

GENERAL FROM PERIOD 10-12/2004

The sales of the company in quarter 10-12/2004 grew 5% from sales in the previous quarter. The cost of operations increased 18% from prior quarter 7-9/2004 due to re-organization and share issue related costs, increased R&D and lower personnel costs in the reference period with summer vacations.

The combined proceeds of about 1.5 Meuros from the rights issue and the investor issue, part of the re-organization and realized in October-November 2004, improved significantly the financing and equity situation of the Company. The listing prospectus for the rights issue, approved by Rahoitustarkastus, was published in 24.9.2004 and supplemented in 12.10.2004 and 4.11.2004.

The focus of the R&D-activity was on current product improvements and on preparations for the new product development program publicized in November.

GENERAL FROM PERIOD 1-9/2004

The re-organization procedure, crucial in regard of the continuity of the Company, commenced on 26.6.2003. A proposal for a re-organization program was submitted to Turku District Court on 10.9.2003. A new proposal, based on the terms of the received investment offer, was submitted on 19.12.2003. This was still modified for some details in the year 2004.

The extraordinary general meeting of 26.2.2004 approved the substantial arrangements connected with the re-organization, changing significantly the share holding structure of the Company to the effect that Octagon Solutions Ltd. became the leading shareholder and the K-share series was removed by converting all K-shares into S-shares listed at Helsinki Stock Exchanges. The said arrangements approved by the general meeting are detailed in the market bulletin issued on 26.2.2004 and available e.g. on the company web site www.benefon.com

Turku District Court confirmed the final re-organization program on 19.3.2004. With the same, all the resolutions of the Company conditioned to a received re-organization program came in force. Such resolutions were e.g. the final financial statements of FY 2002 and 2003, interim financial statements of FY 2003 and the resolutions of the said extraordinary general meeting of 26.2.2004.

The company has not been entitled to disclose the contents of the program proposal but its principal contents are disclosed in the listing prospectus publicized on 9.2.2004, including information about the core of the re-organization program, the investment agreement, the minimum amount of the agreed investment, the balance sheet structure of the Company before and after the arrangement and the shareholdings in the Company after the Arrangement.

Due to the large debt cutting, a central element of the re-organization program, and to the capital investment, the balance sheet of the company changed essentially from the prior balance sheet in the re-organization program confirmed on 19.3.2004.

BUSINESS ENVIRONMENT

The business environment stayed challenging, especially due to the strong appreciation of the euro during the period, which has decreased the competitiveness of the enterprises within the euro area in comparison with outside companies.

DEVELOPMENT OF THE BUSINESS

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

Mobile telematics sales are directed to about 20 countries and the sales efforts were focused especially on customers in Europe and in USA, with new customers gained in the period. 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 for vehicular and machine communications (M2M) applications and asset tracking. The objective is to continue to develop novel terminal and software products and product versions in the most central markets for increased sales opportunities. Connected with this, the Company reported in November about the planned new product program and in December about retaining the New York investment bank Punk, Ziegel to explore the financing options for realizing the program.

Also the acquisition of Ismap S.A., initiated in the beginning of 2003, was finalized towards the end of the year.

FINANCIAL PERFORMANCE IN THE PERIOD

The net sales in the quarter 10-12/2004 were 1880 teuros, when in the prior quarter 7-9/2004 they were 1790 teuros. Net sales in whole year 1-12/2004 were 7034 teuros. The net sales in the same quarter 10-12/2003 of the previous year were 1663 teuros and in the whole year 1-12/2003 they were 6737 teuros.

The operating result before one-off items in quarter 10-12/2004 was -831 teuros, which was 241 teuros worse than the operating result before one-off items of -590 teuros in the prior quarter 7-9/2004, and 84 teuros better than the operating result before one-off items of -915 teuros in same quarter 10-12/2003 a year before. The operating result before one-off items in whole year 1-12/2004 was 3032 teuros, which was 2028 teuros better than the corresponding operating result -5060 in whole year 1-12/2003.

