component shortages were not hampering operations during the year.

To improve the balance sheet weakened by the losses in recent times and to help finance the operations, the Company launched a private placement share issue in early autumn which brought in about EUR 9 million amount of additional equity. On the basis of the authorization decision, made by the Annual General Meeting of Benefon on 14th April, the Board of Directors decided on 26th September that the Company´s share capital be raised by means of a directed share issue for a total of EUR 243 418.39 by offering 723 650 new investment shares of the company, each with a book parity of EUR 0.34 (not the exact value), for subscription by ten domestic and foreign investors, and thus deviating from the shareholders´ first option.

A deviation from the shareholders´ first option in conjuction with the share issue was made since the issue was aimed to increase the amount of the working capital needed as a result of an extremely strong growth of the volume of operations, and to strenghten the Company´s balance sheet. Therefore, the Company had justified financial reason for deviating from the shareholders´ first option. The subscription price was EUR 12.50 per share. The price was based on negotiations conducted between the company and the investors.

As a result of the raise, the Company´s share capital increased from EUR 1 565 281.30 to EUR 1 808 699.69 and the number of issued shares from 4 653 370 to 5 377 020, of which 4 877 020 are quoted investment shares. After the raise in the share capital the amount of new investment shares correspond to 13.5% of all shares and 4.9% of all votes.

At the end of the year, the total equity with appropriations was 60 MFIM while it was 75 MFIM a year before. The retained losses at the end of the year was -22 MFIM. At the time the interest bearing liabilities were 110 MFIM, up from 16 MFIM a year before. The gearing ratio rose over the year from -15 percent to 172 percent. The cash at hand and in the banks at the end of the year was 9 MFIM, down from 27 MFIM a year before.

Because of the weakened general market demand and the described delays in the GSM/GPS products sales start, the result of the first quarter of this year seems to stay at a substantial loss. The general market picture is unusually uncertain, but with the beginning of the sales of the Track, the Esc! and the Exion, there is a reason to expect the sales volume of the Company to increase significantly in the second quarter of the year, helping also in turning the result positive.

Regarding the additional financing needs, as presented in the Result Report for 2000 of February 14, it was decided for practical reasons that the most appropriate solution would be to direct a private placement type share issue to a limited number of domestic and foreign investors, both inside and outside the Company. The share issue is purported to be managed as a bid issue and presented for a decision to the Annual Shareholders´ Meeting in April. The objective of the share issue is to enable the needed R&D expenditure for rapid completion of the next generation of products while assuring full scale market exploitation of the present product range and maintaining a reasonable cash margin. Reducing the excessive material inventory created in last year will also help improve the finances in this year.

The Annual General Meeting of Benefon held on April 14, 2000 authorized The Board to make a decision about increasing the share capital with the maximum amount of EUR 316 404, either as a new share issue or by raising a convertible loan or by issuing stock-options, in one or in multiple acts. The Company may offer for subscription not more than 930 600 new shares with a book parity of EUR 0.34 each. A new issue may be carried out by issuing a maximum of 930 600 S shares only, or by issuing a maximum of 100 000 K shares and a maximum of 830 600 S shares.

The Annual General Meeting approved the request by the Board, that the granted authority will include also the right to decide about a deviation from the shareholders´ first option in conjunction with the share issue, providing that there is a significant financial reason for the Company for such a deviation, and also to decide about the new issue so that shares may be subscribed against contribution-in-kind or under other terms as defined in detail by the Board.

The unused authorization amounted up to EUR 72 985.61 corresponding to 206 950 shares on December 31, 2000.

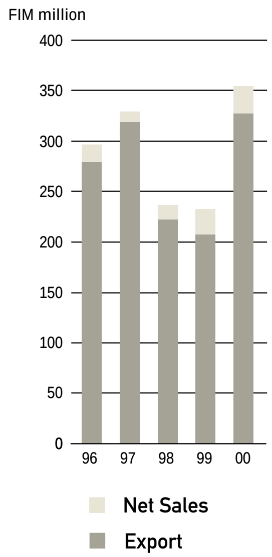
Because the amount of distributable equity is negative the Board has decided to propose to the Annual Shareholders´ Meeting that no dividend will be paid from the fiscal year 2000. The purpose, however, is to maintain the longer term dividend policy of the Company, according to which a reasonable part not less than 30 percent, of the eligible annual net result would be paid as dividends to the shareholders if there are no particular justified reasons to deviate from this policy.

Mr. Raimo Voipio served as the Chairman of the Board. The other members of the Board were Mr. Jorma J. Nieminen, Mr. Anders Svartbäck, Mr. Pekka Aura and Mr. Jorma U. Nieminen. The auditors were SVH Pricewaterhouse Coopers Oy and Mr. Veikko Soinio, KHT.

