BENEFON OYJ

ANNUAL REPORT 2002

The sales, marketing and R&D efforts in 2002 were focused in the mobile telematics market. The core of the mobile telematics solutions of Benefon consists of a range of terminals and supporting software products and services. The terminal range covers applications for personal security and asset tracking as well as vehicular and machine-to-machine (M2M) applications. The general business environment continued to offer challenges but mobile telematics is seen as a promising growth market.

The company continued the build-up of worldwide distribution network in the past year. North and South America were added up as new market areas. The marketing focus was on forming complete customer solutions and on developing customer projects and offer stock together with distributors and trade partners.

In June, the company brought to market the new NT range of mobile telematics products. In the autumn, the range expanded with the new tracking device Benefon TrackBox and its Pointer dog GPS application. The sales of mobile telematics products Benefon Esc!, Benefon Track and Benefon TrackBox made already over one half of total net sales in the final quarter of the year.

On the other hand, the sales of GSM products Benefon Twin, Benefon Twin Dual SIM and Benefon Q and the sales of NMT 450 product Benefon Exion was quite low causing a significant drop of overall sales from the prior quarter.

The R&D effort concentrated in sales promoting expansion and improvement of the present product range and in development of the new product range optimised for MT applications. The R&D expenditure in 2002 was 52 % of the net sales which proportion was exceptionally high. During the fiscal year, of the R&D expenditure related with the MT product project, 5.7 Meuros were capitalised in the intangible assets. In connection with the EDC deal, 2.7 Meuros of these were written down as costs. Including the capitalisation carried over from FY 2001, the total amount of R&D capitalisation at the end of the year 2002 was 5.8 Meuros.

With the cost cutting program decided in the spring and implemented in the summer, the production capacity was adjusted to the demand which together with other personnel cuts and the effect of the EDC agreement caused the number of overall active personnel to shrink from 333 to 146 during the year.

In the beginning of August, the company signed with Elcoteq an agreement about widescale and close co-operation in R&D domain. With the 11 Meuro deal, three quarters of the R&D unit of Benefon was transferred to EDC, a wholly owned subsidiary of Elcoteq. From the total deal price, 8.5 Meuros were booked in year 2002.

With the directed share issue of end of March 2002, the company received additional equity of just over 10 Meuros which was used to reduce the liabilities. The additional share issue agreed for May 2002, however, had to be cancelled as the lead investor Airo Wireless Media Inc. at the final moment announced that they were not able to fulfil their subcription commitment. For part of the remaining subscribers of the planned May issue the Board arranged with its given authority a limited share issue in July and negotiations with Airo Wireless media were continued.

The annual shareholders´ meeting of May 17, 2002, provided the Board of Directors with an authority to decide on the increase of share capital in new issue up to 649,533.97 euros or 1,930,977 shares. In the said July share issue, this authorization was used for 104,800 shares so at the year end the remaining authority covered 1,826,177 shares.

Essential developments after the end of year 2002

In the beginning of year 2003, the share issue authority of the Board was offered to be used with the acquisition offer made to the shareholders of Ismap S.A. of France in which offer altogether 400,000 Benefon S-shares were offered in share swap for entire stock of Ismap. Virtually all shareholders of Ismap owning altogether 99,51 % of Ismap shares accepted the share swap which originally was intended to be realised in February but which has been left waiting for the financing solution of Benefon.

Despite the savings from the cost cutting program and the cash flow from the EDC deal the financial situation has remained very tight for which the program for managing the finances has continued by various operative means including among others reduction of parts inventory and trade receivables, termination of the leasing agreement of a surplus SMT line and extensions of agreed payment programs negotiated with creditors. However, the continuity of the operations of the company requires substantial financing package and the financial report was made on going concern basis presuming that such funding would be realised in sufficient amount and time.

The very tight financial situation has substantially interfered with the sales but the customer service and product deliveries have been managed nevertheless. The sales volume of the first months of the year reamained at a low level, caused especially by the sales drop of GSM but also of NMT 450 product groups. However, the sales margin stayed at the level of the end of last year due to the increased share of the better margined mobile telematics sales which already makes most of all sales. The result improved due to reduced costs.

Despite the difficulties, the crucial R&D programs needed to secure the near future business have been managed to be kept in track but insufficient funding has made it necessary to slow down the the development work of the new MT product program.

In April, the company received a positive decision on its application to TEKES as they decided to give a waiver for about 0,7 Meuros of the total amount of an R&D loan and to extend the pay-back time of the rest of the loan.

The extensive continuing financing negotiations that started in autumn 2002 and gathered pace towards the end of the year did not produce the desired result before year end and no more in January. In the beginning of February, due to the delays, the situation was seen so critical that in the published result report of year 2002, a special chapter was added informing that a quick sufficient additional funding was a pre-requisite for continuing operations of the company. This announcement caused a sharp drop of the share price which further damaged the financing negotiations. On February 14, 2003, the company received from NRJ International LLC an equity funding offer on which basis the continuing operations were considered possible after all. The Board, however, was not unanimous in this decision which caused the resignation of the chairman of the Board.