In quarter 7-9/2004 the Company had booked one-off items from write-offs of inventories and receivables amounting to 1000 teuros. In the final quarter there were no such items.

The actual operating result after one-off items in the final quarter 10-12/2004 was -831 teuros, whereas in the prior quarter 7-9/2004 it was -1688 teuros and -4130 teuros in whole year 1-12/2004. In the same quarter 10-12/2003 of the previous year the actual operating result was -6700 teuros and in whole year 1-12/2003 it was -20206 teuros.

In the first quarter 1-3/2004 the Company had extraordinary income of a total of 12459 teuros from reorganization costs (including cutting and in the final quarter 10-12/2004 a total of 442 teuros of items caused by changes in the group structure (including the sales company in France)). The financing expenses in the final quarter of 2004 were 17 teuros and financing income in the whole year was 10 teuros. With these items included, the net result of the Company in quarter 10-12/2004 was 11628 teuros.

when in the prior quarter 7-9/2004 it was -1700 teuros and in the same quarter 10-12/2003 a year before it was -1700 teuros. The net result of the Company in whole year 1-12/2004 was 8822 teuros when in the prior year 1-12/2003 it was 8822 teuros.

The total of the balance sheet at end of quarter 10-12/2004 was 4876 teuros with no capitalized R&D expenditure. The balance sheet total at end of prior quarter 7-9/2004 was 4926 teuros. At the end of same quarter 10-12/2003 a year before it was 6154 teuros. The amount of Shareholders' equity, including the capital loans at end of quarter 10-12/2004 was 1461 euros or about 30%, when at the end of quarter 7-9/2004 it was 337 teuros or about 7%. This equity came from the proceeds of the rights issue and the investor issue arranged in October-November. The interest on debt at end of quarter 10-12/2004 was 1123 teuros. The total of liabilities at end of quarter 10-12/2004 was 3415 teuros, of which non-current liabilities were 1285 teuros and current liabilities 2085 teuros. At end of prior quarter 7-9/2004 the total of liabilities was 4547 teuros and at end of same quarter 10-12/2003 a year before it was 18267 teuros. Cash and equivalents at the banks at quarter end totalled 1373 teuros, of which 285 teuros is pledged.

REPORT ON SUFFICIENT LIQUIDITY IN PERIOD 01/2005 - 03/2006

The below account on sufficient cashflow is based on the latest business plan. The account includes the re-organization debt according to the re-org program.

Cashflow account of period 01/2004-03/2005 (teuros)

Operating result before extraordinary items (presuming the said new product program)	-1031
Depreciations	213
Reduction of current receivables	-419
Reduction of inventories	1638
Change of non-interest bearing debt	-109
Payment of re-organization debt in 2005	-670
Paid interests	-73
Investments	-159
Financing package for the new product program	1000
Change of loans	0
Change of cash	390

Should the actual sales or other development differ from current estimates, it may significantly affect the company's cashflow account.

INVESTMENTS

The investments in the quarter 10-12/2004 were 58 teuros.

PERSONNEL

The average number of actively employed personnel in the quarter 10-12/2004 was 86, most of whom were temporary.

alternate forced leaves. In the prior quarter 7-9/2004 this number was 90 and in the same quarter 10-12/2003 it was 130.

SPECIAL MEASURES FOR IMPROVING THE FINANCES

The finances of the Company were strengthened in the final quarter with the share issues offered to the share investors of which the Company received additional equity and financing of almost 1.5 million euros. Tight c continued. Together, the earlier described re-organization solution in the first quarter with the included debt o investment and the said share issue have essentially strengthened the financial position of the Company.

FUTURE OUTLOOK

The most important uncertainty in the future outlook is actualization of sales forecasts. However, the compar contractual commitments from its customers to deliver at least half of its forecasted sales volume which is a s improvement in committed deliveries to customer as compared to the same period a year ago. Overall, the cu has increased recently and the number of received quotation requests has been increasing but the evolution o parity may affect the outlook.

