

BENEFON OYJ BULLETIN 28.2.2007 at 17:00 hrs

INFORMATION OF THE FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2006

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IMPORTANT NOTE: The reader is suggested to pay close attention to information disclosed in sections 3 and 5 regarding the company's net sales and result in FY 2006.

1. Significant events of financial year 2006

The new TWIG-brand and product were introduced

In February 2006, the Company introduced its new TWIG brand and the first TWIG product, TWIG Discovery, at the 3GSM conference held in Barcelona.

At the annual CeBIT fair held in Hannover in March, the Company introduced its next TWIG product, the personal security device called TWIG Locator.

The deliveries of the first TWIG product TWIG Discovery were planned to begin in the first quarter of 2006. The project was delayed due to unforeseen delays in the finishing of the product and the sales deliveries started at the end of the third quarter of 2006.

The Company's TWIG-products are mainly manufactured by industrial partners in China.

New financing received for the Company

In January 2006 for realising the planned financing, the Company arranged a share issue directed to the shareholders and investors. The offering and listing prospectus prepared for the share issue was disclosed on January 18, 2006. In the prospectus, there is a comprehensive package of information about the Company. In the Issue, 53 shareholders and 25 investors subscribed for a total of 78.293.102

new S-series shares of the Company (BNFSV) at a share subscription price of 0,21 euros a share. The total subscription price received by the Company was 16.441.551,42 euros, of which 11.676.082,32 euros was paid in cash and 4.765.469,10 euros in a set-off using receivables from the Company.

As a result of the subscriptions, the share capital of the Company was increased by the decision of the extraordinary general meeting of January 31, 2006, by 782,931.02 euros from 1,312,540.46 euros to 2,095,471.48 euros and the number of the outstanding shares increased from 131,254,046 shares to 209,547,148 shares. The increase of the share capital was registered on February 9, 2006, and the new shares listed for public trading at Helsinki Exchanges alongside with the old S-series shares (BNFSV) on February 10, 2006.

The Company's external network was re-enforced

Following the Board decision in April 2006, all option rights 2005B, issued by the extraordinary general meeting of the Company of September 5, 2005, were offered to be subscribed for holding by Octagon Capital Limited who subscribed for the said options on April 19, 2006.

In the bulletin released on May 5, 2006, about the call of the annual general meeting, the Company informed that the Board of the Company will propose to the general meeting that the Company would sign a management agreement with Octagon Consulting Limited ("OCOL"), and that the meeting would amend the terms of the option program 2004A and section 8 of the Company's Articles of Association. The material contents of the terms of the agreement have been detailed in the bulletin released on May 5, 2006.

The annual general meeting on May 24, 2006, decided according to the Board proposal to offer a total of 20,000,000 option rights 2004A ("Options") as follows:

Ning Po Limited	10,750,000
LAIP Limited	7,250,000
Vanguard Limited	2,000,000

R&D resources increased

The Company informed on May 9, 2006, that it has agreed about exclusive utilisation of the St. Petersburg based mobile software technology team of UK firm DataArt.

The Company informed on May 10, 2006, that it had retained industrial designer Ross Lovegrove to design the Company's new personal navigation product range.

Finland R&D concentrated in Salo

The Company concentrated its Finnish R&D function by transferring the Turku R&D unit to the Company head office in Salo. This arrangement was part of the productivity improvement program with the objective of increasing the productivity by enhancing the co-operation and

communication between the teams. This re-organisation did not affect the number of personnel or their employment conditions.

The Company's partner network for TWIG program expanded

In August 2006, the Company signed an agreement with NAV2, a joint venture between NAVTEQ and NAVINFO, a leading Chinese firm producing digital maps, for NAV2 to provide map data for use on Company's TWIG personal navigation devices for distribution in China.

On August 29, 2006, the Company informed about the plans to strengthen its in-house technology platform by licensing from its long-standing technology partner Pollex a complete software platform Opna. Opna is used in Benefon's first TWIG-branded personal navigation product TWIG Discovery.

The Company informed on August 24, 2006, about the global partnership with its Finnish partner Geowell, specialised in tracking technology. According to the agreement, Benefon holds an exclusive right to design and manufacture integrated GPS/GSM tracking devices for Geowell. With the same, Benefon appointed Geowell as its global distributor for such special versions of TWIG-branded products.