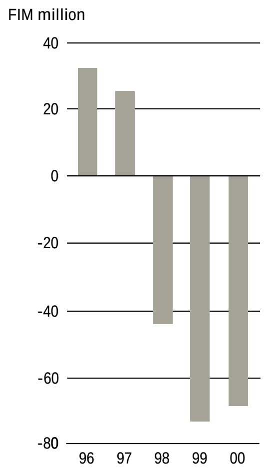
The S share of Benefon is listed on the I-list of Helsinki Exchanges. The parent company of the Company is Halyard Oy.

Financial Data

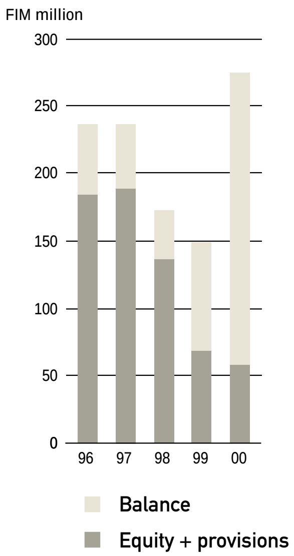
Net Sales



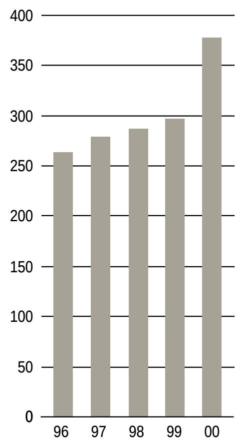
Result after Financial Items



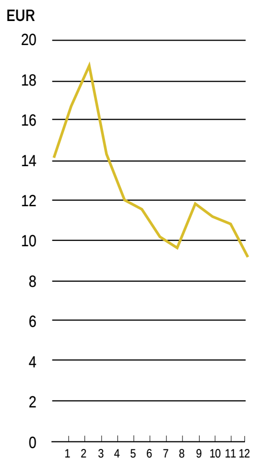
Balance Sheet



Personnel 31.12.



S Class Share Price 2000



Income Statement

	1.1.-31.12.2000 FIM 1 000		1.1.-31.12.1999 FIM 1 000	
NET TURNOVER		353 272		233 012
Increase (+)/decreace (-) in inventories				
of finished products		1 896		-1 170
Production for own use		40		70
Other operating income		9 175		3 417
Materials and services				
Materials supplies and products				
Purchases during the financial period	348 307		167 688	
Increase (-)/decrease (+) in inventories	-116 436	-231 871	-3 890	-163 798
External services		-1 659		-471
Personnel expenses		-74 062		-57 326
Depreciation and value adjustments				
Depreciation according to plan		-14 915		-18 651
Other operating expenses		-102 041		-66 009
OPERATING LOSS		-60 165		-70 926
Financial income and expenses		-8 730		-1 803
LOSS BEFORE APPROPRIATIONS AND TAXES		-68 895		-72 729
Appropriations				
Change in accelerated depreciation		4 147		4 690
LOSS FOR THE PERIOD		-64 748		-68 039

Balance Sheet

	31.12.2000 FIM 1 000		31.12.1999 FIM 1 000	
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Development expenses			3 039	
Intangible rights	2 202		2 694	
Other capitalized expenses	2 196	4 398	2 805	8 538
Tangible assets				
Machinery and equipment		19 988		23 929
Investments				
Investments in subsidiaries	769			
Investments in associated companies	347		347	
Investments in other shares	135	1 251	135	482
CURRENT ASSETS				
Inventories				
Raw materials and consumables	161 946		45 510	
Finished products	3 651	165 597	1 754	47 264
Non-current receivables				
Loans receivables	50		50	
Other receivables			4	
Prepaid expenses and accrued income	2 128	2 178	1 317	1 371
Current receivables				
Trade receivables	55 688		24 975	
Other receivables	13 904		10 334	
Prepaid expenses and accrued income	3 932	73 524	6 691	42 000
Financial investments				
Government bonds and fund units				7 610
Cash in hand and at banks		8 556		19 205
		275 492		150 399