SHARE AND CONVERTIBLE BOND LOAN ISSUES IN YEAR 2004

The following share issues and equity loans connected with the re-organization solution were decided by the meeting of 26.2.2004. These issues are detailed in released bulletins of the Company dated 26.1.2004, 26.2.2 27.2.2004.

Combined share issue directed to the holders of K-shares

The Shareholders' Meeting decided upon Board proposal to increase the share capital in a directed share issu from the shareholders' first right. The share capital of the company was increased by a maximum of 45,000 e to the four holders of K-shares for subscription a maximum of 4,500,000 new S-shares of the company with value of 0.01 euros. The share issue took place as a combined issue, where K-share holders were given right shares of the company. The subscription rights were determined so that each K-share gave right to subscribe

Using the subscription right was on the condition that the subscriber committed to transform his held K-share according to the transformation clause added to the Bylaws. Subscription price per share was same for all sub euros. The subscriber paid for a share 0.0001 euros and the balance, 0.0099 euros per share, was transferred f premium account of the company into share capital. The corresponding share capital increase was registered and the K-share conversion on 6.4.2004.

Increase of share capital in a new share issue directed primarily to the creditors of the company and secondar shareholders of the company and, finally, by issuing option rights.

Creditor issue

The Shareholders' Meeting decided upon Board proposal to increase the share capital in directed share issue from shareholders' first right a maximum of 106.962,60 euros by offering to 39 creditors of the company for maximum of 10.696.260 new S-shares of the company with book parity value of 0,01 euros at a subscription of 0,0754994644 euros, providing that the district court of Turku confirms the re-organization program for the 30.4.2004, as latest.

The share issue was managed as a book building issue where the re-organization creditors of the Company w opportunity to make subscription commitments in period 2.2.-18.2.2004. The subscription period began on 2 ended on 30.4.2004. In the issue a total of 39 creditors subscribed for a total of 807,563.16 euros a total of 10 shares. The subscription price was paid in debt set-off. The corresponding share capital increase was register

Shareholder issue

The Shareholders' Meeting decided upon the Board proposal to increase the share capital of the company by secondary issue in 1.6.-30.6.2004 the shareholders of the company in proportion to their shareholdings for su maximum of 50,290,574 new S-shares of the company with book parity value of 0,01 euros at a subscription of 0,22649839 euros, providing that the district court of Turku confirms the re-organization program for the 30.4.2004, as latest. The subscription right was with a shareholder who on 16.2.2004 was registered as a share sharelist kept by Suomen Arvopaperikeskus Oy. The Board was authorized to decide the details of the manag secondary issue and the way of issuing the subscription rights. The Annual General Meeting of 28.5.2004 am of the shareholders' rights issue so that shareholders' subscription period of a minimum of two weeks ended o as latest, and shares left un-subscribed by the shareholders could by Board decision be offered to outside inve subscribed after the end of the subscription period reserved for the shareholders but otherwise on same terms subscribed by outside investors correspondingly decreased the amount of option rights reserved for the perso extraordinary general meeting of 30.9.2004 decided to amend the subscription price per share for the not mor 50,290,574 S-shares offered in the shareholder's rights issue to be the trading volume weighted average price of the company, traded on the I-list of Helsinki Exchanges, in period 22.9.2004-8.10.2004, discounted by 15 down to the nearest lower full eurocent, but not more than the previously decided 0.22649839 euros, howeve price was thus determined to be 0.14 euros. The General Meeting resolved further that the exercise price per options reserved for personnel from shares left unsubscribed in the rights issue, offered first to shareholders a then to outside investors, was to be same as the amended price per share in the shareholder's rights issue, as c section 1. above, but not more than the previously decided 0.22 cents per share, however, which price also la determined to be 0.14 euros. In the shareholders' Rights Issue of October with the subscription period of 15.- total of 626 entitled subscribers subscribed for a total of 6,175,597 shares at a total subscription price of 864, In the following investor issue with subscription period of 2.-10.11.2004, a total of 35 investors subscribed fo 4,516,989 shares at a total subscription price of 632,378.46 euros. These figures include the six late arrived s the rights issue for 184,356 shares at the total subscription price of 25,809.84 euros, about which the Board d resolve together with the subscriptions by investors. Therefore, in the rights issue and in the subsequent inve total of 661 subscribers subscribed for a total of 10,692,586 shares for a total subscription price of 1,496,962 corresponding increases of share capital were registered on 15.11.2004 and 29.11.2004.