The Company informed on August 31, 2006 that it had expanded its agreement with the Australian company Locatrix Communications in order to develop further various value added services and solutions based on the core navigation and locationing services of Benefon.

The Company informed on September 5, 2006, that it had signed a licensing agreement with Karputer, specialised in advanced computer systems for cars.

The Company operations re-organised and number of personnel reduced

The industrial co-operation procedure during the period September 6 to 29, 2006, regarding rationalisation of operations and reorganisation of personnel, ended with a solution in which the operations in Salo were combined into a business unit focussing on business to business (B2B) activities and a second B2C business unit focussing on consumer business established in UK. The objective of the Company is to build up position in B2B market and to strengthen the overall position in consumer navigation market. As a result of the solution, a total of six employees were dismissed.

TWIG-product delivery start delayed, FY result outlook updated and additional financing agreement received

At the end of September, the Company informed that the TWIG Discovery delivery start would be postponed to October 2006 due to delays in mass production ramp-up. With the same, the Company informed that it is cancelling prior result forecasts and replacing them with a new reserved forecast about delivery amounts, and that it could not

precisely forecast the result of the final quarter nor that of the whole year.

With the same, the Company informed about the new financing arrangement of a total of 4.4 Meuros, detailed below in section 9.

The deliveries of the first TWIG-products began

At the end of October, the Company informed to have started the commercial deliveries of the TWIG Discovery-product.

In early November, the Company informed to have commenced the deliveries of TWIG Locator locationing device, intended for improvement of personnel security and product protection, in Sweden, Finland, UK, Switzerland, France, Italy and Australia.

The CEO changed

In mid-December, the Company informed that CEO Jonathan Bate is leaving the Company and that former CEO Tomi Raita will assume the responsibilities of interim CEO.

2. Significant events after the end of financial year 2006

Financing agreement continued

Benefon announced on January 12, 2007, that the company and Octagon Solutions Limited have agreed to extend the Financing Agreement concluded with Octagon Solutions Limited and disclosed on September 28th 2006 to cover also such additional financing as separately agreed to between the parties. The Board of Directors has accordingly decided to call the sixth tranche of committed financing according to amendment to Financing Agreement.

The Board decided to issue shares and convertible bond loan for a total amount of EUR 400,000 to Ashland Partners LP. The maximum number of new investment series shares is 1,666,667 and subscription price is EUR 0.21 per share. The principal amount of convertible bond loan is EUR 50,000 and the maximum number of shares subscribed at 0.09 euros per share by virtue of the loan is 555,556. As a result of the share issue the Company's share capital may increase by a maximum of EUR 16,666.67 and as a result of convertible bond loan by a maximum of EUR 5,555.56.

Right after the previous bulletin the company issued a call for the Extraordinary General Meeting convened on February 1, 2007. The meeting handled the following issues:

1. Granting Board of Directors authorisation to issue shares and decide on share capital increase. The Board proposed that the general meeting would decide to authorise the Board to decide on the increase of share capital by a maximum of EUR 526,832.71 and a maximum of 52,683,271 new investment series shares or instruments entitling to shares.

2. Amending articles 4 and 5 of the Articles of Association. To enable increasing the number of outstanding shares the Board proposed that the Articles of Association be amended such that the maximum number of shares is increased from current 500,000,000 to 1,000,000,000.

3. Amending the terms of option rights 2005A-C issued on September 5, 2005. Relating to Tomi Raita's appointment as the CEO of the Company from December 15th 2006 onwards the Board proposed amendments to the terms of option rights 2005A-C issued and directed by the decision of extraordinary general meeting of September 5th 2005 such that all conditions restricting the right to use the option rights shall be removed allowing exercise of option rights during the share subscription period. The Board proposed further that the share subscription period to be amended such that for the option rights 2005A and 2005C it begins on December 15th 2008 and ends on December 31st 2012 and for the option rights 2005B it begins on August 15th 2007 and ends on December 31st 2012. The terms of option rights shall remain for all other parts unchanged.

The general meeting held on February 1, 2007, approved the Board proposals.

