

Interim Report January-September 2003 =

BENEFON OYJ BULLETIN NOVEMBER 13, 2003 at 15.45

General

The sales of the company in period 7-9/2003 stayed at the level of the previous quarter, with the growth of the mobile telematics sales compensating the substantial fall of the mobile phone sales. The sales are adversely affected by the uncertainty within the customers about the company reaching a re-organization solution, especially regarding larger delivery projects.

The company has implemented a forceful cost cutting including the still on-going temporary forced leaves. On the other hand, the re-organization procedure and the vacation period have caused extra costs.

The financing situation of the company is very tight interfering and risking operations and continuity of the re-organization procedure. The company is seeking equity financing for securing the re-organization.

Customer service, production and sales and marketing have functioned normally. As a result of continuing product development, the company has introduced new terminals, software products and special solutions to the market and R&D-activities continue at full speed.

The now-published interim financial statement per September 30, 2003, is conditional to the confirmation of the re-organization program for the company.

The re-organization procedure of the company, crucial for its continuing operations, was commenced on June 26, 2003 and the related re-organization program proposal was submitted to Turku district court on September 10, 2003. The company is not entitled to make public contents of the proposal. In general, re-organization comprises essentially debt arrangements, among others, and in case a re-organization program is confirmed for the company, the post-confirmation balance sheet will be essentially different from the balance sheet of the interim financial statements now made public by the company.

General from period 1-6/2003

The situation of the company turned critical with the delays of the sought funding solution and on April 24, 2003, the company filed an application for statutory corporate re-organization.

Due to the delayed processing of the re-org application, the company requested and was granted extended schedule for the interim report 1Q2003. Turku district court decided on June 26, 2003, that the re-organization procedure applied for by the company will be started on that date. The extraordinary shareholders' meeting convening on the same day decided to confirm the financial report of FY 2002 on the condition that the court will confirm the re-organization program prepared in the procedure so that the company can again be considered to fulfil the criteria of a going concern. The same meeting decided also to approve the proposed debt conversion equity issues in which creditors converted about 4.8 Meuros worth of their receivables into shares and convertible equity bond loan.

Consequently, the interim financial report of March 31, 2003, published at the end of June, was also conditional to the confirmation of the re-org program. Regarding the drafted re-org plan, it comprised two significant extraordinary asset write-offs. The first one comprised the write-off of the 5.8 Meuro capitalisation of the R&D expenditures of the new mobile telematics product platform. This because the completion of the development of the said product platform had had to be put on hold for the time being. The second one comprised a 2 Meuro write-off of the parts inventory for the purpose of valuating the parts inventory according to the prudently projected development of the sales and component consumption in the draft re-org plan.

Also the interim financial report of June 30, 2003, was conditional to the confirmation of the re-org program. In this financial report, in addition to the write-offs in the previous interim report 1Q2003, a further charge of 0.5 Meuros of the parts inventory was made for the purpose of fine-tuning the inventory value. In addition, it contained also re-organization process-related extraordinary expense charges and reservations with a total worth of about 1,3 Meuros.

As already stated above, also the interim financial statements per September 30, 2003, made public now, are conditional to the confirmation of the re-organization program.

Development of the business

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 mobile telematics sales are directed to about 30 countries and in the third quarter the company received several new customers.

The range of GSM+GPS terminals covers personal safety and security applications as well as vehicular and

machine-to-machine (M2M) applications and asset tracking.

For shortening the sales cycle Benefon can now offer, as needed, also software components and larger total solutions for system integrators and other business customers.

In the third quarter, the new Benefon Seraph NT safety device was launched which already has created sales to both business and official customers.

After the end of the reporting period the company has introduced the new 3.0 version of Benefon Life Line control center software.

The objective is to bring to the market further new terminals and software products before the end of the year.

In the beginning of year 2003, an acquisition offer was made for Ismap S.A., a French company specialized in mobile map and application software. In the offer, the company offered for subscription altogether 400,000 S-shares for the whole stock of Ismap in a share swap. Nearly all Ismap shareholders accepted the swap offer which originally was intended to be realized in February but which has been waiting for the stabilization of the situation of the company.

