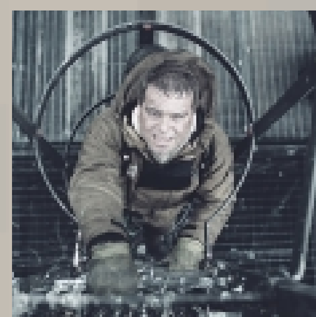
BENEFON .com

ANNUAL REPORT 2001

BENEFON.com

YEAR IN BRIEF

DECEMBER 2001
Benefon Partner Seminar in London, UK (December 4)

Benefon and Akumiitti Telematics sign partnership agreement (December 4)

SEPTEMBER 2001
Benefon divested most of its shares in Satel Oy (September 26)

Benefon announced the appointment of an exclusive UK distributor, Benefon Wireless, which is a newly-formed subsidiary of Saturn Technologies (September 19)

Trade Partner Meeting in Turku, Finland (September 11–13)

Benefon enables downloadable icons, logos and ringing tones for NMT 450 handsets (September 11)

AUGUST 2001
Benefon's operations management strengthened by appointing Jukka Nieminen as the Chief Operating Officer (COO). With the same, mobile telematics declared as the paramount focus business of the Company.

JULY 2001
Benefon and CTL agreed industrial co-operation (July 16)

MAY 2001
Partner Seminar in Amsterdam, Netherlands (May 30)

Benefon Esc! is available in the Western European market (May 29)

APRIL 2001
Benefon's directed share issue arranged as a bid issue utilizing the Internet

MARCH 2001
Benefon and Arbonaut launch new geomessaging solution (March 27)

Benefon and Genimap to launch world's first personal navigation phone with mobile maps (March 22)

FEBRUARY 2001
Benefon introduces the world's smallest NMT 450i handset, Benefon Exion (February 28)

Benefon teams up with Global Locate and MS Location to offer a unique hybrid GSM+AGPS positioning technology for mobile service providers (February 20)

PRESIDENT'S LETTER

Jorma Nieminen, President

At the writing of this letter in mid-April, 2002, we have just left behind us a major directed share issue which in the end was closed successfully, let it be with a hairy margin over the set minimum. Together with the announced connected second issue to be closed in May, we are improving our financial position remarkably even if we did not reach the targeted upper limit, set to give us a comfortable cash reserve. This means that we may continue the funding campaign to increase the reserve.

With the proceeds from the share issue we are able to resolidify the financial situation of the Company which has greatly suffered from the rough sailing through the dire straits in recent years. Alone, the strengthened balance sheet will naturally guarantee nothing in long term. However, at this point it is very precious to us because it provides the needed time to turn the Company around and then reach the promised land of profitable growth by means of mobile telematics business where we see a huge opportunity and where our all-out efforts are now focused. The support in form of improving IT market situation still keeps itself waiting but there are promising signs that our dogged hard work over many years begins to bear fruit despite the still weak macro economics.

Our strategic choice of building a globally functional technical platform enables us now to address market opportunities on all continents, which in the present day global village economy is a definitive strength. Together with our global partner network we can respond to market needs on regional and local basis with local flavor and vigor which is another definitive strength. This strategic choice of acting through partners enables us also to run a lean operation with low fixed cost level. In these still bearish times, the very low break-even point through this is one more definitive strength and one of the corner stones beneath our solid faith in the turn-around by next year.

The equity funding is bringing now a number of new important shareholders to our Company, many of whom are also important business associates. This is another manifestation of the strengths of the chosen partnering strategy. I wish all of our new share owners heartily welcome and hope that this will be a long, prosperous and happy relationship. With the same, I want to express our deepest thanks to those suppliers, financers and other partners who agreed to set-off whole or part of their receivables against a share subscription. You made a decisive contribution to the successful closing of this all-important share issue.

Another corollary of the major additions to the share holders of Benefon is that there will also be changes in the Board of Directors. First time in our history there will now be Board members from outside Finland. This will also mean that the working language of the Board will change into English. Actually, this is not a very big issue as the internal reporting language was effectively changed into English already last year. These changes also reflect the globalization of Benefon itself along with its business.

The enclosed financial figures from the Fiscal Year 2001 look terrible at first glance. Sense to what we were doing last year can best be obtained by regarding the loss-making operations as an investment into the future where we believe we can reap ample profits. This expectation is based very much on the sizeable strategic investments of recent years which now enable us as the first company in the world to offer novel value added products and services to the emerging new growth market called mobile telematics.

REVIEW BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Raimo Voipio, Chairman of the Board of Directors

At the end of the year 2000, the global market underwent a series of rapid changes. International accounts of the situation even went as far as to suggest that "it seemed like someone had suddenly turned off the lights". At the same time, Benefon was pressing full steam ahead with the market launch of its new product generation, an undertaking which dominated the past financial year. Furthermore, given the need to order critical components as early as six months prior to delivery, all the elements of an extremely difficult situation were in place.

After a series of considerable technical challenges, the company's research and development unit succeeded in launching the revolutionary GPS+GSM instruments during the beginning of 2001. Benefon Track and Benefon Esc! are unique instruments that have deservedly generated international attention. We have great reason to admire and respect the competence that our research and development unit has shown by succeeding in bringing these products to completion.

The past financial year has been difficult for our shareholders: they have had to have continued faith in the company's ability to translate its technical expertise into commercial success. In this respect, we are looking at long-term efforts, especially given the difficulties faced by the mobile telecommunications market. Finding the right customers is a great challenge.

Despite the fact that, during the past year, Benefon has clearly been in an investment phase in terms of the market and the further development of new instruments, the company succeeded in freeing up the amount of capital employed through co-operative and other arrangements considerably. This has resulted in a conflicting situation, making special demands on the company's management and entire personnel. The matter has not been made any easier by the considerable public pressure directed towards the company.

