

BENEFON OYJ BULLETIN MAY 7, 2004 at 09.30
GENERAL

The final stages of the re-organization and related arrangements dominated the activities in the period. On 26.1.2004, the Board called an extraordinary general meeting to handle the company decisions needed in the re-organization package, including amending the bylaws, decreasing the share capital, directing share and convertible equity bond loan issues to K-share holders, creditors, shareholders, personnel and investors, election of a new Board, cancelling the old share issue authorization and providing new authorization to the Board and raising a capital loan.

The extraordinary general meeting, held on 26.2.2004, approved unanimously the package proposed by the Board. The details of the package handled by the general meeting in 26.2.2004 as well as information about the re-organization program were made public in market bulletins issued on 26.1.2004 and 27.2.2004, in the listing prospectus made public on 9.2.2004 and in the result report bulletin of 19.2.2004.

The district court of Turku decided on 19.3.2004 to confirm the re-organization program proposed to the company. With this decision came in force also the financial statements of FY 2002 and financial statements of the interim reports of FY 2003, all of which were made conditional to the confirmation of the re-org program.

The cash situation of the company in the period continued to be very tight until the realized investment connected with the re-organization package. Equity placements totalling 2 million euros were paid to the company by 26.3.2004 and corresponding share capital increases were registered in the beginning of April. The company has also prepared interim financial statements dated 19.3.2004 according to which the shareholders' equity meets the requirements of the company's act. Acknowledging also the cash flow projection based on the reorganization plan, including the said equity funding, the financial statements of the company can again be construed with the going-concern principle.

SALES, MARKETING AND BUSINESS DEVELOPMENT

The business of the Company is to offer mobile telematics terminals, software and solutions for securing lives and property and for improving field management.

The range of terminals covers personal security and field management applications, vehicular and machine communications (M2M) applications as well as asset tracking.

Mobile telematics sales are directed to about 30 countries and the company received several new customers in the first quarter. The share of mobile telematics of all sales was about 85 %.

In the reporting period, the company introduced to the market terminals Benefon Track Pro NT2.0, Benefon Seraph NT2.0 and Benefon Track One NT2.0. The objective is to continue the introduction of new terminals, software products and product versions to the market.

FINANCIAL PERFORMANCE IN THE PERIOD

The sales in quarter 1-3/2004 were almost same as net sales in the prior quarter. Uncertainty among the customers about getting the re-organization solution, especially regarding larger supply projects, interfered with the sales. The company has implemented strong cost-cutting measures including on-going forced leaves. On the other hand, the re-organization procedure increased costs. Customer service, production, sales and marketing, however, have functioned normally.

The net sales of the company in 1-3/2004 were 1658 teuros, when they were 1663 teuros in the preceding quarter 10-12/2003. The net sales in the same quarter 1-3/2003 a year before were 1633 teuros.

The operating result in period 1-3/2004 before one-off items was -746 teuros. The comparable figure in the previous quarter 10-12/2003 was -981 teuros and the same in the same quarter 1-3/2003 a year before was -1922 teuros. The interim financial statements on 31.3.2004 include booked extraordinary income totalling 12459 teuros from the debt cutting in the confirmed reorganization program.

The net result in period 1-3/2004 was 11736 teuros.

The total of the balance sheet at the end of period 1-3/2004 was 6951 teuros. The total of the balance sheet at the end of the previous quarter 10-12/2003 was 6154 teuros and at the end of the same period 1-3/2003 a year before it was 15354 teuros. The amount of shareholders' equity at the end of 1-3/2004 was 2373 teuros, or 34%, when at the end of prior quarter 10-12/2003 it was -12154 teuros, or -197%. The interest-carrying net debt was 1570 teuros.

The total liabilities at the end of the period 1-3/2004 were 4536 teuros, when they were 18267 teuros at the end of the prior quarter 10-12/2003 and 21707 teuros at the end of the same quarter 1-3/2003 a year before. Of the total liabilities at the end of 1-3/2004, non-current liabilities were 1863 teuros and current liabilities 2673 teuros. Cash at hand and in the banks at the end of the period was 1025 keuros.

Included in the interim financial statements there are the implemented debt cutting and conversion of the convertible bond loan 2003A, mostly into shares of the company, with the residual of the bond loan having been cut according to the re-organization program and booked as income. In addition, the equity placements into shares of the company and capital loan, totalling 2 million euros, have also been booked.

Altogether, the re-organization solution and the connected equity placements have changed the balance sheet of the company essentially.

REPORT ON SUFFICIENT LIQUIDITY IN PERIOD 04/2004-06/2005

The account on the sufficient cashflow provided hereinafter is based on a business plan construed on the basis of the confirmed re-organization program.

The quarterly sales making a central element of the operating result, the starting point of the account, have been estimated to grow in the reported period. The present order stock does not make a significant part of the estimated sales in the period.

The account includes the realized equity placement and the arrangement of the re-organization debt.

Cashflow account of period 04/2004-06/2005 / 1000 euros

| | |
|---|------|
| Operating result before extraordinary items | -697 |
| Depreciations | 600 |
| Reduction of current receivables | 0 |
| Reduction of inventories | 1995 |
| Change of non-interest bearing debt | -177 |
| Payment of re-organization debt | -456 |
| Paid interests | -100 |
| Investments | -150 |
| Paid share issue | 0 |
| Extraordinary income | 0 |
| Reservation for re-org expenses | 0 |
| Change of interest bearing debt | 0 |
| Change of cash at hand | 1015 |

Should the future development deviate from current information, it may significantly affect the construed cashflow account.