Financial performance in the period

The very tight financing situation of the company and the uncertainty felt by the customers about the re-organization solution have retarded the sales especially regarding larger delivery projects. The company has managed to secure customer service and product deliveries normally. The sales in period July-September were at the level of the sales in the previous quarter. Mobile telematics sales increased significantly from the previous quarter compensating the corresponding fall of the NMT sales. Mobile telematics sales made about 80 % of the total sales.

The net sales in 3Q2003 were 1.7 Meuros, or the same as the net sales in the preceding quarter 2Q2003. The net sales in the same quarter 3Q2002 a year before were 4.2 Meuros.

The operating result in 3Q2003 before extraordinary items was -0.8 Meuros. The comparable figure in the previous quarter 2Q2003 was -1.1 Meuros and the same in the same quarter 3Q2002 a year before was -2.9 Meuros. The interim financial statements of September 30, 2003, include booked extraordinary one-time charges for about 0.4 Meuros, after which the actual operating profit for 3Q2003 was -1.2 Meuros. R&D expenditures have not been capitalised after the end of last year.

The net result in the period 3Q2003 was -1.2 Meuros.

The total of the balance sheet at the end of 3Q2003 was 13.8 Meuros. The total of the balance sheet at the end of the previous quarter 2Q2003 was 15.3 Meuros and at the end of the same period 3Q2002 a year before it was 24.6 Meuros. The amount of shareholders' equity at the end of 3Q2003 was -5.4 Meuros, ie. -39 %, when at the end of 2Q2003 it was -4.2 Meuros, ie. -27 percent of the total. The interest-carrying net debt was 7.2 Meuros. The total liabilities at the end of the period 3Q2003 were 19.2 Meuros, when they were 19.4 Meuros at the end of the prior quarter 2Q2003 and 18.3 Meuros at the end of the same quarter 3Q2002 a year before. Of the total liabilities at the end of 3Q2003, non-current liabilities were 1.1 Meuros and current liabilities 18.1 Meuros. Cash at hand and in the banks at the end of the period was 31 keuros and the financing situation has been very tight.

In the interim financial statements of September 30, 2003, an extraordinary one-time charge of 0.4 Meuros has been booked for receivables at risk.

If the re-organization program is confirmed it would change the balance sheet in an essential manner.

Report on sufficient liquidity in period 10/2003-12/2004

The account on the sufficient cashflow provided hereinafter is based on a business plan whereupon a standing presumption is the approval of the re-organization program.

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

The account does not include new equity financing. Nor does it include arrangement of the re-organization debt.

Cashflow account of period 10/2003-12/2004

Operating result before extraordinary items	-1.3
Depreciations	0.6
Reduction of current receivables	0.5
Reduction of inventories	1,6

Change of non-interest bearing debt	0.1
Paid interests	-0.1
Investments	-0.1
Paid share issue	0.0
Extraordinary income	0.0
Change of interest bearing debt	0.0
Change of cash at handt	1,3

Should the eventual re-organization program or other development deviate from current information, it may substantially affect the construed cashflow account.

Investments

The total investments in the period were 0.0 Meuros.

Personnel

The number of employed personnel in the period 3Q2003 averaged 136. At the end of the period the number of personnel was 132 when at the end of the prior quarter 2Q2003 it was 144 and at the end of the same quarter 3Q2002 a year before it was 157. In 3Q2003, temporary forced leaves touched about 100 people of the employed personnel.

Special measures for improving the finances

The business plan for the re-organization is based on radical cost-cutting measures by reducing among others personnel costs, on development of sales, on reduction of the inventories and on increasing the value added of the sales. The company has managed to decrease the fixed cost level by over 50 % compared with the level realized in early year. The company is also seeking equity financing for supporting re-organization.

Future outlook

The future outlook depends in a decisive manner on the confirmation of the re-organization program construed in the re-org procedure started in June 26, 2003. A confirmed re-org program prescribes positive cash flow and that the company will reach also positive result and, further, that the debt is re-arranged within the payment margin in a way resulting in the shareholders' equity meeting the legal requirements. The core of the construed re-org plan consists of the significant reduction of the costs and of gradual increase of the sales. The company is also seeking a moderate amount of equity funding for securing the re-organization and will report about the matter with sufficient progress.