	31.12.2000 FIM 1 000		31.12.1999 FIM 1 000	
SHAREHOLDERS´ EQUITY AND LIABILITIES				
SHAREHOLDERS´ EQUITY				
Subscribed capital	10 754		9 307	
Share premium account	68 739		16 403	
Profit from previous financial years	42 700		110 739	
Loss for the period	-64 748	57 445	-68 039	68 410
APPROPRIATIONS				
Accelerated depreciation		2 540		6 688
LIABILITIES				
Non-current				
Loans from credit institutions	10 170		5 906	
Other long-term liabilities	25	10 195		5 906
Current				
Loans from credit institutions	100 000		10 000	
Advances received	22 437		1 421	
Trade payables	66 608		32 148	
Amounts owed to Group company	92		101	
Other current liabilities	1 542		1 326	
Accured liabilities and deferred income	14 633	205 312	24 399	69 395
		275 492		150 399

Source and Use of Funds Statements

	1.1.-31.12.2000 FIM 1 000	1.1.-31.12.1999 FIM 1 000
Cash flow from operations:		
Loss before extraordinary items	-68 895	-72 729
Adjustments:		
Depreciation according to plan	14 915	18 651
Unrealized exchange differences	-1 436	2 291
Financial income and expenses	12 311	-424
Other adjustment	-1 202	-63
Cash flow before change in working capital	-44 307	-52 274
Change in working capital:		
Non-interest bearing current receivables increace (-)/deacreace (+)	-33 837	-27 458
Inventories increase (-)/decrease (+)	-118 333	-2 720
Non-interest bearing current liabilities increace (-)/decrease (+)	48 871	33 318
Cash flow from operation before financial items and taxes	-147 606	-49 134
Interest paid for other financial expenses from operations	-16 765	-4 104
Dividend received from operations	833	647
Interest and other financial income received from operations	4 424	4 015
Cash flow from operations	-159 114	-48 576
Cash flow from investmets:		
Investments in intangible and tangible assets	-6 833	-9 008
Proceeds from sale of intangible and tangible assets	1 202	63
Investments in subsidiaries	-769	
Cash flow from investmets	-6 400	-8 945
Cash flow from financing:		
Share issue	53 783	
Withdrawal of current loans	110 003	10 041
Payment of current loans	-20 012	-516
Withdrawal of non-current loans	4 289	5 906
Payment of non-current loans		
Non-current receivables increase (-)/deacreace (+)	-808	-1 321
Cash flow from financing	147 255	12 199
Change in liquid funds increase (+)/decrease (-)	-18 259	-45 322
Liquid funds at Jan. 1	26 815	72 137
Liquid funds at Dec. 31	8 556	26 815

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

Group:
On November 7, 2000 the Company established a subsidiary, Benefon S.A. in France. The consolidated financial statements of Benefon Oyj have not been prepared because the subsidiary´s operations were insignificant during the financial year. If the accounts of Benefon S.A. were consolidated the cost effect on the Group´s result would have been about FIM 300 000.

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 carring value of fixed assets over their expected useful lives.

Inventories:
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 2000 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 - 2000 corresponds to some 49 650 000 FIM of deferred tax assets.

1. NET SALES BY MARKET AREA/FIM 1 000

	2000	1999
Finland	27 109	25 509
Other European countries	312 218	199 737
Other countries	13 945	7 766
Total	353 272	233 012

2. OTHER OPERATING INCOME/FIM 1 000

	2000	1999
Non-recurring engineering compensation	7 600	
Development subsidy	283	3 354
Other	1 292	63
Total	9 175	3 417

3. PERSONNEL EXPENSES AND AVERAGE PERSONNEL

PERSONNEL EXPENSES/FIM 1 000

	2000	1999
Salaries and wages	59 587	45 741
Pension expenses	8 745	6 919
Other personnel expenses	5 730	4 666
Total	74 062	57 326

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

	2000	1999
The President and other members of the Board	752	719

AVERAGE PERSONNEL

	2000	1999
Production	153	102
Other	224	194
Total	377	296

4. DEPRECIATIONS/FIM 1 000

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

Depreciations according to plan:	2000	1999
Development expenses	3 039	6 079
Intangible assets	1 108	1 201
Other long-term expenses	659	654
Machinery and equipment	10 109	10 717
Total	14 915	18 651

Change in accelerated depreciation:		
Machinery and equipment	-3 746	-4 289
Other long-term expenses	-401	-401
Total	-4 147	-4 690

Accumulated accelerated depreciation:		
Machinery and equipment	899	4 645
Other long-term expenses	1 641	2 043
Total	2 540	6 688

5. FINANCIAL INCOME AND EXPENSES/FIM 1 000

Dividend income	2000	1999
From associated companies	823	635
From others	10	12
Total dividend income	833	647
Interest income	946	1 683
Exchange rate gains	3 475	2 191
Total financial income	5 254	4 521
Interest expenses		
To Group company	-3	-9
To others	-4 958	-94
Total interest expenses	-4 961	-103
Exchange rate losses	-6 986	-6061
Other financial expenses		
To Group company		-2
To others	-2 037	-158
Total other financial expenses	-2 037	-160
Total financial expenses	-13 984	-6 324
Financial income and expenses total	-8 730	-1 803