As a result of the negotiations following the events of February 14, the company announced on February 25, 2003, a negotiated funding package of a minimum of 12 Meuros, the main part of which consisted of a 10 Meuro share and convertible bond issue to NRJ International. This funding package was to be decided by the extraordinary shareholders´ meeting of March 28, 2003. The agreed package included, in addition to the said share and convertible bond issue at a share price of 0.34 euros also a 10 Meuro option package to NRJI at the same share price. The negotiated package further included an early 0.45 Meuro bridge financing share issue the subscription period of which, at the request of the investor, was extended until March 21, 2003. Overall, the entire funding package was to increase significantly the share capital of the company and also to essentially change the ownership of the company.

The bridge financing share issue directed to NRJI was finally realised late and only for 0.1 Meuros despite the best efforts of the company. This caused a very tight cash situation which, among other measures, was alleviated with the sale of surplus leased production equipment in co-operation with the leasing creditor.

Just before the shareholders´ meeting, the company received from Dr. Philippe Frangié in Turkey a parallel offer in which Dr. Frangié committed to subscribe the S-shares of the company for 12 Meuros at 0.34 euros per share on the condition that he would get both equity and vote majority of the company. In addition to the commitments by NRJI and Dr. Frangié, the company received 2.6 Meuros worth of subscription commitments from its creditors who offered to convert their credit into shares in set-off, providing that the total issue will amount to at least 12 Meuros. After careful consideration, the Board decided to propose to the shareholders´ meeting that the subscription commitments of both NRJI and Dr. Frangié would be approved so that the Board would accept the entire investment proposal of that main investor candidate who would first perform his subscription, and that the set-off offer by the creditors would be accepted in both cases. With the same, the subscription period was proposed to be extended until April 4, 2003. The shareholders´ meeting approved the Board proposal unanimously.

After the shareholders´ meeting, NRJI announced that they would withdraw from their investment offer but announced little later that they would be ready to make a new offer in case Dr. Frangié would not perform their subscription. Dr. Frangié did not perform their subscription within the subscription period but assured repeatedly that they would keep their commitment. The Board announced that it is prepared to accept also late subscriptions. NRJI made a new investment offer with postponed schedule but the new offer included conditions that were not realisable and the company made NRJI a counteroffer. NRJI responded to this counteroffer by sending a draft for the terms of a new offer about which the company needs negotiate also with the auditors and the main creditors.

The company continues to clarify the situation and negoatiations with both NRJI and Dr. Frangié and, together with the banks and the creditors, will clarify also other options for finding a solution that would make it possible to continue the operations of the company.

Because of the delayed financing solution, the auditors cannot recommend the approval of the financial report on the going concern basis. The Board has already initiated measures to correct the situation.

The Board has decided to propose to the sharehiolders´ meeting that no dividend would be paid from FY 2002.

Mr. Raimo Voipio acted as the Chairman of the Board until February 11, 2003, whereafter Mr. Jorma Nieminen has acted as the Chairman. Other Board members have been Mr. Jukka Nieminen, Mr. Jorma Tiirakari and Mr. Lasse Linnilä. Mr. Jorma Nieminen was the President of the company until February 11, 2003, whereafter Mr. Jukka Nieminen has been the President.

As the auditors have been Ernst & Young Oy, with Mr. Tapio Ali-Tolppa CPA as the responsible auditor, and Mr. Veikko Soinio CPA.

The Benefon S-share is listed on the I-list of Helsinki Exchanges. Due to the delayed financing solution, the share has recently been on the control list of the Exhanges.

BENEFON OYJ

FINANCIAL STATEMENTS

FY 2002

BENEFON OYJ

CONSOLIDATED INCOME STATEMENT

		1.1.-31.12.2002 EUR 1000		1.1.-31.12.2001 EUR 1000
NET TURNOVER		14 737		47 310
Increase (+)/decrease (-) in inventories of finished products		-348		122
Production for own use		0		1
Other operating income		5 643		1 627
Materials and services				
Materials, supplies and products				
Purchases during the financial period	7 180		26 368	
Increase (-)/decrease (+) in inventories	5 445	-12 625	8 864	-35 232
External services		-286		-237
Personnel expenses		-9 176		-12 463
Depreciation and value adjustments				
Depreciation according to plan		-1 160		-1 551
Other operating expenses		-4 844		-10 170
OPERATING LOSS		-8 059		-10 593
Share of result of associated company		0		115
Financial income and expenses		-2 270		-2 251
LOSS BEFORE EXTRAORDINARY ITEMS		-10 329		-12 729
Extraordinary items				
Extraordinary income		0		2 630
LOSS BEFORE TAXES		-10 329		-10 099
Income taxes				
Change in deferred tax liability		19		64
LOSS FOR THE PERIOD		-10 310		-10 035