Benefon announced on February 27, 2007, that the Company's Board of Directors has decided to change the terms of the two loans granted by Luben Limited on November 22nd 2006 and December 15th 2006, with a total capital of EUR 2,950,000 as detailed in section 9 below, into a convertible bond loan such that each EUR 0.14 (approximately) of the loan principal entitles to subscribe for one new investment series share by December 31st, 2012. The maximum number of shares that can be subscribed for by virtue of the loan is 21,071,429. The change has been accepted by Luben Limited. The reason for changing the terms is to enable the company to continue its ongoing financing plan as required and at the same also to keep its capital structure in balance.

With the same, Benefon also announced that it has decided to call the seventh tranche of financing according to the extended Financing Agreement. The Board of Directors of the company decided to issue shares and convertible bond loan for a total maximum amount of EUR 1,400,000 to Villiers Securities Limited. The maximum number of new investment series shares offered for subscription is 5,104,167 and subscription price is EUR 0.21 (approximately) per share. The principal amount of convertible bond loan is EUR 328.125, and each EUR 0.05 of the loan principal entitles to subscribe for one new investment series share. The maximum number of shares that can be subscribed for by virtue of the loan is 6,562,500.

China distribution agreement expanded

In mid-January Benefon announced an extension of its distribution agreement with China Potevio's Capitel group and Lextel to sell, market, and distribute Benefon's navigation and location products to customers including value added resellers (VARs), mobile virtual network operators, (MVNOs), agents, and dealers throughout mainland China. Under the terms of this agreement, Lextel Group has committed to an opening order of €3,750,000 of Benefon mobile units to be co-branded with Capitel for the China market. The order is conditional on getting CTA

approval, Benefon expects the deliveries to start during the third quarter of 2007. Lextel and its local Chinese partner, Takko Communication, will jointly market and distribute Benefon's high performing navigation and tracking product line, including the TWIG Discovery and future products set for release in 2007, to the consumer market in China.

Benefon received a major order for TWIG Discovery

On February 9, 2007, Benefon announced that Travel Safety Group from Florida has placed an order in excess of \$10 million USD for Benefon's TWIG mobile navigation device to be shipped during the first half of the year 2007.

Benefon disclosed new-product roadmap for 2007

On February 21, 2007, Benefon announced three new smart devices for its 2007 product portfolio. The new range is a sophisticated collection of WiFi enabled 2.75G and 3.5G Windows smartphone solutions to suit individual preferences.

TWIG Talisman - one of the first GPS devices to launch with Microsoft Windows Mobile 6. It supports Microsoft Outlook Mobile for quick access to email, calendar, task and contact functions. It also includes Benefon's new Windows navigation and location search solution featuring real time turn by turn voice guided directions. This compact handset looks like a phone with a traditional numeric key pad, but also utilizes a 2.6" touch-screen. Other features include real-time email in rich HTML format and the ability to chat over Windows Live, together with a 2 mega pixel camera, an integrated SiRF Star III GPS chip and Bluetooth® 1.2. The Twig Talisman is a Tri-Band GSM/GPRS/EDGE device for staying connected anywhere.

TWIG Totem - the first handset for business and personal functionality with high-speed global connectivity (3,5G or HSDPA with EDGE). The Twig Totem is a lightweight and powerful mobile device that offers a full range of PDA features such as Microsoft Office Mobile for reading and editing Word and Excel documents, combined with Benefon's powerful Windows navigation system for real time turn by turn navigation and access to location relevant information. The Twig Totem features touch screen and numeric key pad inputs, an integrated SiRF Star III GPS chip, 3 mega pixel camera and Bluetooth® 2.0.

TWIG Monolith - a compact and stylish GPS WiFi phone that features a numeric keyboard along with touch screen technology packaged in a smartphone form factor. The model will offer Benefon's new turn by turn Windows navigation system and embedded location search technology. This model is one of the first devices to use Microsoft Windows Mobile 6 offering the ability to view emails in rich HTML format, easier email management through new shortcuts and new calendar views. The Twig Monolith features WiFi connectivity, a 2 mega pixel camera, an integrated SiRF Star III GPS chip and Bluetooth® 1.2.

The first new Twig devices are expected to be available starting in June 2007, with other versions being released in the last half of the year.

3. Operational review

The Company's most important development in the year was the completion and market launch of the new TWIG product range, comprising the finishing of the first TWIG products and start of production in China together with the ramp-up of the TWIG brand and marketing and distribution. All of this caused a significant rise in costs of operations compared with the prior year.