NOTES TO BALANCE SHEET

6. CHANGES IN FIXED ASSETS

Development expenses	2000	1999
Cost 1.1.	18 236	18 236
Increase		
Decrease		
Cost 31.12.	18 236	18 236
Accumulated depreciation 1.1.	-15 197	-9 118
Accumulated depreciation of decrease		
Depreciation for the period	-3 039	-6 079
Accumulated depreciation 31.12.	-18 236	-15 197
Net book value 31.12.		3 039

Intangible assets	2000	1999
Cost 1.1.	6 003	5 548
Increase	616	1 269
Decrease	-1 079	-814
Cost 31.12.	5 540	6 003
Accumulated depreciation 1.1.	-3 309	-2 922
Accumulated depreciation of decrease	1 079	814
Depreciation for the period	-1 108	-1 201
Accumulated depreciation 31.12.	-3 338	-3 309
Net book value 31.12.	2 202	2 694

Other long-term expenditure		
Cost 1.1.	6 551	8 972
Increase	50	
Decrease	-12	-2 421
Cost 31.12.	6 589	6 551
Accumulated depreciation 1.1.	-3 746	-5 513
Accumulated depreciation of decrease	12	2 421
Depreciation for the period	-659	-654
Accumulated depreciation 31.12.	-4 393	-3 746
Net book value 31.12.	2 196	2 805

Machinery and equipment		
Cost 1.1.	63 492	71 687
Increase	6 168	7 739
Decrease	-9 464	-15 934
Cost 31.12.	60 196	63 492
Accumulated depreciation 1.1.	-39 563	-44 780
Accumulated depreciation of decrease	9 464	15 934
Depreciation for the period	-10 109	-10 717
Accumulated depreciation 31.12.	-40 208	-39 563
Net book value 31.12.	19 988	23 929
Share of machinery and equipment of net book value 31.12.	18 927	22 900

7. SHARES IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Subsidiaries:	Number of shares	Holding, %	Nominal value 1 000 units	Book value FIM 1 000	Shareholders' equity FIM 1 000	Profit for the fiscal year FIM 1 000
Benefon S.A.	1 293	85	EUR 129	769		
Associated companies:						
Satel Oy	1 750	35	FIM 35	347	28 767	6 686

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

	2000	1999
Development subsidy		4 220
Leasing expenses	1 509	687
Exchange differences of derivative instruments	1 280	
Other prepaid expenses and accrued income	1 143	1 784
Total	3 932	6 691

9. FINANCIAL INVESTMENTS/FIM 1 000

	2000	1999
Replacement price		7 838
Net book value		7 610
Difference		228

10. SHAREHOLDERS´EQUITY/FIM 1 000

	2000	1999
Subscribed capital 1.1	9 307	9 307
Share issue	1 447	
Subscribed capital 31.12	10 754	9 307
Share premium account 1.1	16 403	16 403
Share premium		52 336
Share premium account 31.12	68 739	16 403
Profit from previous financial years	42 700	110 739
Loss for the period	-64 748	-68 039
Shareholders´ equity total	57 445	68 410

Distributable equity/FIM 1 000

	2000	1999
Profit from previous financial years	42 700	110 739
Loss for the period	-64 748	-68 039
Total	-22 048	42 700

Share capital by type of shares	Number of Shares	Equivalent value FIM	Voting rights %
Common stock (K share)	500 000	1 000 000	67.2
Investment shares (S share)	4 877 020	9 754 040	32.8
Total	5 377 020	10 754 040	100.0

11. ACCRUED LIABILITIES AND DEFERRED INCOME/FIM 1 000

	2000	1999
Accrued personnel expenses	10 314	7 886
Marketing support accrual	234	12 360
Other accrued liabilities and deferred income	4 085	4 153
Total	14 633	24 399

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

Current payables to	2000	1999
Halyard Oy	92	101

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

	2000	1999
Loans from credit institutions		1 969

14. 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 2.3% of the total number of votes carried by the Company´s shares. The subscription price of series A stock options is FIM 125 (EUR 21.02) and of series B stock options it is FIM 108.18 (EUR 18.19) 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.