BENEFON OYJ

CONSOLIDATED BALANCE SHEET

		31.12.2002		31.12.2001
ASSETS		EUR 1000		EUR 1000
NON-CURRENT ASSETS				
Intangible assets				
Development expenses	5 793		2 751	
Intangible rights	104		245	
Other capitalized expenses	148	6 045	259	3 255
Tangible assets				
Machinery and equipment		940		2 211
Investments				
Other receivables	193		189	
Investments in other shares	23	216	23	212
CURRENT ASSETS				
Inventories				
Raw materials and consumables	12 935		18 374	
Finished products	388		736	
Prepaid expenses	404	13 727	10	19 120
Non-current receivables				
Loans receivables			8	
Other receivables		0	88	96
Current receivables				
Trade receivables	2 668		5 393	
Other receivables	314		448	
Prepaid expenses and accrued income	181	3 163	540	6 381
Cash in hand and at banks		178		1 200
		24 269		32 475
SHAREHOLDERS´ EQUITY AND LIABILITIES				
SHAREHOLDERS´EQUITY				
Subscribed capital	3 283		1 889	
Share premium account	22 240		13 274	
Profit from previous financial years	-11 463		-1 553	
Loss for the period	-10 310	3 750	-10 035	3 575
MINORITY INTERESTS		0		24
PROVISIONS				
Obligatory provisions		100		350
LIABILITIES				
Non-current				
Loans from credit institutions	5 371		1 850	
Other long-term liabilities	3		3	
Deferred tax liabilities	41	5 415	60	1 913
Current				
Loans from credit institutions	2 617		11 706	
Advances received	324		1 802	
Amounts owed to Group company	0		15	
Trade payables	7 048		9 638	
Other current liabilities	2 016		348	
Accured liabilities and deferred income	2 999	15 004	3 104	26 613
		24 269		32 475

BENEFON OYJ

PARENT COMPANY INCOME STATEMENT

		1.1.-31.12.2002		1.1.-31.12.2001
		EUR 1000		EUR 1000
NET TURNOVER		14 718		47 295
Increase (+)/decrease (-) in inventories				
of finished products		-348		122
Production for own use		0		1
Other operating income		5 643		1 627
Materials and services				
Materials, supplies and products				
Purchases during the financial period	7 179		26 366	
Increase (-)/decrease (+) in inventories	5 445	-12 624	8 870	-35 236
External services		-286		-237
Personnel expenses		-9 022		-12 225
Depreciation and value adjustments				
Depreciation according to plan		-1 159		-1 551
Other operating expenses		-4 931		-10 167
OPERATING LOSS		-8 009		-10 371
Financial income and expenses		-2 270		-2 089
LOSS BEFORE EXTRAORDINARY ITEMS		-10 279		-12 460
Extraordinary items				
Extraordinary income		0		4 435
LOSS BEFORE APPROPRIATIONS AND TAXES		-10 279		-8 025
Appropriations				
Change in accelerated depreciation		67		219
LOSS FOR THE PERIOD		-10 212		-7 806

BENEFON OYJ

PARENT COMPANY BALANCE SHEET

ASSETS		31.12.2002 EUR 1000		31.12.2001 EUR 1000
NON-CURRENT ASSETS				
Intangible assets				
Development expenses	5 793		2 751	
Intangible rights	104		245	
Other capitalized expenses	148	6 045	259	3 255
Tangible assets				
Machinery and equipment		940		2 211
Investments				
Investments in subsidiaries	38		129	
Other receivables	193		189	
Investments in other shares	23	254	23	341
CURRENT ASSETS				
Inventories				
Raw materials and consumables	12 923		18 368	
Finished products	388		736	
Prepaid expenses	404	13 715	10	19 114
Non-current receivables				
Loans receivables	0		8	
Prepaid expenses and accrued income	0	0	88	96
Current receivables				
Trade receivables	2 649		5 343	
Receivables from Group Company	19		50	
Other receivables	265		380	
Prepaid expenses and accrued income	181	3 114	532	6 305
Cash in hand and at banks		153		1 125
		24 221		32 447
SHAREHOLDERS´ EQUITY AND LIABILITIES				
SHAREHOLDERS´EQUITY				
Subscribed capital	3 283		1 889	
Share premium account	22 240		13 274	
Profit from previous financial years	-11 515		-3 708	
Loss for the period	-10 212	3 796	-7 806	3 649
APPROPRIATIONS				
Accelerated depreciation		141		208
PROVISIONS				
Obligatory provisions		100		350
LIABILITIES				
Non-current				
Loans from credit institutions	5 371		1 850	
Other long-term liabilities	3	5 374	3	1 853
Current				
Loans from credit institutions	2 617		11 706	
Advances received	324		1 802	
Trade payables	6 980		9 560	
Amounts owed to Group Company	0		15	
Other current liabilities	1 949		255	
Accured liabilities and deferred income	2 940	14 810	3 049	26 387
		24 221		32 447