Market introduction of the new product range was delayed from the plan causing a deviation also in the financial plan and a need for additional financing. Acquisition of the needed extra financing caused also additional expenses.

The deliveries of TWIG Discovery in Western European and US markets started at the end of the year 2006 and will continue in various markets as appropriate. The deliveries of TWIG Locator have started in select European markets.

When updating its financial outlook in the beginning of October, the Company informed that it expects to receive deliveries of 60,000 TWIG Discovery products during the last quarter of the year. Due to the said delay in the product program, the plan changed to the effect that the amount of deliveries received by the Company by the end of year 2006 was 25,000.

The sales of the Company's prior products in EU area ended at the end of June 2006 due to the so called RoHS directive about use of lead in production process coming in force at that time and preventing continued production of prior products. The new TWIG product range of the Company is manufactured in no-lead process.

The premises of the Company were re-arranged by concentrating the Finnish operations in Salo and closing the office in Turku.

The result of the financial year 2006 was adversely effected with significant one-off items including primarily: additional R&D expenses of approximately 1.0 million euros relating to on-going R&D-projects not introduced to the market; approximately 2.8 million euros relating to an IFRS 2 (share based payments) non cash charge in respect of certain share options issued during the year as described earlier in section 1 of this report and approximately 1.3 million euros relating to due diligence and related preparation costs in respect of a potential acquisition which did not materialise. Further related costs of approximately 1 million euros have been incurred in Q1 FY07.

4. Outlook to year 2007

The market outlook for navigation devices continues to be promising. The Western European market alone is projected to need more than 100 million devices over the next five years (source: Canalys, August 2006). A number of new competitors are expected to enter the market during 2007, and the Company believes the price competition will heat up. On the other hand, the growing supply is expected to increase customer awareness of GSM/GPS products and through this to increase the demand for and market share of mobile phones with navigation functionality.

The operations in year 2007 have been systematically prepared during 2006 when the Company expanded its sales organisation to secure the favourable development of the current product sales and to shorten the time needed for launch of new products. TWIG Discovery and TWIG Locator have been launched in a number of Western European countries, and the TWIG Discovery has also been launched in the U.S.

The focus in the current year is in growing the sales volumes and expansion of the market, launch of TWIG Discovery Pro product for business users and increased marketing efforts of the web-based back-end applications and solutions.

Sales of TWIG Discovery in China are expected to start in the third quarter of 2007. The products marketed in China will be sold with combined "China Potevion Capitel" brand. Capitel is a leading mobile phone seller in China and China Potevion a division of one of the biggest state-owned telecommunications firms in China.

The Company will make an effort to increase the deliveries of TWIG Locator tracking device to new user groups, for example in security applications and in animal locating.

The planned market launch in the beginning of the second quarter of the new product version TWIG Discovery Pro directed to the business market is expected to strengthen the position of the Company in B2B-markets.

The special focus in 2007 is the market introduction of new products in accordance with the Company's roadmap which will improve the Company's market position. The success in this, regarding the timing and generated new business volume, will significantly affect the development of net sales and result of the Company in the on-going financial year 2007.

Outlook to the first quarter of 2007

Of prime importance in the first quarter of 2007 will be the start of deliveries in Europe and USA, together with the related sales and marketing programs, and acquisition of new customer relations especially in Europe and continued development of relations with US customers.

5. Financial development in FY 2006

The net sales of the Company in quarter 10-12/2006 were 3055 teuros when in the quarter 7-9/2006 they were 644 teuros. In the whole year 1-12/2006 the net sales were 6959 teuros. The net sales in the prior year 1-12/2005 were 7562 teuros.

The operating result in quarter 10-12/2006 was -7713 teuros, when in the prior quarter 7-9/2006 it was -1704 euros. The operating result in whole year 1-12/2006 was -11543 teuros. The operating result in the prior year 1-12/2005 was - 3398 teuros.

In the financial period 1-12/2006, the Company had exceptional one-off expenses in excess of 5 million euros as described above in section 3.