Option rights

The Shareholders' Meeting decided upon the Board proposal to increase the share capital of the company in o the shareholders' first right by offering for subscription a maximum of 50,290,574 option rights to key perso Board and employed by Benefon Oyj or its subsidiaries and/or to key persons to be recruited to its employme

Each option right entitled to subscribe one S-share of the company at a subscription price per share of 0,22 euros. In accordance with the share subscriptions, the share capital of the company could be increased by a maximum of 502.905,74 euros. The option rights could be offered for subscription only up to the amount equal to the amount of shares left un-subscribed in the secondary issue directed to the shareholders. Therefore, the sum of the amount of shares subscribed in the secondary issue and the amount of issued option rights could be a maximum of 50.290.574. The subscription period of the option rights was from 5.7.-30.11.2004. The Board was authorised to decide the details of the offering of the option rights. In accordance with the decisions of general meetings of 28.5. and 30.9. described hereabove, the subscription price for share subscriptions was determined as 0.14 euros per share. As the combined total of shares subscribed in the Benefon shareholders' offerings in October 2004 and in the investor offering of November 2004 was 10,692,586, the total number of the option rights issued in accordance with the pertinent decisions by the said general meetings of Benefon is 39,597,988. The share subscription period by virtue of the Option Rights is from 1.12.2004 until 31.1.2008. The option rights are freely transferable but will not be listed for public trading. As there yet had been no possibility to establish a new option plan for Benefon during the subscription period for the option rights expired 30.11.2004, the Board of Benefon decided to offer the option rights subscribed by Octagon Capital Ltd., strictly for parking purposes only, under a contract denying Octagon Capital the right to subscribe any Benefon shares by virtue of the parked option rights and with the obligation to transfer option rights to Benefon key personnel, as eventually requested by the Board of Benefon, time to time.

New share issue and convertible equity bond loan issue on equity terms directed to Investors and Private Investors

Directed share issue

The Shareholders' Meeting decided upon the Board proposal to increase the share capital of the company in accordance with the shareholders' first right in a directed share issue by a maximum of 775,319.20 euros by offering for subscription to 8 Investors and 6 Private Investors a total maximum of 77,531,920 new S-shares of the company with a book price of 0.01 euros at a subscription price per share of 0.01 euros. The company has informed about the directed share issue in the market bulletins of 26.1.2004, 26.2.2004 and 27.2.2004. The subscription price of the issue was a maximum of 0.01 euros, of which the portion paid by the subscribers was a maximum of 519,559.26 euros corresponding to about 51,955,926 euros per share. The difference between the amount paid by the subscribers and the subscription price of 0.01 euros was covered by transferring the balance from the share premium account into share capital and, therefore, the issue was issued as a combined issue. The subscription period of the shares began on 26.2.2004 and ended on 30.4.2004, in which period all of the offered shares were subscribed. The corresponding share capital increase was registered on 5.4.2004.

Convertible equity bond loan issue

The Shareholders' Meeting decided upon the Board proposal to increase the share capital of the company by 1,130,440.74 euros by offering for subscription by 8 Investors and 6 Private Investors a convertible bond loan on equity terms with a capital of a maximum of 1,130,440.74 euros (Convertible Bond Loan 2004A). The Board amended the terms so that, in deviation from the terms of the Convertible Bond Loan 2004A annexed to the Board proposal, the interest rate on the loan is 4%. The bonds issued of the loan may be converted to a maximum of 113,044,074 new S-shares of the company. The conversion ratio corresponds to a subscription price per share of 0.01 euros. Of the loan will be issued transferred to the value of at least one (1) euro.