BENEFON OYJ

PARENT COMPANY CASH FLOW STATEMENT

	EUR 1000 1.1.-31.12.2002	EUR 1000 1.1.-31.12.2001
CASH FLOW FROM OPERATIONS		
Loss before extraordinary items	-10 279	-12 460
Adjustments		
Depreciation according to plan	1 160	1 551
Unrealized exchange differences	188	-203
Financial income an expenses	2 270	1 468
Other adjustment	51	-1 025
Cash flow before change in working capital	-6 610	-10 669
Change in working capital		
Non-interest bearing current receivables, increase (-)/decrease (+)	2 891	6 463
Inventories, increase (-)/decrease (+)	5 399	8 737
Non-interest bearing current liabilities, increase (+)/deacreace (-)	-2 062	-3 461
Cash flow from operation before financial items and taxes	-382	1 070
Interest paid for other financial expenses from operations	-2 851	-1 238
Dividend received from operations	3	165
Interest and other financial income received from operations	15	187
Cash flow from operations	**-3 215**	**184**
CASH FLOW FROM INVESTMENTS		
Investments in intangible and tangible assets	-5 804	-3 024
Proceeds from sale of intangible and tangible assets	3 165	1 134
Investments in other investments	-5	-189
Proceeds from sale of associated company	0	4 493
Cash flow from investments	**-2 644**	**2 414**
CASH FLOW FROM FINANCING		
Share issue	10 359	1 794
Withdrawal of current loans	0	5 047
Payment of current loans	-11 707	-10 160
Withdrawal of non-current loans	9 138	139
Payment of non-current loans	-3 000	-2
Non-current receivables, increase (-)/deacreace (+)	97	270
Cash flow from financing	**4 887**	**-2 912**
Change in liquid funds, increase (+)/decrease (-)	**-972**	**-314**
Liquid funds at Jan. 1	1 125	1 439
Liquid funds at Dec. 31	**153**	**1 125**

The consolidated cash flow statement has not been made, because it does not deviate essential from the parent company.

NOTES TO THE FINANCIAL STATEMENTS

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 saparate item.

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:
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.

Development costs:
The development costs for certain projects are capitalized if the project plays a central role in the profit outlook and it at the same time represents a significants expenditure load.
The other development costs are expensed in the financial period during which they are incurred.

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

Deferred taxes:
Deferred taxes have not been accounted for in the financial statements.

NOTES TO INCOME STATEMENT

1. NET SALES BY MARKET AREA / EUR 1000

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Finland	1 169	2 023	1 169	2 023
Other European countries	11 697	41 551	11 678	41 536
Other countries	1 871	3 736	1 871	3 736
Total	14 737	47 310	14 718	47 295

2. OTHER OPERATING INCOME/ EUR 1000

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Sale of intellectual property rights and part of R&D department	5 504		5 504	
Sales of tangible assets	89	1 025	89	1 025
Development subsidy	50	346	50	346
Non-recurring engineering compensation		256		256
Total	5 643	1 627	5 643	1 627

3. PERSONNEL EXPENSES AND AVERAGE PERSONNEL

PERSONNEL EXPENSES / EUR 1000

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Salaries and wages	7 497	10 077	7 389	9 909
Pension expenses	1 142	1 443	1 131	1 424
Other personnel expenses	537	943	502	892
Total	9 176	12 463	9 022	12 225

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	
	2002	2001	2002	2001
The President and other members of the Board	207	216	129	129

AVERAGE PERSONNEL

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Production	147	222	145	220
Other	104	144	104	144
Total	251	366	249	364

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	
	2002	2001	2002	2001
Depreciations according to plan				
Development expenses	0	0	0	0
Intangible assets	124	178	124	178
Other long-term expenses	110	111	110	111
Machinery and equipment	926	1 262	925	1 262
Total	1 160	1 551	1 159	1 551
Change in accelerated depreciation				
Machinery and equipment				-151
Other long-term expenses			-67	-68
Total			-67	-219
Accumulated accelerated depreciation				
Machinery and equipment				
Other long-term expenses			141	208
Total			141	208

5.FINANCIAL INCOME AND EXPENSES / EUR 1000

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Dividend income				
From associated companies				163
From others	3	2	3	2
Total dividend income	3	2	3	165
Interest income	8	45	8	44
Exchange rate gains	7	139	7	139
Total financial income	18	186	18	348
Reduction in value of investments held as non-current assets			-91	
Interest expenses				
To Group company		-1		-1
To others	-1 554	-1 981	-1 554	-1 981
Total interest expenses	-1 554	-1 982	-1 554	-1 982
Exchange rate losses	-81	-313	-81	-313
Total other financial expenses	-562	-142	-562	-142
Total financial expenses	-2 197	-2 437	-2 197	-2 437
Financial income and expenses total	-2 179	-2 251	-2 270	-2 089