It has, however, been a delight to observe the faith that both the company's personnel and management as well as its shareholders have preserved towards the company's performance in the future. This has required Finnish perseverance, sisu. The clarification of the company's strategy above and beyond the traditional mobile phone market, along with continuous product development to support this strategy, is an on-going process that we believe will yet prove to be successful.

BOARD REPORT FROM THE FISCAL YEAR 2001

The change process of the Company continued and, according to the renewed strategy, the operations have been focused into development, marketing and production of the mobile telematics instruments and solutions which is believed to provide a firm ground for the business and the growth of Benefon in the next years. Based on the proprietory globally useable technical platform, Benefon is offering mobile telematics solutions for operations management of organizations and for personal life management of people. The platform utilizes worldwide GSM/GPRS services, the Internet and the GPS system. The application development is now mostly focused on safety and security services, asset and mobile workforce management, telehealth care and personal navigation and exploitation of location based services.

As a result of the determined work of recent years Benefon is today recognised as a leading pioneer in mobile telematics with a global reach. In addition to the creation of the mentioned technical platform the work has comprised also systematic building of the worldwide partner network. All of this is not nearly fully visible in daily sales, let it be that the sales of the telematics instruments Benefon Esc! and Benefon Track, launched to the market in the second quarter of 2001 did already make almost a fifth of the whole year sales invoicing.

The developed and acquired technology and technical platforms can be used also outside the core strategy through ODM activities and other industrial co-operation. In the middle of the year, the Company signed an industrial co-operation agreement with a Hong Kong company CTL, belonging to the Cheng Uei group. According to the agreement, the manufacture of Benefon Q was transferred to Far East. Benefits from this agreement include access to lower cost of products.

The significance of Benefon's prior year bread-and-butter business NMT 450 continued to diminish even if it still is a major source of income. In the spring, Benefon fielded

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

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

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

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

the superior new NMT 450 product Benefon Exion, realised with entirely new technology. The Exion has now replaced own prior products and strengthened Benefon's leading market position.

The general economic situation of the world and the market situation of the broad IT business were substantially down from prior years causing to the related larger business world hard and visible adaptation problems. This general situation combined with the financial situation of the Company, weakened by recent years' losses, made the realisation of the described strategy change very challenging undertaking, indeed. In addition to the key tasks within technology, products and marketing coming with the strategy change, the Company all time also had to struggle for securing the financial pre-requisites of business. In addition to continuing cost-cutting measures, this included the directed share-issue in the spring, the already mentioned CTL agreement and the autumn divestiture of Satel shares.

The R&D expenditure, now 17 percent of the sales, remained at a high level. At the end of the year, most of the R&D resources were working on the new telematics product program. Because this product program plays a central role in the present growth and profit outlook and because it at the same time represents also a largest single financial expenditure load, the Company decided to capitalize the direct expenditure of this program as intangible assets. The amount of this capitalization in 2001 was 2.7 Meuros.

The management structure was strengthened by giving the responsibility for business operations to Mr. Jukka Nieminen as the Chief Operating Officer. The average number of personnel in year 2001 was 366 which was 3 percent below the same figure in year 2000. Within the year, the number of personnel sank by 10 percent and the number of personnel at the end of the year was 331.

Though the sales of the telematics instruments, started in the spring, was already significant, the net sales of 47.3 Meuros in the fiscal year were 20 percent down from the year before due to substantially reduced 450 sales. The export share of the sales was 96 percent. Because of the reduced net sales but also of lower average sales margin, the aggregate of the material margin was reduced by 41 percent. Due to the tight cost savings program, the fixed costs of operations before capitalization were reduced by 5.8 Meuros, or 18 percent, from the year before.

The operating loss was 10.6 Meuros which was 5 percent higher than in the previous year. The financing cost increased by 0.7 Meuros, the profit share from other companies was reduced by 0.3 Meuros which brought the loss before extraordinary items at 12.7 Meuros, being 13 percent higher than in the year before. Due to the extraordinary items from the sale of Satel shares, the net loss for the year was less than that at 10.0 Meuros when it was 11.0 Meuros in the year before.

The material inventory that had inflated significantly in year 2000 shrank over the year by 33 percent or by 8.9 Meuros and it was 18.4 Meuros at the end of the year. This is still grossly over the actual need and the program to run the parts inventory down to a normal level is continuing.

To improve the balance sheet and the cash position, the Company realized in the spring a directed share issue which brought in 1.8 Meuros worth of additional equity. In this issue altogether 239,200 new S shares were subscribed at the price of 7.5 euros each, which increased the number of S shares by 4.9 percent into 5,116,220 and the number of all shares by 4.5 percent into 5,616,220.

At the end of the year, the total equity was 3.6 Meuros while it was 11.8 Meuros a year before. The distributable equity at the end of the year was -11.7 Meuros. At the same time the interest bearing liabilities were 13.6 Meuros, down from 18.5 Meuros a year before. The gearing ratio rose over the year from 145 percent to 344 percent. The cash at hand and in the banks at the end of the year was 1.2 Meuros, down from 1.4 Meuros a year before.

The objective of the Company in this year 2002, based on the renewed mission statement and strategy, together with the on-going operative programs, is to reach sales growth and result improvement. The objective for 2003 is to grow the sales again significantly and produce a good result.

The financing situation has been tight. Negotiations about stabilizing the finances of the Company, extended over months, led in a positive result at the end of March 2002 when the loan pay-back program was agreed and the extraordinary shareholders' meeting approved a sizeable directed share issue. In the approved issue, altogether 4,168,664 S shares were given for subscription between March 28 and April 10, 2002, at the price of 2.5 euros each. The total subscription price was 10,421,660 euros of which a substantial part was paid using a set-off against receivables. The shares subscribed in this issue increased the number of S shares by 81 percent into 9,284,884 and the number of all shares by 74 percent into 9,784,884. With the same, Halyard Oy lost their single vote majority in the Company. In addition, the Board will propose to the Annual Shareholders' Meeting, to be held on May 17, 2002, that it would approve the additional subscription commitment received from Airo Wireless Media, Inc. in connection of the already approved share issue. This additional commitment is for the subscription of another 1,200,000 S shares by May 24, 2002, at the same price of 2.5 euros each, with an aggregate worth of 3 Meuros.