15. PLEDGED ASSETS AND CONTINGENCIES /FIM 1 000

Pledges and mortgages given on own behalf

Liabilities secured by chattel mortgage	2000	1999
Loans from credit institutions	100 000	10 000
Chattel mortgage nominal value	71 755	40 837

Leasing commitments	2000	1999
Due next year	5 606	2 790
Due later	7 054	5 464
Total	12 660	8 254

16. OPEN DERIVATIVE INSTRUMENTS/FIM 1 000

	Underlying value		Fair value	
	2000	1999	2000	1999
Foreign currency derivatives				
Forward contracts	15 038	29 729	752	-1 876
Options				
Purchased	5 946	20 810	336	37
Written	11 933	36 682	-84	-523

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.

Key Figures/FIM 1 000

	2000	1999	1998	1997	1996
Net sales	353 272	233 012	236 129	330 227	295 686
Export % of net sales	92.4	89.1	94.0	96.3	94.1
Operating profit/loss	-60 165	-70 926	-46 348	27 539	27 823
% of net sales	-17.0	-30.4	-19.6	8.3	9.4
Profit/loss before extraordinary items	-68 895	-72 729	-44 098	25 280	32 239
% of net sales	-19.5	-31.2	-18.7	7.7	10.9
Profit/loss before appropriations and taxes	-68 895	-72 729	-44 098	25 280	32 239
% of net sales	-19.5	-31.2	-18.7	7.7	10.9
Return on equity, %	-104.1	-66.8	-24.6	9.1	12.0
Return on investment, %	-45.1	-58.1	-24.7	15.6	17.4
Equity ratio, %	23.4	49.1	83.8	85.6	83.9
Gearing ratio, %	171.7	-14.8	-48.2	-43.5	-35.7
Current ratio	1.2	1.7	5.3	6.4	6.0
Gross investments in fixed assets	7 602	8 959	6 822	21 332	14 408
% of net sales	2.2	3.8	2.9	6.5	4.9
R&D expenses	78 975	50 055	41 200	43 154	47 454
% of net sales	22.4	21.5	17.4	13.1	16.0
Non-interest bearing liabilities	105 245	59 294	23 582	26 814	26 508
Average number of personnel	377	296	286	278	263

Key Figures per Share

	2000	1999	1998	1997	1996
Earnings/share, FIM	-14.28	-15.63	-9.15	3.89	4.96
Equity/share, FIM	11.02	15.72	31.08	43.24	42.34
Dividend/share, FIM				3.00	3.00
Dividend/earnings, %				77.1	60.5
Effective dividend yield, %				4.8	3.8
P/E ratio	neg.	neg.	neg.	16.1	15.9
Share price 31.12., FIM	48.46	75.51	28.30	62.50	79.08
Lowest price, FIM	46.97	22.95	24.00	60.50	66.00
Highest price, FIM	131.70	81.45	73.00	130.00	126.00
Average price, FIM	83.00	44.31	47.15	90.53	82.24
Share price 31.12., EUR	8.15	12.70	4.76	10.51	13.30
Lowest price, EUR	7.90	3.86	4.04	10.18	11.10
Highest price, EUR	22.15	13.70	12.28	21.86	21.19
Average price, EUR	13.96	7.45	7.93	15.23	13.83
Market capitalization of the Company 31.12., MFIM supposing that the market price of the K share is the same as that of the S share	260.6	351.4	131.7	290.8	368.0
Trading of shares, S share	4 679 664	3 726 836	3 167 819	3 718 232	2 750 529
Trading of shares, %, S share	97.0	89.7	76.3	89.5	66.2
Average of adjusted number of shares during the year	4 823 874	4 653 370	4 653 370	4 653 370	4 653 370
Number of shares, S share	4 877 020	4 153 370	4 153 370	4 153 370	4 153 370
Number of shares, K share	500 000	500 000	500 000	500 000	500 000
Total	5 377 020	4 653 370	4 653 370	4 653 370	4 653 370

Shareholders

BREAKDOWN BY TYPE OF OWNER

Share register 31.12.2000

	Shares, %	Votes, %
Financial institutions	20.1	7.3
Companies	33.0	70.0
Private individuals	43.1	21.3
General government	2.3	0.8
Non-profit organizations	1.1	0.4
Others	0.4	0.2
Total	100.0	100.0

BIGGEST SHAREHOLDERS

Share register 31.12.2000

	Shares, %	Votes, %
Halyard Oy	9.7	54.0
Finnfoam Oy	6.7	10.1
Svenska Handelsbanken Ab	3.4	1.2
Head-Invest Oy	2.5	0.9
Oy West-Holdings Ab	2.5	0.9
LEL Työeläkekassa	2.1	0.8
Assetman Oy	1.9	0.7
Brüninghaus Anna-Louise	1.8	0.6
Fortel Invest Oy	1.6	0.6
Helkama Bica Oy	1.5	0.5
Nieminen Jorma U.	0.6	4.0
Nurminen Jouko	0.3	2.0
Administrative registered shares	15.9	5.8
Others	49.5	17.9
	100.0	100.0

The Board of Directors and the President own and administer in total 951 300 shares which correspond to 17.7% of all shares and 68.3% of all votes.