6. CHANGES IN FIXED ASSETS / EUR 1000

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Development expenses				
Cost 1.1.	2 751	3 067	2 751	3 067
Increase	5 710	2 751	5 710	2 751
Decrease	-2 668	-3 067	-2 668	-3 067
Cost 31.12.	5 793	2 751	5 793	2 751
Accumulated depreciation 1.1.		-3 067		-3 067
Accumulated depreciation of decrease		3 067		3 067
Depreciation for the period				
Accumulated depreciation 31.12.				
Net book value 31.12.	5 793	2 751	5 793	2 751
Intangible assets				
Cost 1.1.	891	932	891	932
Increase	13	53	13	53
Decrease	-318	-94	-318	-94
Cost 31.12.	586	891	586	891
Accumulated depreciation 1.1.	-646	-562	-646	-562
Accumulated depreciation of decrease	288	94	288	94
Depreciation for the period	-125	-178	-125	-178
Accumulated depreciation 31.12.	-483	-646	-483	-646
Net book value 31.12.	104	245	104	245
Other long-term expenditure				
Cost 1.1.	1 105	1 108	1 105	1 108
Increase				
Decrease		-3		-3
Cost 31.12.	1 105	1 105	1 105	1 105
Accumulated depreciation 1.1.	-846	-739	-846	-739
Accumulated depreciation of decrease		3		3
Depreciation for the period	-111	-110	-111	-110
Accumulated depreciation 31.12.	-957	-846	-957	-846
Net book value 31.12.	148	259	148	259
Machinery and equipment				
Cost 1.1.	6 635	10 124	6 635	10 124
Increase	81	221	81	221
Decrease	-2 370	-3 710	-2 370	-3 710
Cost 31.12.	4 346	6 635	4 346	6 635
Accumulated depreciation 1.1.	-4 424	-6 763	-4 424	-6 763
Accumulated depreciation of decrease	1 942	3 601	1 942	3 601
Depreciation for the period	-925	-1 262	-925	-1 262
Accumulated depreciation 31.12.	-3 406	-4 424	-3 406	-4 424
Net book value 31.12.	940	2 211	940	2 211
Share of machinery and equipment of net book value 31.12.	888	2 088	888	2 088

7. SHARES IN SUBSIDIARIES

Subsidiaries:	Share capital EUR 1000	Group holding %	Parent company holding %	Book value EUR 1000
Benefon S.A.	38	100	100	38

8. CURRENT PREPAID EXPENSES AND ACCRUED INCOME / EUR 1000

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Leasing expenses	90	230	90	230
Development subsidy		110		110
Other prepaid expenses and accrued income	91	200	91	192
Total	181	540	181	532

9. SHAREHOLDERS´ EQUITY / EUR 1000

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Subscribed capital 1.1	1889	1809	1889	1809
Share issue 10.5.2001		80		80
Share issue 15.4.2002	1359		1359	
Share issue 23.7.2002	35		35	
Subscribed capital 31.12.	3283	1889	3283	1889
Share premium account 1.1.	13274	11561	13274	11561
Share premium 10.5.2001		1713		1713
Share premium 15.4.2002	8739		8739	
Share premium 23.7.2002	227		227	
Share premium account 31.12.	22240	13274	22240	13274
Profit from previous financial years	-11463	-1553	-11515	-3708
Loss for the period	-10310	-10035	-10212	-7806
Shareholders´ equity total	3750	3575	3796	3649

	GROUP		PARENT COMPANY	
Distributable funds / EUR 1000	2002	2001	2002	2001
Profit from previous financial years	-11 463	-1 553	-11 515	-3 708
Loss for the period	-10 310	-10 035	-10 212	-7 806
Capitalized development expenses	-5 793	-2 752	-5 793	-2 752
Share of accumulated depreciation difference recorded in shareholders´ equity	-100	-148		
Total	-27 666	-14 488	-27 520	-14 266

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	51,9 %
Investments share (S shares)	9 259 684	3 115	48,1 %
Yhteensä	9 759 684	3 283	100,0 %

10. PROVISIONS / EUR 1000

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Warranty	100	350	100	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 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. The subscription price of the stock is EUR 5,00. The share subscription period for the first half of the stock options began on 1.4.1999, and for the second half 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.

The Annual General Meeting decided to issue a miximum 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. The subscription period for the options was 7.5.2001-29.6.2001. The subscription price for each share is for A-, B-, C-, and D-options EUR 5,00. The share subscription period began 1.6.2002 for A-options, and will begin 1.6.2003 for B-options, 1.6.2004 for C-options and 1.6.2005 for D-options.
The subscription period for all optios will end 1.6.2006.

Based on all the above-mentioned options, the proportion of shares to be subscribed for is 5.3 % of the company´s registered shares and 2.8 % of the votes produced by those shares.