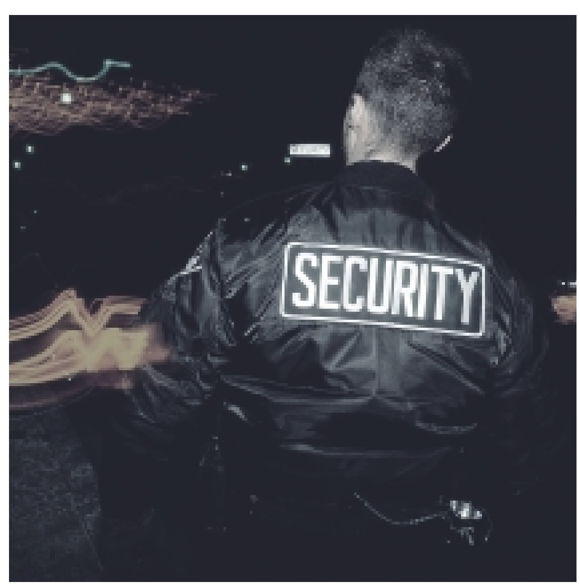
The financial statements have been made in accordance with the going concern principles assuming that the equity issue will be realized as planned.

The Annual General Meeting on April 27, 2001, authorized the Board of Directors, within one year of the Annual General Meeting granting the authorization, to decide on the raising of share capital by a rights issue, and/or an issue of options or convertible bonds in one or more installments. Authorization is given, in such a rights issue, and/or issue of options or convertible bonds, to subscribe to a maximum of 1,075,400 new investment shares with a book counter value of 0.34 euros (not the exact value) per share. The share capital can, based on the authorization, be raised by a maximum of 361,738.60 euros.

The Board has decided to make a proposal to the Annual Shareholders' Meeting that no dividend will be paid from the fiscal year 2001.

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 Tilintarkastajien Oy Ernst & Young, with Mr. Tapio Ali-Tolppa, KHT, as the responsible auditor, and Mr. Veikko Soinio, KHT.

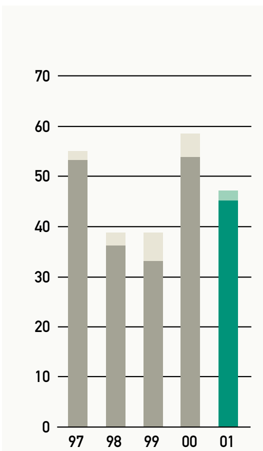
The S share of Benefon is listed on the I list of Helsinki Exchanges. The parent company of the Company is Halyard Oy.



FINANCIAL DATA

NET SALES

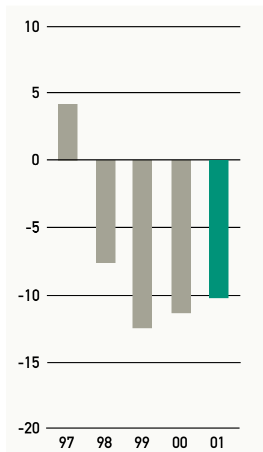
MEUR



Net Sales
Export

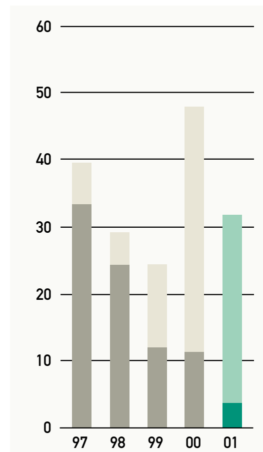
RESULT BEFORE TAXES

MEUR



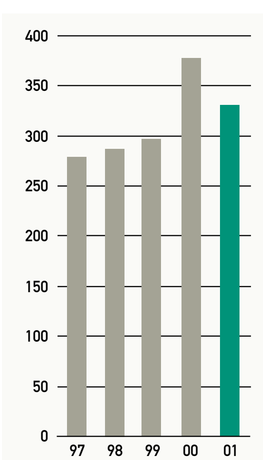
BALANCE SHEET

MEUR



Balance
Equity + provisions

PERSONNEL 31.12.



5 CLASS SHARE PRICE 2001

EUR

CONSOLIDATED INCOME STATEMENT

	1.1.–31.12.2001 EUR 1000		1.1.–31.12.2000 EUR 1000	
NET TURNOVER		47 310		59 416
Increase (+)/decrease (-) in inventories				
of finished products		122		319
Production for own use		1		7
Other operating income		1 627		1 543
Materials and services				
Materials, supplies and products				
Purchases during the financial period	26 368		58 581	
Increase (-)/decrease (+) in inventories	8 864	-35 232	-19 583	-38 998
External services		-237		-279
Personnel expenses		-12 463		-12 456
Depreciation and value adjustments				
Depreciation according to plan		-1 551		-2 509
Other operating expenses		-10 170		-17 162
OPERATING LOSS		-10 593		-10 119
Share of result of associated company		115		444
Financial income and expenses		-2 251		-1 606
LOSS BEFORE EXTRAORDINARY ITEMS		-12 729		-11 281
Extraordinary items				
Extraordinary income		2 630		
LOSS BEFORE TAXES		-10 099		-11 281
Income taxes				
Change in deferred tax liability		64		202
LOSS FOR THE PERIOD		-10 035		-11 079