Equity issue authority of the board

The ordinary Shareholders' Meeting of May 21, 2003, 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 such that in the issue of convertible bonds or options or in the rights issue, in total a maximum of 2,010,760 new investment shares with a book parity value of EUR 0.34 (not the exact value) per share, shall be entitled to be subscribed for. The share capital may, based on the authorization, therefore be increased by a maximum of EUR 676,371.12.

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

Jukka Nieminen
President

INTERIM REPORT 1-9/2003

	7-9/03 EUR million	4-6/03 EUR million	1-3/03 EUR million
Net sales	1,7	1,7	1,6
Other operating income	0,0	1,1	1,8
Costs of operations	-2,4	-3,7	-5,2
Depreciation according to plan	-0,1	-0,2	-0,2
Operating profit before extraordinary one-off items	-0,8	-1,1	-2,0
One-off items	-0,4	-1,1	-8,1
Operating profit	-1,2	-2,2	-10,1
Financial income and expenses	-0,0	-0,3	-0,2
Profit before extraordinary items	-1,2	-2,5	-10,3
Profit before income taxes	-1,2	-2,5	-10,3
Profit for the period	-1,2	-2,5	-10,3
Fixed assets			
Intangible assets	0,2	0,2	0,2
Tangible assets	0,6	0,7	0,8
Investments	0,0	0,1	0,1
Current assets			
Inventories	9,7	10,0	10,9
Receivables	3,3	4,1	3,1
Cash at hand and in the banks	0,0	0,2	0,3
Share holders' equity	-5,4	-4,2	-6,4
Obligatory reserves	0,0	0,1	0,1
Long-term liabilities	1,1	1,0	1,1
Current liabilities	18,1	18,4	20,6
Balance sheet total	13,8	15,3	15,4
Gross investments in fixed assets	0,0	-0,1	0,1
Average number of personnel	136	145	149
Pledged assets and contingencies			
Liabilities relating to chattel mortgage	6,1	6,1	6,1
Chattel mortgage nominal value	12,1	12,1	12,1
Pledged investments	0,0	0,1	0,1
Leasing commitments	0,0	0,0	0,1
Other commitments	1,0	1,0	1,7
Earnings/share, EUR	-0,07	-0,25	-1,05
Shareholders' equity/share, EUR	Neg	Neg	Neg

The interim financial statements have not been audited.

Confirmed re-organization would change the balance sheet essentially. Order stock is not significant.

INTERIM REPORT 1-9/2003

	1-9/03 EUR million	1-9/02 EUR million	1-12/02 EUR million
Net sales	5,1	12,7	14,7
Other operating income	2,9	4,1	5,6
Costs of operations	-11,5	-21,6	-27,2
Depreciation according to plan	-0,4	-1,0	-1,2
Operating profit before extraordinary one-off items	-3,9		
One-off items	-9,6		
Operating profit	-13,5	-5,8	-8,1

Financial income and expenses	-0,5	-2,0	-2,2
Profit before extraordinary items	-14,0	-7,8	-10,3
Profit before income taxes	-14,0	-7,8	-10,3
Profit for the period	-14,0	-7,8	-10,3
Fixed assets			
Intangible assets	0,2	3,9	6,1
Tangible assets	0,6	1,1	0,9
Investments	0,0	0,2	0,2
Current assets			
Inventories	9,7	14,8	13,7
Receivables	3,3	3,8	3,2
Cash at hand and in the banks	0,0	0,8	0,2
Share holders' equity	-5,4	6,1	3,8
Obligatory reserves	0,0	0,2	0,1
Long-term liabilities	1,1	5,3	5,4
Current liabilities	18,1	13,0	15,0
Balance sheet total	13,8	24,6	24,3
Gross investments in fixed assets	0,0	3,6	5,8
Average number of personnel	136	285	251
Pledged assets and contingencies			
Liabilities relating to chattel mortgage	6,1	4,9	6,1
Chattel mortgage nominal value	12,1	12,1	12,1
Pledged investments	0,0	0,2	0,2
Leasing commitments	0,0	0,6	0,4
Other commitments	1,0	1,7	1,4
Earnings/share, EUR	-1,09	-0,96	-1,21
Shareholders' equity/share, EUR	Neg	0,63	0,38

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