DISTRIBUTION OF SHAREHOLDING

Share register 31.12.2000

Number of shares hold	Number of shareholders	% of shareholders	Number of shares	% of share stock
1 - 100	1 702	38.3	134 964	2.5
101 - 1 000	2 327	52.4	908 555	16.9
1 001 - 10 000	366	8.3	922 443	17.2
10 001 -	46	1.0	3 410 898	63.4
	4 441	100.0	5 376 860	100.0
On joint book-entry accounts			160	
Total			5 377 020	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 64 748 382.12 will be booked to profit from previous financial years.

Salo, March 28, 2001

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 2000. 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.

The financing situation of the Company is tight. The financial statements have been prepared in accordance with the going concern principles. The Company has initiated the measures to improve the financing situation.

In our opinion the financial statements showing loss of FIM 64 748 382.12 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, April 6, 2001

SVH Pricewaterhouse Coopers Oy

Authorized Public Accountants

Eero Suomela
Authorized Public Accountant

Veikko Soinio
Authorized Public Accountant

Calculation of Key Rations

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

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

		1.1.-31.12.2000 EUR 1 000		1.1.-31.12.1999 EUR 1 000
NET SALES		59 416		39 190
Increase (+)/decreace (-) in inventories				
of finished products		319		-197
Production for own use		7		12
Other operating income		1 543		575
Materials and services				
Materials supplies and products				
Purchases during the financial period	58 581		28 203	
Increase (-)/decrease (+) in inventories	-19 583	-38 998	-654	-27 549
External services		-279		-79
Personnel expenses		-12 456		-9 642
Depreciation and value adjustments				
Depreciation according to plan		-2 509		-3 137
Other operating expenses		-17 162		-11 102
OPERATING LOSS		-10 119		-11 929
Financial income and expenses		-1 468		-303
LOSS BEFORE APPROPRIATIONS AND TAXES		-11 587		-12 232
Appropriations				
Change in accelerated depreciation		697		789
LOSS FOR THE PERIOD		-10 890		-11 443

Balance Sheet (EUR)

ASSETS	1.1.-31.12.2000	EUR 1 000	1.1.-31.12.1999	EUR 1 000
NON-CURRENT ASSETS				
Intangible assets				
Development expenses			511	
Intangible rights	370		453	
Other capitalized expenses	369	740	472	1 436
Tangible assets				
Machinery and equipment		3 362		4 025
Investments				
Investments in subsidiaries	129			
Investments in associated companies	58		58	
Investments in other shares	23	210	23	81
CURRENT ASSETS				
Inventories				
Raw materials and consumables	27 237		7 654	
Finished products	614	27 851	295	7 949
Non-current receivables				
Loans receivables	8		8	
Other receivables			1	
Prepaid expenses and accrued income	358	366	222	231
Current receivables				
Trade receivables	9 366		4 200	
Other receivables	2 338		1 738	
Prepaid expenses and accrued incomet	661	12 365	1 125	7 063
Financial investments				
Fund units				1 280
Cash in hand and at banks		1 440		3 230
		46 334		25 295
SHAREHOLDERS´EQUITY AND LIABILITIES				
SHAREHOLDERS´EQUITY				
Subscribed capital	1 809		1 565	
Share premium account	11 561		2 759	
Profit from previous financial years	7 182		18 625	
Loss for the period	-10 890	9 662	-11 443	11 506
APPROPRIATIONS				
Accelerated depreciation		427		1 125
LIABILITIES				
Non-current				
Loans from credit institutions	1 710		993	
Other non-current liabilities	4	1 714		993
Current				
Loans from credit institutions	16 819		1 682	
Advances received	3 774		239	
Trade payables	11 203		5 406	
Amounts owed to Group company	15		17	
Other current liabilities	259		223	
Accrued liabilities and deferred income	2 461	34 531	4 104	11 671
		46 334		25 295

Source and Use of Funds Statement (EUR)