CONSOLIDATED BALANCE SHEET

	31.12.2001 EUR 1000		31.12.2000 EUR 1000	
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Development expenses	2 751			
Intangible rights	245		371	
Other capitalized expenses	259	3 255	369	740
Tangible assets				
Machinery and equipment		2 211		3 362
Investments				
Investments in subsidiaries			129	
Investments in associated companies			1 878	
Other receivables	189			
Investments in other shares	23	212	23	2 030
CURRENT ASSETS				
Inventories				
Raw materials and consumables	18 374		27 237	
Finished products	736		614	
Prepaid expenses	10	19 120		27 851
Non-current receivables				
Loans receivables	8		8	
Other receivables	88	96	358	366
Current receivables				
Trade receivables	5 393		9 366	
Other receivables	448		2 338	
Prepaid expenses and accrued income	540	6 381	661	12 365
Cash in hand and at banks		1 200		1 440
		32 475		48 154

	31.12.2001 EUR 1000		31.12.2000 EUR 1000	
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Subscribed capital	1 889		1 809	
Share premium account	13 274		11 561	
Profit from previous financial years	-1 552		9 495	
Loss for the period	-10 036	3 575	-11 079	11 786
MINORITY INTERESTS		24		
PROVISIONS				
Obligatory provisions		350		
LIABILITIES				
Non-current				
Loans from credit institutions	1 850		1 710	
Other long-term liabilities	3		4	
Deferred tax liabilities	60	1 913	123	1 837
Current				
Loans from credit institutions	11 706		16 819	
Advances received	1 802		3 774	
Amounts owed to Group company	15		15	
Trade payables	9 638		11 203	
Other current liabilities	3 104		2 461	
Accured liabilities and deferred income	348	26 613	259	34 531
		32 475		48 154

CONSOLIDATED CASH FLOW STATEMENT

	1.1.–31.12.2001 EUR 1000	1.1.–31.12.2000 EUR 1000
CASH FLOW FROM OPERATIONS		
Loss before extraordinary items	-12 729	-11 281
Adjustments		
Depreciation according to plan	1 551	2 508
Unrealized exchange differences	-203	-242
Financial income and expenses	1 468	2 071
Other adjustment	-978	-202
Cash flow before change in working capital	-10 891	-7 146
Change in working capital		
Non-interest bearing current receivables, increase (-)/decrease (+)	6 387	-5 691
Inventories, increase (-)/decrease (+)	8 731	-19 902
Non-interest bearing current liabilities, increase (+)/decrease (-)	-3 235	8 219
Cash flow from operation before financial items and taxes	992	-24 520
Interest paid for other financial expenses from operations	-1 238	-2 819
Dividend received from operations	165	140
Interest and other financial income received from operations	187	744
Cash flow from operations	106	-26 455
CASH FLOW FROM INVESTMENTS		
Investments in intangible and tangible assets	-3 024	-1 149
Proceeds from sale of intangible and tangible assets	1 134	202
Investments in other investments	-189	-129
Proceeds from sale of associated company	4 493	
Cash flow from investments	2 414	-1 076
CASH FLOW FROM FINANCING		
Share issue	1 947	9 046
Withdrawal of current loans	5 047	18 501
Payment of current loans	-10 160	-3 366
Withdrawal of non-current loans	139	721
Payment of non-current loans	-2	
Non-current receivables, increase (-)/decrease (+)	270	-136
Cash flow from financing	-2 759	24 766
Change in liquid funds, increase (+)/decrease (-)	-239	-2 765
Liquid funds at Jan. 1	1 439	4 510
Liquid funds at Dec. 31	1 200	1 439

PARENT COMPANY INCOME STATEMENT

		1.1.–31.12.2001 EUR 1000		1.1.–31.12.2000 EUR 1000
NET TURNOVER		47 295		59 416
Increase (+)/decrease (-) in inventories of finished products		122		319
Production for own use		1		7
Other operating income		1 627		1 543
Materials and services				
Materials, supplies and products				
Purchases during the financial period	26 366		58 581	
Increase (-)/decrease (+) in inventories	8 870	-35 236	-19 583	-38 998
External services		-237		-279
Personnel expenses		-12 225		-12 456
Depreciation and value adjustments				
Depreciation according to plan		-1 551		-2 509
Other operating expenses		-10 167		-17 162
OPERATING LOSS		-10 371		-10 119
Financial income and expenses		-2 089		-1 468
LOSS BEFORE EXTRAORDINARY ITEMS		-12 460		-11 587
Extraordinary items				
Extraordinary income		4 435		
LOSS BEFORE APPROPRIATIONS AND TAXES		-8 025		-11 587
Appropriations				
Change in accelerated depreciation		219		697
LOSS FOR THE PERIOD		-7 806		-10 890

PARENT COMPANY BALANCE SHEET

	31.12.2001 EUR 1000		31.12.2000 EUR 1000	
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Development expenses	2 751			
Intangible rights	245		371	
Other capitalized expenses	259	3 255	369	740
Tangible assets				
Machinery and equipment		2 211		3 362
Investments				
Investments in subsidiaries	129		129	
Investments in associated companies			58	
Other receivables	189			
Investments in other shares	23	341	23	210
CURRENT ASSETS				
Inventories				
Raw materials and consumables	18 368		27 237	
Finished products	736		614	
Prepaid expenses	10	19 114		27 851
Non-current receivables				
Loans receivables	8		8	
Other receivables				
Prepaid expenses and accrued income	88	96	358	366
Current receivables				
Trade receivables	5 343		9 366	
Receivables from Group Company	50			
Other receivables	380		2 338	
Prepaid expenses and accrued income	532	6 305	661	12 365
Cash in hand and at banks		1 125		1 440
		32 447		46 334

