

## **GENERAL**

As reported earlier, the re-organization program proposed for the company was confirmed on 19.3.2004, with which also the resolutions of the extraordinary general meeting of 26.2.2004 came in force.

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 ordinary general meeting of 28.5.2004, in addition to resolving the ordinary items on the agenda, decided also to amend the details of the shareholder's Rights Issue, being part of the re-organization program, regarding the timing of the Issue and the treatment of the un-subscribed shares, and to replace the equity issue authority granted to the Board on 26.2.2004 with a new one. Both decisions have been reported in detail in the market bulletin issued on 28.5.2004.

The general meeting of 30.9.2004 resolved to amend the subscription price per share in the said Rights Issue to be the trading volume weighted average price of the S-share of the company, traded on the I-list of Helsinki Exchanges, in the period 22.9.2004-8.10.2004, discounted by 15% and rounded down to the nearest lower full eurocent, but not more than the previously decided 0.22649839 euros, however. With this decision, the subscription price per share in the Rights Issue was set at 0.14 euros which, according to the resolution by the said general meeting, also became to be the exercise price per share with the options reserved for personnel according to the amount of shares left unsubscribed in the Rights Issue and in the subsequent share offering to outside investors. The Financial Supervision organ RATA approved on 24.9.2004 the listing prospectus prepared for the Rights Issue. The prospectus was supplemented on 12.10.2004 and on 4.11.2004.

In the shareholders' Rights Issue, with the subscription period of 15.-29.10.2004, the entitled shareholders and recipients of subscription right, altogether 632 parties, subscribed for a total of 6,359,527 shares at a subscription price per share of 0.14 euros, or at a total subscription price of 890,333.78 euros. Of these, 626 subscriptions for a total of 6.175.597 shares at a total subscription price of 864.583,58 euros were accepted. The corresponding increase of share capital was registered on 15.11.2004 and the corresponding new shares (BNFSV) were listed for public trading on 16.11.2004.

In the offering to outside investors, arranged after the Rights Issue with the authority the Board received on 28.5.2004 and with the subscription period of 2.-10.11.2004, the participating investors, altogether 35 parties, subscribed for a total of 4,516,989 shares with the said share price of the Rights Issue of 0.14 euros at a total subscription price of

632,378.46 euros with all subscriptions accepted. These figures include the six late arrived subscriptions in the Rights Issue for 184,356 shares at the total subscription price of 25,809.84 euros, about which the Board decided to resolve together with the subscriptions by investors.

The combined amount of shares subscribed at the share price of 0.14 euros in the said Rights Issue and in the subsequent offering to investors was a total of 10,692,586 shares for a total subscription price of 1,496,962.04 euros.

On September 14, 2004, Benefon sent a renewed offer to the shareholders of the French company Ismap S.A., in which a maximum of 400,000 new Benefon S-shares was offered for the entire stock of Ismap, providing that a minimum of 80% of Ismap shares would participate in the share swap. The company offered to buy the remaining not more than 20% of Ismap shares at 0.17 euros for each block of Ismap shares entitling to one Benefon share according to the swap offer. The Company reported on 18.11.2004, that a majority holding about 86% of Ismap shares had approved the offer. Therefore, the share swap and the cash purchase of the remaining shares are now due to be implemented by 30.12.2004, as latest.

The Board of the Company has proposed to the extraordinary general meeting convening on 25.11.2004 that, for the remaining term of the Board elected on 28.5.2004, the number of Board members would be increased from present three to four, and that Phil Parker of Shell Chemical Company would be elected as the fourth member of the Board.

## **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.

Mobile telematics sales are directed to about 20 countries and the sales efforts were focused especially on customer projects in Europe and in USA. The share of mobile telematics sales of all sales was in excess of 90 %.

The range of mobile telematics products covers personal security applications as well as field management applications, vehicular and machine communications (M2M) applications and asset tracking. The objective is to continue introductions of novel terminal and software products and product versions in the most central markets for increased sales opportunities. Connected with this, the Company is in the process of starting a new product program centering on year 2005.

## **FINANCIAL PERFORMANCE IN THE PERIOD**

The sales of the Company in the third quarter were about 5% above the sales in the prior quarter. The continued appreciation of euro against US-dollar in the period interfered



extraordinary items (presuming the said new product program)	
Depreciations	258
Increase of current receivables	-559
Reduction of inventories	1077
Change of non-interest bearing debt	-161
Payment of re-organization debt 2004 and 2005	-887
Paid interests	-74
Investments	-159
Paid share issue 10-11/2004	1497
Financing package for the new product program	2500
Change of interest bearing debt	0
Change of cash at hand	215

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

## **INVESTMENTS**

The total investments in the period were insignificant

## **PERSONNEL**

The number of employed personnel in the period 7-9/2004 averaged 90. At the end of the period the number of personnel was 88 when at the end of the prior quarter 4-6/2004 it was 92 and at the end of the same quarter 7-9/2003 a year before it was 132. In period 4-6/2004, alternate forced leaves touched about 36 people of the employed personnel.