	1.1.-31.12.2000 EUR 1 000	1.1.-31.12.1999 EUR 1 000
Cash flow from operations		
Loss before extraordinary items	-11 587	-12 232
Adjustments:		
Depreciation according to plan	2 508	3 137
Unrealized exchange differences	-242	385
Financial income and expenses	2 071	-71
Other adjustments	-202	-11
Cash flow before change in working capital	-7 452	-8 792
Change in operating capital:		
Non-interest bearing current receivables		
increase(-)/deacreace(+)	-5 691	-4 618
Inventories increase(-)/decrease(+)	-19 902	-457
Non-interest bearing current liabilities,		
increace(+)/decrease(-)	8 219	5 603
Cash flow from operation before financial items and taxes	-24 826	-8 264
Interest paid for other financial expenses		
from operations	-2 819	-690
Dividend received from operations	140	109
Interest and other financial income received		
from operations	744	675
Income taxes paid		
Cash flow from operations	-26 761	-8 170
Investments in fixed assets		
Investments in intangible and tangible assets	-1 149	-1 515
Proceeds from sale of intangible and tangible assets	202	11
Investments in subsidiaries	-129	
Cash flow from investmets	-1 076	-1 504
Cash flow from financing		
Withdrawal of current loans	9 046	
Payment of current loans	18 501	1 689
Withdrawal of non-current loans	-3 366	-87
Payment of non-current loans	721	993
Cash flow from financing		-321
Non-current receivables increase(-)/decreace(+)	-136	-222
Cash flow from financing	24 766	2 052
Change in liquid funds increase(+)/decrease(-)	-3 071	-7 622
Liquid funds at Jan. 1	4 510	12 133
Liquid funds at Dec. 31	1 439	4 510

KEY FIGURES/EUR 1 000

	2000	1999	1998	1997	1996
Net sales	59 416	39 190	39 714	55 540	49 731
Export % of net sales	92.4	89.1	94.0	96.3	94.1
Operating profit/loss	-10 119	-11 929	-7 795	4 632	4 679
% of net sales	-17.0	-30.4	-19.6	8.3	9.4
Profit/loss before extraordinary items	-11 587	-12 232	-7 417	4 252	5 422
% of net sales	-19.5	-31.2	-18.7	7.7	10.9
Profit/loss before appropriations and taxes	-11 587	-12 232	-7 417	4 252	5 422
% of net sales	-19.5	-31.2	-18.7	7.7	10.9
Return on equity, %	-104.1	-66.8	-24.6	9.1	12.0
Return on investment, %	-45.1	-58.1	-24.7	15.6	17.4
Equity ratio, %	23.4	49.1	83.8	85.6	83.9
Gearing ratio, %	171.7	-14.8	-48.2	-43.5	-35.7
Current ratio	1.2	1.7	5.3	6.4	6.0
Gross investments	1 279	1 507	1 147	3 588	2 423
% of net sales	2.2	3.8	2.9	6.5	4.9
R&D expenses	13 283	8 419	6 929	7 258	7 981
% of net sales	22.4	21.5	17.4	13.1	16.0
Non-interest bearing liabilities	17 701	9 973	3 966	4 510	4 458
Average number of personnel	377	296	286	278	263

KEY FIGURES PER SHARE

	2000	1999	1998	1997	1996
Earnings/share, EUR	-2.40	-2.63	-1.54	0.65	0.83
Equity/share, EUR	1.85	2.64	5.23	7.27	7.12
Dividend/share, EUR				0.50	0.50
Dividend/earnings, %				77.1	60.5
Effective dividend yield, %				4.8	3.8
P/E ratio	neg.	neg.	neg.	16.1	15.9
Share price 31.12., EUR	8.15	12.70	4.76	10.51	13.30
Lowest price, EUR	7.90	3.86	4.04	10.18	11.10
Highest price, EUR	22.15	13.70	12.28	21.86	21.19
Average price, EUR	13.96	7.45	7.93	15.23	13.83
Market capitalization of the Company 31.12., MEUR supposing that the market price of the K share is the same as that of the S share	43.8	59.1	22.2	48.9	61.9
Trading of shares, S share	4 679 664	3 726 836	3 167 819	3 718 232	2 750 529
Trading of shares, % S share	97.0	89.7	76.3	89.5	66.2
Average of adjusted number of shares during the year	4 823 874	4 653 370	4 653 370	4 653 370	4 653 370
Number of shares, S share	4 877 020	4 153 370	4 153 370	4 153 370	4 153 370
Number of shares, K share	500 000	500 000	500 000	500 000	500 000
Total	5 377 020	4 653 370	4 653 370	4 653 370	4 653 370