	31.12.2001 EUR 1000		31.12.2000 EUR 1000	
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Subscribed capital	1 889		1 809	
Share premium account	13 274		11 561	
Profit from previous financial years	-3 708		7 182	
Loss for the period	-7 806	3 649	-10 890	9 662
APPROPRIATIONS				
Accelerated depreciation		208		427
PROVISIONS				
Obligatory provisions		350		
LIABILITIES				
Non-current				
Loans from credit institutions	1 850		1 710	
Other long-term liabilities	3	1 853	4	1 714
Current				
Loans from credit institutions	11 706		16 819	
Advances received	1 802		3 774	
Trade payables	9 560		11 203	
Amounts owed to Group company	15		15	
Other current liabilities	255		259	
Accured liabilities and deferred income	3 049	26 387	2 461	34 531
		32 447		46 334

PARENT COMPANY CASH FLOW STATEMENT

	1.1.–31.12.2001 EUR 1000	1.1.–31.12.2000 EUR 1000
CASH FLOW FROM OPERATIONS		
Loss before extraordinary items	-12 460	-11 587
Adjustments		
Depreciation according to plan	1 551	2 508
Unrealized exchange differences	-203	-242
Financial income and expenses	1 468	2 071
Other adjustment	-1 025	-202
Cash flow before change in working capital	-10 669	-7 452
Change in working capital		
Non-interest bearing current receivables, increase (-)/decrease (+)	6 463	-5 691
Inventories, increase (-)/decrease (+)	8 737	-19 902
Non-interest bearing current liabilities, increase (+)/decrease (-)	-3 461	8 219
Cash flow from operation before financial items and taxes	1 070	-24 826
Interest paid for other financial expenses from operations	-1 238	-2 819
Dividend received from operations	165	140
Interest and other financial income received from operations	187	744
Cash flow from operations	184	-26 761
CASH FLOW FROM INVESTMENTS		
Investments in intangible and tangible assets	-3 024	-1 149
Proceeds from sale of intangible and tangible assets	1 134	202
Investments in other investments	-189	-129
Proceeds from sale of associated company	4 493	
Cash flow from investments	2 414	-1 076
CASH FLOW FROM FINANCING		
Share issue	1 794	9 046
Withdrawal of current loans	5 047	18 501
Payment of current loans	-10 160	-3 366
Withdrawal of non-current loans	139	721
Payment of non-current loans	-2	
Non-current receivables, increase (-)/decrease (+)	270	-136
Cash flow from financing	-2 912	24 766
Change in liquid funds, increase (+)/decrease (-)	-314	-3 071
Liquid funds at Jan. 1	1 439	4 510
Liquid funds at Dec. 31	1 125	1 439

NOTES TO INCOME STATEMENT

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Group:
The consolidated financial statements include the accounts of the parent company, Benefon Oyj, and its subsidiary Benefon S.A. which is consolidated using the acquisition cost method of accounting. All intercompany transactions, receivables and payables are eliminated. Minority interests in equity of the subsidiary are separated and shown as separate item.

The associated company Satel Oy, of which Benefon owned 35 %, is included in the consolidated financial statements in accordance with the equity method of accounting. A major part of the shares in Satel Oy was sold during the financial year 2001.

All figures for financial year 2000 are also calculated according to above mentioned principles.

Fixed assets and depreciation:
Fixed assets are stated at cost. The acquisition cost of fixed asset 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 euro using the year end exchange rate of European Central Bank. 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:
The development costs for certain projects are capitalized if the project plays a central role in the profit outlook and if at the same time represents a significant expenditure load. The other development costs are expensed in the financial period during which they are incurred.

Obligatory provisions:
The estimated costs to repair or replace products under warranty is booked as obligatory provisions. The provision is calculated based on historical experience of the level of repairs and replacements.

Deferred taxes:
Deferred taxes have not been accounted for in the financial statements. The tax loss carry forward resulting from the loss for the financial years 1998–2001 corresponds to some 10,495,000 euros of deferred tax assets.

1. NET SALES BY MARKET AREA / EUR 1000

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Finland	2 023	4 559	2 023	4 559
Other European countries	41 551	52 511	41 536	52 511
Other countries	3 736	2 346	3 736	2 346
Total	47 310	59 416	47 295	59 416

2. OTHER OPERATING INCOME / EUR 1000

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Sales of tangible assets	1 025	217	1 025	217
Development subsidy	346	48	346	48
Non-recurring engineering compensation	256	1 278	256	1 278
Total	1 627	1 543	1 627	1 543

3. PERSONNEL EXPENSES AND AVERAGE PERSONNEL

PERSONNEL EXPENSES / EUR 1000

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Salaries and wages	10 077	10 022	9 909	10 022
Pension expenses	1 443	1 470	1 424	1 470
Other personnel expenses	943	964	892	964
Total	12 463	12 456	12 225	12 456

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

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
The President and other members of the Board	216	126	129	126

AVERAGE PERSONNEL

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Clerical personnel	222	224	220	224
Production personnel	144	153	144	153
Total	366	377	364	377

4. DEPRECIATIONS / EUR 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

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Depreciations according to plan				
Development expenses		511		511
Intangible assets	178	186	178	186
Other long-term expenses	111	111	111	111
Machinery and equipment	1 262	1 700	1 262	1 700
Total	1 551	2 508	1 551	2 508
Change in accelerated depreciation				
Machinery and equipment			-151	-630
Other long-term expenses			-68	-67
Total			-219	-697
Accumulated accelerated depreciation				
Machinery and equipment				151
Other long-term expenses			208	276
Total			208	427

5. FINANCIAL INCOME AND EXPENSES / EUR 1000

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Dividend income				
From associated companies			163	138
From others	2	2	2	2
Total dividend income	2	2	165	140
Interest income	45	159	44	159
Exchange rate gains	139	584	139	584
Total financial income	186	745	348	883
Interest expenses				
To Group company	-1	-1	-1	-1
To others	-1 981	-833	-1 981	-833
Total interest expenses	-1 982	-834	-1 982	-834
Exchange rate losses	-313	-1 175	-313	-1 175
Total other financial expenses	-142	-342	-142	-342
Total financial expenses	-2 437	-2 351	-2 437	-2 351
Financial income and expenses total	-2 251	-1 606	-2 089	-1 468