The company has informed about the convertible bond loan issue in the market bulletins of 26.1.2004, 26.2.2004 and 27.2.2004.

The subscription period of the Convertible equity bond loan 2004A began on 26.2.2004 and ended on 30.4.2004. During this period all of the loan was subscribed. The shareholders' meeting decided to authorize the Board to decide about all matters and measures related with the Loan or with the eventual share capital increases following conversion of the Loan. The convertible equity bond loan 2004A was registered on 5.4.2004. It was not listed in the electronic trading system.

Capital Loan

The Shareholders' Meeting decided upon the Board proposal to take a capital loan with the amount of a maximum of 350,000 euros from Octagon Solutions Ltd., Darkrose Investment Ltd., Henry Jonninen, Matti Kinnunen and Jukka-Pekka Lehto, so that the interest of the loan is 6 %. The Board was authorised to decide about the details of the loan. In addition, the Board decided in May 2004 to raise on similar terms a capital loan of 500,000 euros granted by Octagon Capital Ltd.

Option rights to key personnel

Shareholders' Meeting decided further upon the Board proposal to issue a maximum of 1,729,551 option rights to be offered free for subscription to key persons employed by Benefon Oyj or its subsidiaries. With the option rights issued a maximum of 1,729,551 S-shares of Benefon Oyj could have been subscribed. The subscription price for a share with a parity value of 0.01 euros was 0.22 euros for all option rights. The share subscription period with the option rights have begun on 1.12.2004 and ended on 31.1.2008. The subscription period of these option rights for key persons have begun on 5.7.2004 and ended on 30.11.2004 within which period these option rights were not subscribed and they have become void.

Ismap share swap

The Board of Benefon accepted on 20.12.2004 the share subscriptions by 6 shareholders of Ismap, made in accordance with the renewed share swap offer reported on 14.9.2004, and who owned a total of about 84.37% of all Ismap shares. The shareholders paid a total of 373,520 new Benefon S-shares subscribed by them with contribution in kind by transferring to Benefon the total of 6,250,276 Ismap shares owned by them. This directed share issue in deviation from the shareholders' subscription right was implemented by virtue of the authorisation the Board had received from the annual general meeting on May 28, 2004. The remaining Ismap shareholders have committed to transfer to Benefon all of the approximately 1,876,756 Ismap shares all Ismap stock owned by them against the agreed cash payment of 4,501.03 euros. Combined, the said share swap and the cash purchase of the remaining Ismap shares will provide Benefon with all of the Ismap stock.

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 authorise the Board of Directors, within the time limit of one year from the meeting granting the authorization, to decide on the issue of share capital by rights issue, issue of options or convertible bonds in one or more instalments so that in the event of convertible bonds or options or in the rights issue a total maximum of 23,332,804 new investment shares with a nominal 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 preemptive 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 subscriptions, and conditions of the subscription and the terms and conditions of the convertible bonds and options. The authorization 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.

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 is authorized to decide that the shares can be subscribed for in kind, using the right of set-off or on other specified conditions.

This authorisation was used in the directed share issue for a maximum of 400,000 Benefon shares to shareholders of Benefon S.A. in connection with the Ismap share swap, which finally was realized for the amount of 373,520 shares. The remaining authorisation with the Board is for 22,959,284 shares corresponding to a share capital increase of 22,959,284 euros.

ADOPTING IFRS REPORTING

The Company intends to adopt the IFRS reporting standard in connection with the financial statements of FY 2005. Interim reports in 2005 will be prepared according to the current Finnish regulations. Preparations for IFRS standards are going on. No precise estimates for effects from the adoption of IFRS standards can yet be offered but it cannot be expected to essentially affect the balance sheet structure.