12. ACCRUED LIABILITIES AND DEFERRED INCOME / EUR 1000

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Accrued personnel expenses	1 591	1 641	1 524	1 586
Royalties	904	230	904	230
Marketing support accrued	247	319	247	319
Accrued interest	84	738	84	738
Other accrued liabilities and deferred income	173	176	181	176
Total	2 999	3 104	2 940	3 049

13. PLEDGED ASSETS AND CONTINGENCIES / EUR 1000

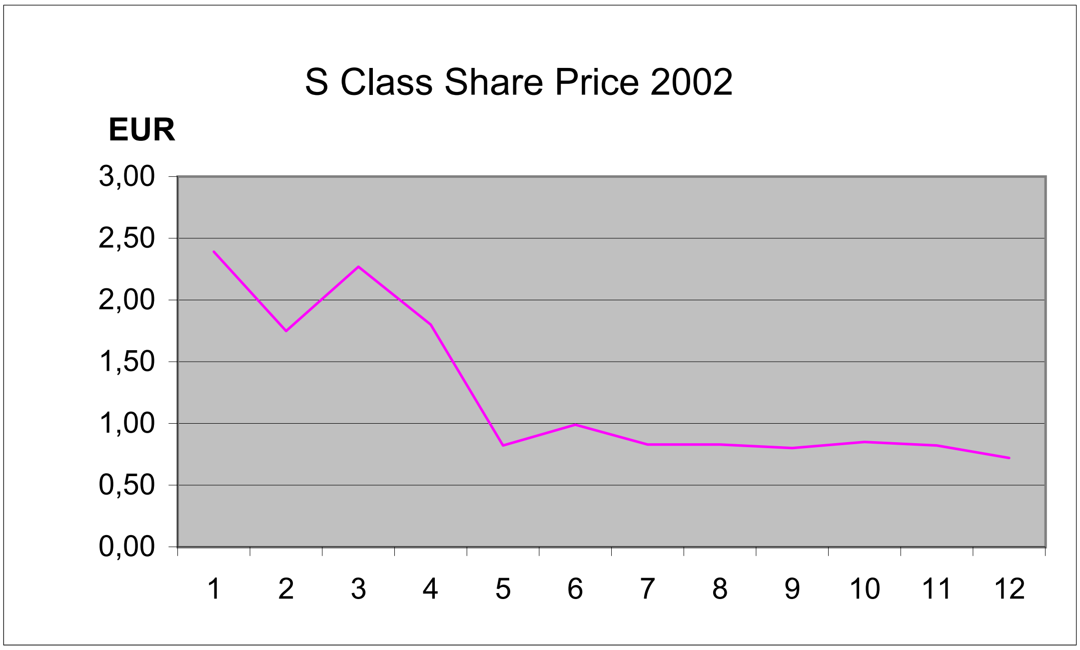
	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Pledges and mortgages given on own behalf:				
Liabilities secured by chattel mortgage				
Loans from credit institutions	6 138	11 706	6 138	11 706
Chattel mortgage nominal value	12 068	12 068	12 068	12 068
Pledged deposits	178	173	178	173
Commitments:				
Other commitments	1 377	1 192	1 377	1 192
Leasing commitments				
Due next year	360	832	341	824
Due later		360		341
Total	360	1 192	341	1 165

KEY FIGURES/ EUR 1000

	2002	2001	2000	1999	1998
Net sales	14 737	47 310	59 416	39 190	39 714
Export % of net sales	92,1	95,7	92,4	89,1	94,0
Operating profit / loss	-8 059	-10 593	-10 119	-11 929	-7 795
% of net sales	-54,7	-22,4	-17,0	-30,4	-19,6
Profit / loss before extraordinary items	-10 329	-12 729	-11 281	-12 232	-7 417
% of net sales	-70,1	-26,9	-19,0	-31,2	-18,7
Profit / loss before taxes	-10 329	-10 099	-11 281	-12 232	-7 417
% of net sales	-70,1	-21,3	-19,0	-31,2	-18,7
Return on equity,%	-281,1	-165,1	-92,8	-66,8	-24,6
Return on investment, %	-55,4	-43,0	-39,1	-58,1	-24,7
Equity ratio, %	15,7	11,7	26,6	49,1	83,8
Gearing ratio, %	208,7	343,7	144,7	-14,8	-48,2
Current ratio	1,1	1,0	1,2	1,7	5,3
Gross investments in fixed assets	5 804	3 025	1 279	1 507	1 147
% of net sales	39,4	6,4	2,2	3,8	2,9
R&D expenses	7 740	8 052	13 283	8 419	6 929
% of net sales	52,5	17,0	22,4	21,5	17,4
Non-interest bearing liabilities	12 416	14 955	17 701	9 973	3 966
Average number of personnel	251	366	377	296	286