6. CHANGES IN FIXED ASSETS / EUR 1000

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Development expenses				
Cost 1.1.	3 067	3 067	3 067	3 067
Increase	2 751		2 751	
Decrease	-3 067		-3 067	
Cost 31.12.	2 751	3 067	2 751	3 067
Accumulated depreciation 1.1.	-3 067	-2 556	-3 067	-2 556
Accumulated depreciation of decrease	3 067		3 067	
Depreciation for the period		-511		-511
Accumulated depreciation 31.12.		-3 067		-3 067
Net book value 31.12.	2 751		2 751	
Intangible assets				
Cost 1.1.	932	1 010	932	1 010
Increase	53	104	53	104
Decrease	-94	-181	-94	-181
Cost 31.12.	891	933	891	933
Accumulated depreciation 1.1.	-562	-557	-562	-557
Accumulated depreciation of decrease	94	181	94	181
Depreciation for the period	-178	-186	-178	-186
Accumulated depreciation 31.12.	-646	-562	-646	-562
Net book value 31.12.	245	371	245	371
Other long-term expenditure				
Cost 1.1.	1 108	1 102	1 108	1 102
Increase		8		8
Decrease	-3	-2	-3	-2
Cost 31.12.	1 105	1 108	1 105	1 108
Accumulated depreciation 1.1.	-739	-630	-739	-630
Accumulated depreciation of decrease	3	2	3	2
Depreciation for the period	-110	-111	-110	-111
Accumulated depreciation 31.12.	-846	-739	-846	-739
Net book value 31.12.	259	369	259	369
Machinery and equipment				
Cost 1.1.	10 124	10 679	10 124	10 679
Increase	221	1 037	221	1 037
Decrease	-3 710	-1 592	-3 710	-1 592
Cost 31.12.	6 635	10 124	6 635	10 124
Accumulated depreciation 1.1.	-6 763	-6 654	-6 763	-6 654
Accumulated depreciation of decrease	3 601	1 592	3 601	1 592
Depreciation for the period	-1 262	-1 700	-1 262	-1 700
Accumulated depreciation 31.12.	-4 424	-6 762	-4 424	-6 762
Net book value 31.12.	2 211	3 362	2 211	3 362
Share of machinery and equipment of net book value 31.12.	2 088	3 183	2 088	3 183

7. SHARES IN SUBSIDIARIES

Subsidiaries:	Share capital EUR 1000	Group holding %	Parent company holding %	Book value EUR 1000
Benefon S.A.	153	85	85	129

8. CURRENT PREPAID EXPENSES AND ACCRUED INCOME / EUR 1000

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Leasing expenses	230	254	230	254
Development subsidy	110		110	
Exchange differences of derivative instruments		215		215
Other prepaid expenses and accrued income	200	192	192	192
Total	540	661	532	661

9. SHAREHOLDERS' EQUITY / EUR 1000

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Subscribed capital 1.1.	1 809	1 565	1 809	1 565
Share issue 6.10.2000		244		244
Share issue 10.5.2001	80		80	
Subscribed capital 31.12.	1 889	1 809	1 889	1 809
Share premium account 1.1.	11 561	2 759	11 561	2 759
Share premium 6.10.2000		8 802		8 802
Share premium 10.5.2001	1 713		1 713	
Share premium account 31.12.	13 274	11 561	13 274	11 561
Profit from previous financial years	-1 552	9 495	-3 708	7 182
Loss for the period	-10 036	-11 079	-7 806	-10 890
Shareholders' equity total	3 575	11 786	3 649	9 662

Distributable funds / EUR 1000

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Profit from previous financial years	-1 552	9 495	-3 708	7 182
Loss for the period	-10 036	-11 079	-7 806	-10 890
Capitalized development expenses	-2 752		-2 752	
Share of accumulated depreciation difference recorded in shareholders' equity	-148	-304		
Total	-14 488	-1 888	-14 266	-3 708

The parents company's share capital by types of shares

	Number of shares	Equivalent value EUR 1000	Voting rights
Common stock (K shares)	500 000	168	66.2 %
Investments share (S shares)	5 116 220	1 721	33.8 %
Total	5 616 220	1 889	100.0 %

10. PROVISIONS / EUR 1000

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Warranty	350		350	

11. 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 May 26–June 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 EUR 21.02 and of series B stock options it is 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 April 1, 1999, and for the second half on April 1, 2001. The subscription period ends on April 1, 2003 for all stock options. New shares shall entitle to dividend for the financial year in which the subscription takes place.

The Annual General Meeting decided to issue a maximum of 200,000 options. The options will be offered for subscription to key personnel of Benefon and its subsidiaries and/or to key personnel to be recruited by the companies. Based on all the options to be issued, the proportion of shares to be subscribed for is 3.4 % of the company's registered shares and 1.3 % of the votes produced by those shares. The subscription period for the options was May 7–June 29, 2001. The subscription price for each share will be EUR 12.50 for options A, and EUR 17.69 for options B, C and D. The share subscription period will begin June 1, 2002 for options A, June 1, 2003 for options B, June 1, 2004 for options C and June 1, 2005 for options D. The subscription period for all options will end June 1, 2006.