## **FUTURE OUTLOOK**

The company concentrates now on increasing the sales of current and new mobile telematics products mainly in current markets together with continuing efforts to improve operational efficiency especially in France after the Ismap-acquisition has been secured. The objective is to reach improved profitability and result with this. Uncertain sales outlook may, however, adversely affect the financial development of the company. For the said new product program, an additional financing of approximately 2.5 Meuros is needed during year 2005.

## **EQUITY ISSUE AUTHORITY OF THE BOARD**

The ordinary general meeting of 28.5.2004 decided to cancel the authorisation granted on 26.2.2004, 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 23,332,804 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 233,328.04 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 but, in connection with the Ismap share swap, it is planned to be used for issuing a maximum of 400,000 shares directed in deviation of the shareholders' first right to Ismap shareholders by the end of this year.

## BENEFON OYJ

Tomi Raita  
CEO

### INTERIM REPORT 1-9/2004

	7-9/04 1000 EUR	4-6/04 1000 EUR	1-3/04 1000 EUR
Net sales	1790	1706	1658
Other operating income	36	7	6
Costs of operations	-2302	-2461	-2294
Depreciation according to plan	-114	-117	-116

Operating profit before one-off items	-590	-865	-746
One-off items	-1098	0	0
Operating profit	-1688	-865	-746
Financial income and expenses	-12	16	23
Profit before extraordinary items	-1700	-849	-723
Extraordinary income	0	0	12459
Profit before income taxes	-1700	-849	11736
Profit for the period	-1700	-849	11736
Fixed assets			
Intangible assets	54	77	100
Tangible assets	268	357	447
Investments	63	63	30
Current assets			
Inventories	2818	4030	4365
Receivables	1653	1691	984
Cash in hand and at banks	70	302	1025
Shareholders' equity	-1639	61	893
Convertible equity bond loan	1126	1126	1130
Capital loan	850	850	350
Obligatory reserves	42	42	42
Long-term liabilities	1860	1863	1863
Current liabilities	2687	2578	2673
Balance sheet total	4926	6520	6951
Gross investments in fixed assets	2	36	5
Average number of personnel	90	92	97
Pledged assets and contingencies			
Liabilities relating to chattel mortgage	1484	1484	1484
Chattel mortgage nominal value	12068	12068	12068
Pledged investments	40	40	7
Other commitments	0	0	0

Earnings/share, EUR	-0,01	-0,01	-0,04
Shareholders' equity/share, EUR	0,00	0,01	0,01

The interim financial statements have not been audited.

#### INTERIM REPORT 1-9/2004

	1-9/04 1000 EUR	1-9/03 1000 EUR	1-12/03 1000 EUR
Net sales	5154	5074	6737
Other operating income	49	2879	3156
Costs of operations	-7057	-11661	-14390
Depreciation according to plan	-347	-437	-563
Operating profit before one-off items	-2201	-4145	-5060
One-off items	-1098	-9361	-15146
Operating profit	-3299	-13506	-20206
Financial income and expenses	27	-506	-561
Profit before extraordinary items	-3272	-14012	-20767
Extraordinary income	12459	0	0
Profit before income taxes	9187	-14012	-20767
Profit for the period	9187	-14012	-20767
Fixed assets			
Intangible assets	54	157	124
Tangible assets	268	623	535
Investments	63	30	30
Current assets			
Inventories	2818	9730	4515
Receivables	1653	3265	895
Cash in hand and at banks	70	31	55
Shareholders' equity	-1639	-7142	-13904
Convertible equity bond loan	1126	1750	1750
Capital loan	850	0	0
Obligatory reserves	42	41	41

Long-term liabilities	1860	1054	41
Current liabilities	2687	18133	18226
Balance sheet total	4926	13836	6154
Gross investments in fixed assets	43	23	32
Average number of personnel	93	144	140
Pledged assets and contingencies			
Liabilities relating to chattel mortgage	1484	6138	6389
Chattel mortgage nominal value	12068	12068	12068
Pledged investments	40	7	7
Other commitments	0	1000	0
Earnings/share, EUR	-0,04	-1,09	-1,44
Shareholders' equity/share, EUR	0,00	-0,28	-0,64

The interim financial statements have not been audited.