KEY FIGURES PER SHARE

	2002	2001	2000	1999	1998
Earnings / share, EUR	-1,21	-2,30	-2,33	-2,63	-1,54
Equity / share, EUR	0,38	0,64	2,20	2,64	5,23
Dividend / share, EUR	0,00	0,00	0,00	0,00	
Dividend / earnings, %	0,0	0,0	0,0	0,0	
Effective dividend yield, %					
P/E ratio	neg.	neg.	neg.	neg.	neg.
Share price 31.12., EUR	0,72	2,46	8,15	12,70	4,76
Lowest price, EUR	0,64	1,80	7,90	3,86	4,04
Highest price, EUR	4,20	9,45	22,15	13,70	12,28
Average price, EUR	1,77	4,30	13,96	7,45	7,93
Market capitalization of the Company 31.12.,MEUR	7,0	13,8	43,8	59,1	22,2
Supposing that the market price of the K share is the same as that of the S share					
Trading of shares, S share	4 684 375	2 319 006	4 679 664	3 726 836	3 167 819
%	50,6	45,3	96,0	89,7	76,3
Average of adjusted number of shares during the year	8 547 334	5 531 025	4 823 874	4 653 370	4 653 370
Number of shares, S share	9 259 684	5 116 220	4 877 020	4 153 370	4 153 370
Number of shares, K share	500 000	500 000	500 000	500 000	500 000
Total	9 759 684	5 616 220	5 377 020	4 653 370	4 653 370



SHAREHOLDERS

BREAKDOWN BY TYPE OF OWNER

Share register 31.12.2002

	shares, %	votes, %
Financial institutions	30,3	15,4
Companies	32,2	61,2
Private individuals	36,0	22,7
Non-profit organizations	1,0	0,5
Others	0,5	0,2
Total	100,0	100,0

DISTRIBUTION OF SHAREHOLDING

Share register 31.12.2002

Number of shares hold	Number of shareholders	% of shareholders	Number of shares	% of share stock
1- 100	1 571	33,2	124 326	1,3
101- 1 000	2 485	52,6	1 064 368	10,9
1001- 10 000	593	12,5	1 718 005	17,6
10001-	78	1,7	6 852 835	70,2
	4 727	100,0	9 759 534	100,0
On joint book-entry accounts			150	
Total			9 759 684	100,0

BIGGEST SHAREHOLDERS

Share register 31.12.2002

	shares, %	votes, %
Finnvera Oyj	12,3	6,2
Halyard Oy	5,4	41,7
EBV Elektronik	5,1	2,6
Finnfoam Eristeet Oy	3,7	7,8
Langaton Kiinteistö Oy	2,4	1,2
Sijoitusrahasto Phoenix	1,4	0,7
Innovative Ideas Oy	1,4	0,7
Head-Invest Oy	1,3	0,6
Hansaprint Oy	1,2	0,6
Stuntman Postimyynti Oy	1,0	0,5
Nieminen Jorma U.	0,6	3,3
Nurminen Jouko	0,2	1,6
Administrative registered shares	16,5	8,4
Others	47,5	24,1
Total	100,0	100,0

The Board of Directors and the President own and administer in total 603 300 shares which correspond to 6,2% of all shares and 45,1% of all votes.

CALCULATION OF KEY RATIOS

Return on equity (ROE), %

$$= 100 \times \frac{\text{Profit before extraordinary items - income taxes}}{\text{Shareholders´ equity+ minority interest (average)}}$$

Return on investment (ROI), %

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

Equity ratio, %

$$= 100 \times \frac{\text{Shareholders´ equity+ minority interest}}{\text{Total assets - advances received}}$$

Gearing ratio, %

$$= 100 \times \frac{\text{Interest bearing liabilities - cash and cash equivalents}}{\text{Shareholders´ equity+ minority interest}}$$

Current ratio

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

Earnings / share, EUR

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

Equity / share, EUR

$$= \frac{\text{Shareholders´ equity}}{\text{Number of shares}}$$

Dividend / share, EUR

$$= \frac{\text{Dividend}}{\text{Number of shares}}$$

Effective dividend yield-%

$$= 100 \times \frac{\text{Dividend / share}}{\text{Share price 31.12.}}$$

P/E -ratio

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

Proposal of the Board of Directors to the Annual General Meeting

The Group´s distributable funds total EUR -27.666.000. The parent company distribuable funds total EUR -27.519.780,82 and the loss for the financial year amounted to EUR 10.211.681,55.

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 24, 2003

Jorma U. Nieminen	Jukka Nieminen
Lauri Linnilä	Jorma Tiirakari

FIVE YEAR COMPARISON 1998-2002

INCOME STATEMENT (EUR 1000)	2 002	2 001	2 000	1 999	1 998
Net sales	14 737	47 310	59 416	39 190	39 714
Cost of operations	- 21 636	- 56 352	- 67 027	- 47 982	- 44 020
Depreciation according to plan	- 1 160	- 1 551	- 2 509	- 3 137	- 3 489
Operating profit/loss	- 8 059	- 10 593	- 10 119	- 11 929	- 7 795
Share of result of associated company		115	444		
Financial income and expenses	- 2 270	- 2 251	- 1 606	- 303	378
Profit/loss before extraordinary items	- 10 329	- 12 729	- 11 281	- 12 232	- 7 417
Extraordinary items		2 630			
Profit/loss before taxes	- 10 329	- 10 099	- 11 281	- 12 232	- 7 417
Income taxes	19	64	202	229	261
Profit/loss for the period	- 10 310	- 10 035	- 11 079	- 12 003	- 7 156