Five Year Comparison 1996-2000

INCOME STATEMENT (FIM 1 000)	2000	1999	1998	1997	1996
Net sales	353 272	233 012	236 129	330 277	295 686
Cost of operations	-398 522	- 285 287	-261 730	-286 538	-255 823
Depreciation according to plan	-14 915	-18 651	-20 747	-16 200	-12 040
Operating profit/loss	- 60 165	-70 926	-46 348	27 539	27 823
Financial income and expenses	-8 730	-1 803	2 250	-2 259	4 416
Profit/loss before approprations and taxes	-68 895	-72 729	-44 098	25 280	32 239
Change in accelerated depreciation and untaxed reserves	4 147	4 690	5 360	2 978	2 252
Income taxes			1	-8 002	-9 772
Profit/loss for the period	-64 748	-68 039	-38 737	20 256	24 719

BALANCE SHEET (FIM 1 000)

ASSETS					
Non-current assets	25 637	32 949	42 642	56 566	51 434
Current assets					
Inventories	165 597	47 264	44 543	46 045	54 799
Receivables and prepaid expenses	75 702	43 371	14 575	42 516	54 068
Cash and cash equivalents	8 556	26 815	72 137	90 828	75 554
	275 492	150 399	173 897	235 955	235 855

SHAREHOLDERS´EQUITY AND LIABILITIES					
Shareholders´equity					
Subscribed capital	10 754	9 307	9 307	9 307	9 307
Share premium account	68 739	16 403	16 403	16 403	16 403
Unrestricted equity	-22 048	42 700	110 739	163 436	157 140
Reserves and accelerated depreciation	2 540	6 688	11 378	16 738	19 716
Current and non-current liabilities					
Non-current interest-bearing liabilities	10 170	5 906	1 136	1 911	2 693
Non-current non-interest-bearing liabilities	25			105	
Current interest-bearing liabilities	100 092	10 101	1 352	1 346	4 088
Current non-interest-bearing liabities	105 220	59 294	23 582	26 709	26 508
	275 492	150 399	173 897	235 955	235 855

INCOME STATEMENT (EUR 1 000)	2000	1999	1998	1997	1996
Net sales	59 416	39 190	39 714	55 549	49 731
Cost of operations	-67 027	-47 982	-44 020	-48 192	-43 026
Depreciation according to plan	-2 509	-3 137	-3 489	-2 725	-2 025
Operating profit/loss	-10 119	-11 929	-7 795	4 632	4 679
Financial income and expenses	-1 468	-303	378	-380	743
Profit/loss before approprations and taxes	-11 587	-12 232	-7 417	4 252	5 422
Change in accelerated depreciation and untaxed reserves	697	789	901	501	379
Income taxes				-1 346	-1 644
Profit/loss for the period	-10 890	-11 443	-6 515	3 407	4 157

BALANCE SHEET (EUR 1 000)

ASSETS					
Non-current assets	4 312	5 542	7 172	9 514	8 651
Current assets					
Inventories	27 851	7 949	7 492	7 744	9 217
Receivables and prepaid expenses	12 732	7 294	2 451	7 151	9 094
Cash and cash equivalents	1 439	4 510	12 133	15 276	12 707
	46 334	25 295	29 247	39 685	39 668

INCOME STATEMENT					
Shareholders´equity					
Subscribed capital	1 809	1 565	1 565	1 565	1 565
Share premium account	11 561	2 759	2 759	2 759	2 759
Unrestricted equity	-3 708	7 182	18 625	27 488	26 429
Reserves and accelerated depreciation	427	1 125	1 914	2 815	3 316
Current and non-current liabilities					
Non-current interest-bearing liabilities	1 710	993	191	321	453
Non-current non-interest-bearing liabilities	4			18	
Current interest-bearing liabilities	16 834	1 699	227	226	688
Current non-interest-bearing liabities	17 697	9 973	3 966	4 492	4 458
	46 334	25 295	29 247	39 685	39 668

Information to the Shareholders

ANNUAL GENERAL MEETING OF THE SHAREHOLDERS

The Annual General Meeting of Benefon Oyj shall be held in Salo, at Sininen Talo at Rummunlyöjänkatu 2, on Friday 27th April 2001 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 from year 2000.

TAXATION VALUE

The taxation value of share was assessed to be EUR 6.3 (37.46 FIM) in 2000.

FINANCIAL INFORMATION

Benefon Oyj will publish Annual Report in Finnish and English in week 16 and financial information quarterly as follows:

- interim report January - March on May 16, 2001
- interim report January - June on August 16, 2001
- interim report January - September on November 15, 2001

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

Benefon Oyj does not publish printed interim reports. Interim reports 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.

Benefon Oyj will follow the regulations on insider holdings drawn up by Helsinki Exchanges.

BENEFON

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