CHANGES IN SHAREHOLDERS' EQUITY 1.1.-31.03.2004 / 1000 EUROS

| | Share capital | Share premium fund | Capital loans | Other equity | Total |
|-------------------------|---------------|--------------------|---------------|--------------|-------|
| Shareh. equity 1.1.2004 | 6371 | 22273 | 1750 | -42289 | - |
| CBL 2003A | 222 | 1523 | -1750 | | 11895 |

| | | | | | |
|--------------------------|-------|-------|------|--------|------|
| conversions | | | | | |
| Reduction of sh. capital | -6352 | | | 6352 | |
| K-shareholder issue | 45 | -45 | | | |
| Debt conversion issue | 106 | 692 | | | |
| Investor share issue | 775 | -256 | | | |
| Investor bond loan issue | | | 1130 | | |
| Capital loan | | | 350 | | |
| Result 1.1.-31.3.2004 | | | | 11713 | |
| Shareh. equity | 1167 | 24187 | 1480 | -24225 | 2609 |
| 31.3.2004 | | | | | |

INVESTMENTS

The total investments in the period were insignificant.

PERSONNEL

The number of employed personnel in the period 1-3/2003 averaged 97. At the end of the period the number of personnel was 96 when at the end of the prior quarter 10-12/2003 it was 129 and at the end of the same quarter 1-3/2003 a year before it was 151. In 1-3/2004, temporary forced leaves touched about 40 people of the employed personnel.

FUTURE OUTLOOK

The company concentrates on the development of sales of current and new products in current markets with continuing efforts to improve operational efficiency. The objective is to reach early improvements in the profitability and result by means of increased cost efficiency and sales growth. However, uncertain sales outlook may adversely affect the financial development of the company.

EQUITY ISSUE AUTHORITY OF THE BOARD

The extraordinary general meeting of 26.2.2994 decided to cancel the authorisation provided by the ordinary general meeting of 21.5.2003, and authorized the Board of Directors, within the time limit of one year from the meeting granting the authorization, to decide on the increase of share capital by rights issue, issue of options or convertible bonds in one or more instalments so that in the issue of convertible bonds or options or in the rights issue a total maximum of 3,787,786 new investment shares with a book parity value of EUR 0.01 per share shall be entitled to be subscribed for. Therefore, the share capital may, based on the authorization, be increased by a maximum of 37,877.86 euros.

The authorization includes the right to deviate from the pre-emptive right of the shareholders, referred to in Chapter 4, Section 2 of the Companies Act, to subscribe for new shares, convertible bonds or options and the right to decide on prices of the subscriptions, those entitled to subscription, the terms and conditions of the subscription and the terms and conditions of the convertible bonds and options. The authorizations may be used in deviation from the shareholders' pre-emptive right provided that there is a weighty financial reason from the company's point of view, such as financing of corporate acquisition or other arrangement relating to the development of the company's business operations or strengthening the company's balance sheet, to do so.

When the share capital is increased by a rights issue on other basis than convertible bonds or options, the Board of Directors is authorized to decide that the shares can be subscribed for in kind, using the right of set-off or on other specific terms.

For the time being, this authority has not been used.

BENEFON OYJ

Juha Kiikeri
CEO

INTERIM REPORT 1-3/2004

| | 1-3/04 1000 EUR | 1-3/03 1000 EUR | 1-12/03 1000 EUR |
|---------------------------------------|--------------------|--------------------|---------------------|
| Net sales | 1658 | 1633 | 6737 |
| Other operating income | 6 | 1817 | 3156 |
| Costs of operations | -2294 | -5218 | -14390 |
| Depreciation according to plan | -116 | -154 | -563 |
| Operating profit before one-off items | -746 | -1922 | -5060 |
| One-off items | 0 | -8208 | -15146 |
| Operating profit | -746 | -10130 | -20206 |
| Financial income and expenses | 23 | -138 | -561 |
| Profit before extraordinary items | -723 | -10268 | -20767 |
| Extraordinary income | 12459 | 0 | 0 |
| Profit before income taxes | 11736 | -10268 | -20767 |

| | | | |
|--|-------|--------|--------|
| Profit for the period | 11736 | -10268 | -20767 |
| Fixed assets | | | |
| Intangible assets | 100 | 220 | 124 |
| Tangible assets | 447 | 821 | 535 |
| Investments | 30 | 87 | 30 |
| Current assets | | | |
| Inventories | 4365 | 10928 | 4515 |
| Receivables | 984 | 3046 | 895 |
| Cash in hand and at banks | 1025 | 252 | 55 |
| Shareholders' equity | 893 | -6419 | -13904 |
| Convertible equity bond loan | 1130 | 0 | 1750 |
| Capital loan | 350 | 0 | 0 |
| Obligatory reserves | 42 | 66 | 41 |
| Long-term liabilities | 1863 | 1054 | 41 |
| Current liabilities | 2673 | 20653 | 18226 |
| Balance sheet total | 6951 | 15354 | 6154 |
| Gross investments in fixed assets | 5 | 1 | 32 |
| Average number of personnel | 97 | 149 | 140 |
| Pledged assets and contingencies | | | |
| Liabilities relating to chattel mortgage | 1484 | 6138 | 6389 |
| Chattel mortgage nominal value | 12068 | 12068 | 12068 |
| Pledged investments | 7 | 63 | 7 |
| Other commitments | 0 | 1800 | 0 |
| Earnings/share, EUR | -0,04 | -1,05 | -1,44 |
| Shareholders' equity/share, EUR | 0,01 | -0,66 | -0,64 |

The number of shares includes share issues registered by 5.4.2004.

The interim financial statements have not been audited.