The total of the balance sheet at the end of the quarter 10-12/2006 was 17397 teuros. In the balance sheet, there were 2841 teuros of capitalisations of R&D expenses. At the end of the prior quarter 7-9/2006, the total of the balance sheet was 15074 teuros, and at the end of the prior year 1-12/2005 it was 4974 teuros.

The share of the equity capital of the balance sheet at the end of the quarter 10-12/2006 was 10110 teuros, or about 58 %, when at the end of the prior quarter 7-9/2006 it was 9606 teuros, or about 64 %, and at the end of the prior year 1-12/2005 it was -2331 teuros, or about -47 %.

The interest bearing net debt at the end of the quarter 10-12/2006 was 898 teuros at book value.

The total of liabilities at the end of the quarter 10-12/2006 was 7287 teuros, of which non-current liabilities amounted to 2630 teuros and the current liabilities to 4657 teuros. At the end of the prior quarter 7-9/2006, the total of liabilities was 5468 teuros, and at the end of the prior year 1-12/2005 it was 7305 teuros. The amount of cash at the end of the period was 2542 teuros, of which 372 teuros was pledged.

6. Report on sufficient liquidity

The below cash flow statement assumes that sales targets set in financial projections for financial years 2007 and 2008 are met. These projections are highly dependent on timely deliveries and sales success of the Company's new TWIG branded product range.

Cash Flow Statement 01/2007-03/2008	million euros
Cash flow from operations	0.0
Share subscription payments	2.2
Investments(mainly capitalised R & D)	-3.0
Change in cash	-0.8
Cash in the beginning of the period	2.5
Cash at the end of the period	1.7

7. Investments

The gross investments in the reporting period were 4393 teuros.

8. Personnel

The number of employed personnel at Benefon in 2006 averaged 82, of which 29, at most, were affected by alternate forced leaves. After the end of the financial period on February 26, 2007, the Company agreed locally with personnel that alternate forced leaves will be applied also in this year as needed in regard of the capacity situation.

9. Special measures for improving the finances of the Company

In addition to the directed share issue mentioned in section 1., the finances of the Company were re-enforced with the new finance plan announced on September 28, 2006, and comprising share subscriptions, convertible loans and option rights for a total maximum of 7.35 million euros. The financing was divided in five tranches. With this committed finance package, the number of shares in the Company may increase by a maximum of 38,786,905 shares, decreasing the existing share capital increase authority of the Board correspondingly. The total amount of the raised financing in share issues was 4,400,000 euros and as loans 2,950,000 euros. The financing was received from companies Octagon Solutions Ltd, Ashland Partners LP and Luben Limited.

The first tranche was raised on October 5, 2006, when the Board decided to offer a maximum of 5,523,810 new S-series shares of the Company and a convertible loan of 290,000.00 euros to be subscribed by companies Octagon Solutions Ltd. and Ashland Partners LP. Of the shares, 2,714,286 were offered to be subscribed by Octagon Solutions and 2.809.524 shares by Ashland Partners. Of the convertible loan, amount of 142,500.00 euros was subscribed by Octagon Solutions and 147,500.00 euros by Ashland Partners.

The second tranche was raised on October 24, 2006, when the Board decided to offer a maximum of 5,714,286 new S-series shares and a convertible loan of 300,000.00 euros to be subscribed by companies Ashland Partners LP and Luben Limited. Of the shares, 1,484,952 were offered to be subscribed by Ashland Partners and 4,229,334 by Luben Limited. Of the convertible loan, amount of 77,960.00 euros was subscribed by Ashland Partners and 222,040.00 euros by Luben Limited.

The third tranche was decided to be raised on November 7, 2006, when the Board decided to offer a maximum of 5,523,810 new S-series shares and a convertible loan of 290,000.00 euros to be subscribed by Luben Limited.

The fourth tranche was decided to be raised on November 27, 2006, when the Board decided to raise from Luben Limited an interest free loan of 1,450,000 euros, to be paid back in years 2009-2012 and, related with the loan, to offer for subscription without subscription price to Luben Limited 2,175,000 option rights of series 2006A. Each option right

entitles to subscribe for one new S-series share at the share subscription price of 0.10 euros per share.

The fifth tranche was raised on December 15, 2006, when the Board decided to raise from Luben Limited an interest free loan of a total of 1,500,000 euros, to be paid back in years 2009-2012 and, related to the loan, to offer for subscription without subscription price to Luben Limited 2,250,000 option rights of series 2006B. Each option right entitles to subscribe for one new S-series share at the share subscription price of 0.10 euros per share.