BALANCE SHEET (EUR 1000)

ASSETS					
Non-current assets	7 201	5 678	6 132	5 542	7 172
Current assets					
Inventories	13 727	19 120	27 851	7 949	7 491
Receivables and prepaid expenses	3 163	6 477	12 732	7 294	2 451
Cash and cash equivalents	178	1 200	1 439	4 510	12 133
	24 269	32 475	48 154	25 295	29 247

SHAREHOLDERS´ EQUITY AND LIABILITIES					
Shareholders´ equity					
Subscribed capital	3 283	1 889	1 809	1 565	1 565
Share premium account	22 240	13 274	11 561	2 759	2 759
Unrestricted equity	- 21 773	- 11 588	- 1 584	7 980	19 984
Minority shareholders´ interests		24			
Provisions	100	350			
Current and non-current liabilities					
Non-current interest-bearing liabilities	5 371	1 850	1 710	993	191
Non-current non-interest-bearing liabilities	44	63	127	326	555
Current interest-bearing liabilities	2 632	11 721	16 834	1 699	227
Current non-interest-bearing liabilities	12 372	14 892	17 697	9 973	3 966
	24 269	32 475	48 154	25 295	29 247

FIVE YEAR COMPARISON 1998-2002

INCOME STATEMENT (EUR 1000)	2002	2001	2000	1999	1998
Net sales	14 737	47 310	59 416	39 190	39 714
Cost of operations	- 21 636	- 56 352	- 67 027	- 47 982	- 44 020
Depreciation according to plan	- 1 160	- 1 551	- 2 509	- 3 137	- 3 489
Operating profit/loss	- 8 059	- 10 593	- 10 119	- 11 929	- 7 795
Share of result of associated company		115	444		
Financial income and expenses	- 2 270	- 2 251	- 1 606	- 303	378
Profit/loss before extraordinary items	- 10 329	- 12 729	- 11 281	- 12 232	- 7 417
Extraordinary items	-	2 630			
Profit/loss before taxes	- 10 329	- 10 099	- 11 281	- 12 232	- 7 417
Income taxes	19	64	202	229	261
Profit/loss for the period	- 10 310	- 10 035	- 11 079	- 12 003	- 7 156

BALANCE SHEET (EUR 1000)

ASSETS					
Non-current assets	7 201	5 678	6 132	5 542	7 172
Current assets					
Inventories	13 727	19 120	27 851	7 949	7 491
Receivables and prepaid expenses	3 163	6 477	12 732	7 294	2 451
Cash and cash equivalents	178	1 200	1 439	4 510	12 133
	24 269	32 475	48 154	25 295	29 247

SHAREHOLDERS´ EQUITY AND LIABILITIES					
Shareholders´ equity					
Subscribed capital	3 283	1 889	1 809	1 565	1 565
Share premium account	22 240	13 274	11 561	2 759	2 759
Unrestricted equity	- 21 773	- 11 588	- 1 584	7 980	19 984
Minority shareholders´ interests		24			
Provisions	100	350			
Current and non-current liabilities					
Non-current interest-bearing liabilities	5 371	1 850	1 710	993	191
Non-current non-interest-bearing liabilitie	44	63	127	326	555
Current interest-bearing liabilities	2 632	11 721	16 834	1 699	227
Current non-interest-bearing liabilities	12 372	14 892	17 697	9 973	3 966
	24 269	32 475	48 154	25 295	29 247

Translation from the Finnish original

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 01.01.2002 – 31.12.2002. 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 rule of the Companies Act.

The financial statements as at 31.12.2002 as well as the interim financial statements that have been issued during the financial year 2002 have been prepared on the going concern principle. The going concern principle has been of pivotal significance in determining especially the book keeping value of capitalized R&D expenditure as well as inventories. We consider that as the resolution of the financing negotiations has been delayed the solvency and general financing situation of the company do not any more by the time of signing of the financial statements enable preparation of the financial statements on the going concern principle.

As this principle can no more be applied the assets should be booked at their liquidation value in the financial statements and all capitalized R&D expenditure should be charged to income. As a consequence of this, the shareholders´ equity will not meet the requirements of the Companies Act and the stipulations in chapter 13 of the said act concerning liquidation proceedings should be applied.

Due to reasons disclosed above we state that in our opinion the financial statements have not been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements do not give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's financial position.
The financial statements with the consolidated financial statements cannot be adopted.

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 handling of the loss is, giving notice to the issues expressed above, in compliance with the Companies Act.

Helsinki April 24, 2003

Ernst & Young Oy
Authorized Public Accounting Firm

Tapio Ali-Tolppa	Veikko Soinio
Authorised Public Accountant	Authorised Public Accountant