BENEFON OYJ

Tomi Raita
CEO

CONSOLIDATED FINANCIAL STATEMENT 2004

	1-12/04 1000 EUR	1-12/03 1000 EUR
Net sales	7034	6737
Other operating income	140	3156
Costs of operations	-9776	-14390
Depreciation according to plan	-430	-563
Operating profit before one-off items	-3032	-5060
One-off items	-1098	-15146
Operating profit	-4130	-20206
Financial income and expenses	10	-561
Profit before extraordinary items	-4120	-20767
Extraordinary items	12901	0
Profit before appropriations and taxes	8781	-20767
Change in deferred tax liabilities	41	0
Profit for the period	8822	-20767

Fixed assets		
Intangible assets	30	124
Tangible assets	271	535
Investments	59	30
Current assets		
Inventories	2368	4515
Receivables	775	895
Cash in hand and at banks	1373	55
Shareholders' equity	-515	-13904
Convertible equity bond loan	1126	1750
Capital loan	850	0
Obligatory reserves	45	41
Long-term liabilities	1285	41
Current liabilities	2085	18226
Balance sheet total	4876	6154
Gross investments in fixed assets	101	32
Average number of personnel	91	140
Pledged assets and contingencies		
Liabilities relating to chattel mortgage	1484	6389
Chattel mortgage nominal value	12068	12068
Pledged investments	40	7
Pledged deposits	285	0
Other commitments	67	0
Earnings/share, EUR	-0,04	-1,44
Shareholders' equity/share, EUR	-0,00	-0,73

The interim financial statements have not been audited.

CONSOLIDATED FINANCIAL STATEMENT 2004

	10-12/04 1000 EUR	7-9/04 1000 EUR	4-6/04 1000 EUR
Net sales	1880	1790	1706
Other operating income	91	36	7
Costs of operations	-2719	-2302	-2461
Depreciation according to plan	-83	-114	-117
Operating profit before one-off items	-831	-590	-865

One-off items	0	-1098	0
Operating profit	-831	-1688	-865
Financial income and expenses	-17	-12	16
Profit before extraordinary items	-848	-1700	-849
Extraordinary items	442	0	0
Profit before appropriat. and taxes	-406	-1700	-849
Change in deferred tax liabilities	41	0	0
Profit for the period	-365	-1700	-849
Fixed assets			
Intangible assets	30	54	77
Tangible assets	271	268	357
Investments	59	63	63
Current assets			
Inventories	2368	2818	4030
Receivables	775	1653	1691
Cash in hand and at banks	1373	70	302
Shareholders' equity	-515	-1639	61
Convertible equity bond loan	1126	1126	1126
Capital loan	850	850	850
Obligatory reserves	45	42	42
Long-term liabilities	1285	1860	1863
Current liabilities	2085	2687	2578
Balance sheet total	4876	4926	6520
Gross investments in fixed assets	58	2	36
Average number of personnel	86	90	92
Pledged assets and contingencies			
Liabilities relating to chattel mortgage	1484	1484	1484
Chattel mortgage nominal value	12068	12068	12068
Pledged investments	40	40	40
Pledged deposits	285	0	0
Other commitments	67	43	19
Earnings/share, EUR	-0,01	-0,01	-0,01
Shareholders' equity/share, EUR	-0,00	-0,01	0,00

The interim financial statements have not been audited.

Cash flow account from period 1.1.-31.12.2004 (1000 euros)

Operating cash flow

Result before one-off items	-4120
Adjustments	
Amortization according to plan	430
Inventory devaluations	858
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Cash flow before change in working capital	-2832
Change in working capital	
Decrease of current receivables	120
Decrease of inventories	1289
Decrease of current liabilities	-1875
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Operating cash flow	-3298
Investment cash flow	
Tangible and intangible investments	-101
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Financing cash flow	
Paid share issues and capital loans	4793
Extraordinary income	12901
Debt cutting	-12901
Change in deferred tax liabilities	41
Payments of re-organization debt	-217
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Financing cash flow	4717
Increase of cash	1318
Cash in the beginning of period	55
Cash at the end of period	1373