12. ACCRUED LIABILITIES AND DEFERRED INCOME / EUR 1000

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Accrued personnel expenses	1 641	1 735	1 586	1 735
Accrued interest	738	141	738	141
Marketing support accrued	319	39	319	39
Other accrued liabilities and deferred income	406	546	406	546
Total	3 104	2 461	3 049	2 461

13. PAYABLES WITHIN THE GROUP / EUR 1000

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Current payables to Halyard Oy	15	15	15	15

14. PLEDGED ASSETS AND CONTINGENCIES / EUR 1000

Pledges and mortgages given on own behalf

Liabilities secured by chattel mortgage

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Loans from credit institutions	11 706	16 819	11 706	16 819
Chattel mortgage nominal value	12 068	12 068	12 068	12 068

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Pledged deposits	173		173	
Other commitments	1 192		1 192	

Leasing commitments

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Due next year	832	943	824	943
Due later	360	1 186	341	1 186
Total	1 192	2 129	1 165	2 129

15. OPEN DERIVATIVE INSTRUMENTS / EUR 1000

Foreign currency derivatives

PARENT COMPANY	Underlying value		Fair value	
	2001	2000	2001	2000
Forward contracts		2 529		126
Options				
Purchased		1 000		57
Written		2 007		-14

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 essential risks will be hedged on the basis of the Company's net currency position. Hedging is done primarily with forward contracts and currency option contracts.

KEY FIGURES

	2001	2000	1999	1998	1997
Net sales	47 310	59 416	39 190	39 714	55 540
Export % of net sales	95.7	92.4	89.1	94.0	96.3
Operating profit/loss	-10 593	-10 119	-11 929	-7 795	4 632
% of net sales	-22.4	-17.0	-30.4	-19.6	8.3
Profit/loss before extraordinary items	-12 729	-11 281	-12 232	-7 417	4 252
% of net sales	-26.9	-19.0	-31.2	-18.7	7.7
Profit/loss before taxes	-10 099	-11 281	-12 232	-7 417	4 252
% of net sales	-21.3	-19.0	-31.2	-18.7	7.7
Return on equity, %	-165.1	-92.8	-66.8	-24.6	9.1
Return on investment, %	-43.0	-39.1	-58.1	-24.7	15.6
Equity ratio, %	11.7	26.6	49.1	83.8	85.6
Gearing ratio, %	343.7	144.7	-14.8	-48.2	-43.5
Current ratio	1.0	1.2	1.7	5.3	6.4
Gross investments in fixed assets	3 025	1 279	1 507	1 147	3 588
% of net sales	6.4	2.2	3.8	2.9	6.5
R&D expenses	8 052	13 283	8 419	6 929	7 258
% of net sales	17.0	22.4	21.5	17.4	13.1
Non-interest bearing liabilities	14 955	17 701	9 973	3 966	4 510
Average number of personnel	366	377	296	286	278

KEY FIGURES PER SHARE

	2001	2000	1999	1998	1997
Earnings/share, EUR	-2.30	-2.33	-2.63	-1.54	0.65
Equity/share, EUR	0.64	2.20	2.64	5.23	7.27
Dividend/share, EUR					0.51
Dividend/earnings, %					77.1
Effective dividend yield, %					4.8
P/E ratio	neg.	neg.	neg.	neg.	16.1
Share price 31.12., EUR	2.46	8.15	12.70	4.76	10.51
Lowest price, EUR	1.80	7.90	3.86	4.04	10.18
Highest price, EUR	9.45	22.15	13.70	12.28	21.86
Average price, EUR	4.30	13.96	7.45	7.93	15.23
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	13.8	43.8	59.1	22.2	48.9
Trading of shares, S share	2 319 006	4 679 664	3 726 836	3 167 819	3 718 232
%	45.3	97.0	89.7	76.3	89.5
Average of adjusted number of shares during the year	5 531 025	4 823 874	4 653 370	4 653 370	4 653 370
Number of shares, S share	5 116 220	4 877 020	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	5 616 220	5 377 020	4 653 370	4 653 370	4 653 370

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING

The Group's distributable funds total EUR -14,487,640. The parent company distributable funds total EUR -14,266,018.27 and the loss for the financial year amounted to EUR 7,806,409.91.

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

Salo, March 28, 2002

Raimo Voipio
Jorma U. Nieminen

Jorma J. Nieminen
Pekka Aura

Anders Svartbäck

FIVE YEAR COMPARISON 1997–2001

INCOME STATEMENT (EUR 1000)	2001	2000	1999	1998	1997
Net sales	47 310	59 416	39 190	39 714	55 549
Cost of operations	-56 352	-67 027	-47 982	-44 020	-48 192
Depreciation according to plan	-1 551	-2 509	-3 137	-3 489	-2 725
Operating profit/loss	-10 593	-10 119	-11 929	-7 795	4 632
Share of result of associated company	115	444			
Financial income and expenses	-2 251	-1 606	-303	378	-380
Profit/loss before extraordinary items	-12 729	-11 281	-12 232	-7 417	4 252
Extraordinary items	2 630				
Profit/loss before taxes	-10 099	-11 281	-12 232	-7 417	4 252
Income taxes	64	202	229	261	-1 201
Profit/loss for the period	-10 035	-11 079	-12 003	-7 156	3 051

BALANCE SHEET (EUR 1000)

ASSETS	2001	2000	1999	1998	1997
Non-current assets	5 678	6 132	5 542	7 172	9 514
Current assets					
Inventories	19 120	27 851	7 949	7 491	7 744
Receivables and prepaid expenses	6 477	12 732	7 294	2 451	7 151
Cash and cash equivalents	1 200	1 439	4 510	12 133	15 276
Total	32 475	48 154	25 295	29 247	39 685

SHAREHOLDERS' EQUITY AND LIABILITIES	2001	2000	1999	1998	1997
Shareholders' equity					
Subscribed capital	1 889	1 809	1 565	1 565	1 565
Share premium account	13 274	11 561	2 759	2 759	2 759
Unrestricted equity	-11 588	-1 584	7 980	19 984	29 487
Minority shareholders' interests	24				
Provisions	350				
Current and non-current liabilities					
Non-current interest-bearing liabilities	1 850	1 710	993	191	321
Non-current non-interest-bearing liabilities	63	127	326	555	835
Current interest-bearing liabilities	11 721	16 834	1 699	227	226
Current non-interest-bearing liabilities	14 892	17 697	9 973	3 966	4 492
Total	32 475	48 154	25 295	29 247	39 685

SHAREHOLDERS

BREAKDOWN BY TYPE OF OWNER
Share register 31.12.2001

	shares, %	votes, %
Financial institutions	16.0	6.0
Companies	32.0	69.1
Private individuals	47.2	23.2
General government	3.9	1.4
Non-profit organizations	0.5	0.2
Others	0.4	0.1
Total	100.0	100.0

DISTRIBUTION OF SHAREHOLDING
Share register 31.12.2001

Number of shares hold	Number of shareholders	% of shareholders	Number of shares	% of share stock
1–100	1 630	36.6	128 800	2.3
101–1 000	2 319	52.1	940 766	16.7
1 001–10 000	454	10.2	1 178 203	21.0
10 001–	48	1.1	3 368 301	60.0
	4 451	100.0	5 616 070	100.0
On joint book-entry accounts				150
Total			5 616 220	100.0

BIGGEST SHAREHOLDERS
Share register 31.12.2001

	shares, %	votes, %
Halyard Oy	9.3	53.1
Finnfoam Oy	6.5	9.9
LEL Työeläkekassa	3.8	1.4
Svenska Handelsbanken Ab	2.9	1.1
Head-Invest Oy	2.6	1.0
Fortel Invest Oy	1.6	0.6
Brüninghaus Anna-Louise	1.5	0.6
Helkama Bica Oy	1.4	0.5
Assetman Oy	1.4	0.5
Rakshit Tommi	1.3	0.5
Nieminen Jorma U.	0.6	4.0
Nurminen Jouko	0.3	2.0
Administrative registered shares	13.2	4.9
Others	53.6	19.9
Total	100.0	100.0

The Board of Directors and the President own and administer in total 986,400 shares which correspond to 17.6 % of all shares and 67.5 % of all votes.

CALCULATION OF KEY RATIOS

$$\text{Return on equity (ROE), \%} = 100 \times \frac{\text{Profit before extraordinary items - income taxes}}{\text{Shareholders' equity + minority interest (average)}}$$

$$\text{Return on investment (ROI), \%} = 100 \times \frac{\text{Profit before extraordinary items + financial items}}{\text{Total assets - non-interest-bearing liabilities (average)}}$$

$$\text{Equity ratio, \%} = 100 \times \frac{\text{Shareholders' equity + minority interest}}{\text{Total assets - advances received}}$$

$$\text{Gearing ratio, \%} = 100 \times \frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Shareholders' equity + minority interest}}$$

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

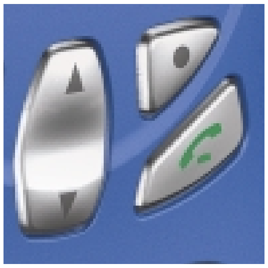
$$\text{Earnings/share, EUR} = \frac{\text{Profit before extraordinary items - income taxes}}{\text{Average of adjusted number of shares during the year}}$$

$$\text{Equity/share, EUR} = \frac{\text{Shareholders' equity}}{\text{Number of shares}}$$

$$\text{Dividend/share, EUR} = \frac{\text{Dividend}}{\text{Number of shares}}$$

$$\text{Effective dividend yield, \%} = 100 \times \frac{\text{Dividend/share}}{\text{Share price 31.12.}}$$

$$\text{P/E ratio} = \frac{\text{Share price 31.12.}}{\text{Earnings/share}}$$



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 Rummunlyöjänkatu 2, on Friday May 17, 2002 starting at 10.00 a.m. In order to attend the Annual General Meeting, a shareholder shall inform the company of his intention to attend the meeting at the latest on May 13, 2002.

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 2001.

TAXATION VALUE

The taxation value of share was assessed to be 1.708 euros (10.16 FIM) in 2001.

FINANCIAL INFORMATION

Benefon Oyj will publish Annual Report in Finnish and English in week 19 and financial information quarterly as follows:

- Interim Report January–March on May 17, 2002
- Interim Report January–June on August 14, 2002
- Interim Report January–September on November 14, 2002

Annual Report as well as printed Interim Reports can be attained upon request from Benefon Oyj, tel. +358 2 77 400, fax +358 2 733 2633, e-mail: info@benefon.fi.

Annual Report and Interim Reports will be available immediately after publishing on Benefon's Internet site at www.benefon.com.

INSIDER REGULATIONS

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

Auditor’s report

To the shareholders of Benefon Oyj

We have audited the accounting, the financial statements and the corporate governance of Benefon Oyj for the period 1.1.2001 - 31.12.2001. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance of the parent company.

We have conducted the audit in accordance with 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 and significant estimates made by the management 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 Managing Director have legally complied with the rules of the Companies’ Act.

In our opinion the financial statements that show a loss of 7.806.409,91 Euros for the parent company 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 both the consolidated and parent company’s result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the treatment of the result of the financial year is in compliance with the Companies' Act.

The liquidity resources of the company remain to be poor due to continuous operational losses. Despite enhanced equity subsequent to the fiscal year-end there is still uncertainty concerning the company being a going concern. The financial statements have been prepared on a going concern basis. Assets have been valued assuming that they will be realised in the normal course of business. The capitalization of product development costs is based on judgement that the company will be able to complete the development of the products and exploit them commercially.

Salo April 24, 2002

Tilintarkastajien Oy – Ernst & Young
Authorised Public Accountants

Tapio Ali-Tolppa
Authorised Public Accountant

Veikko Soinio
Authorised Public Accountant

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