In addition to the above after the end of the reporting period, the Company announced on January 12, 2007, that it had agreed with Octagon Solutions Limited about extending the financing commitment between the parties announced on September 28, 2006, to cover also the agreed additional financing, and that the Board had accordingly decided to raise the sixth tranche of the extended commitment. With that decision, the Board directed shares and a convertible loan of a total of 400,000 euros to Ashland Partners LP. The maximum number of new S-series shares was 1,666,667 and the subscription price 0.21 euros per share. The amount of the convertible loan was 50,000 euros and the maximum number of shares it entitles to be subscribed for at a share subscription price of 0.09 euros per share is 555,556.

To enable the Company to extend the financing program, the extraordinary general meeting of the Company convened on February 1, 2007, decided to grant an authorization to the Board to decide on the increase of share capital by a maximum of EUR 526,832.71 and on issue of new investment series shares, option rights or specific rights in terms of Article 1 of Chapter 10 of the Companies Act in one or more installments such that the maximum number of new investment series shares issued is 52,683,271.

On February 26, 2007, the Company announced that the Board of Directors had decided to change the terms of the two loans granted by Luben Limited in connection with tranches 4 and 5 described above into a convertible bond loan such that each EUR 0.14 (approximately) of the loan principal entitles to subscribe for one new investment series share by December 31st, 2012. The maximum number of shares that can be subscribed for by virtue of the loan is 21,071,429. The change has been accepted by Luben Limited. The reason for changing the terms is to enable the company to continue its ongoing financing plan as required and at the same also to keep its capital structure in balance.

Benefon also announced on February 27, 2007 that it has decided to call the seventh tranche of financing according to the extended Financing Agreement. The Board of Directors of the company decided to issue shares and convertible bond loan for a total maximum amount of EUR 1,400,000 to Villiers Securities Limited. The maximum number of new investment series shares offered for subscription is 5,104,167 and subscription price is EUR 0.21 (approximately) per share. The principal amount of convertible bond loan is EUR 328.125, and each EUR 0.05 of the loan principal entitles to subscribe for one new investment series share. The maximum number of shares that can be subscribed for by virtue of the loan is 6,562,500.

10. Convertible loans

The extraordinary general meeting of the Company convened on 26.2.2004 decided about a convertible bond loan on equity terms Benefon 2004A for the amount of 1,130,440.73 euros which was subscribed by a total of eight investors in the investor group led by Octagon Solutions Ltd. and a total of six private investors being part of the management of the Company or customers of the Company. The convertible bond loan may be converted in the period of 1.6.2004-31.12.2008 into a total maximum of 113,044,073 new investment series shares BNFSV of the Company with a book parity value of 0.01 euros.

Of the convertible bond loan Benefon 2004A, until now, an amount of 175,502.69 euros has been converted into a total of 17,550,269 new investment series shares of the Company. The remaining loan totaling 954,938.04 euros may be converted until 31.12.2008 into a total maximum of 95,493,804 new investment series shares of the Company. According to the terms of the loan, the unconverted portion of the loan will be paid back in years 2005-2008 in four equal portions in each year on June 30 providing that the requirements set in the Companies' Act regarding pay back of equity loans are met. Until now, no payments have been made of the Loan. The loan will accrue a fixed annual interest of 4% also paid on mentioned date of June 30 of each year providing that the requirements set in the Companies' Act regarding interest payments on equity loans are met. Until now, no interest has been paid on the loan.

Based on the authorisation given by the annual general meeting of the Company of May 24, 2006, the Board of the Company decided to enter into a Financing Agreement with Octagon Solutions Limited. According to the terms of the agreement, the Board of the Company may call a maximum of EUR 7.35 million financing consisting of share subscriptions, convertible loans and loans. As a part of the Financing Agreement, the Company has issued convertible bond loans Benefon 2006A, Benefon 2006B and Benefon 2006C with a total maximum of EUR 880,000. The convertible bond loan may be converted by 31.12.2012 into a total maximum of 17,600,000 new investment series shares of the Company. A fixed annual interest of two (2) percent shall be paid to the principal of the loan. The loan with the interest accrued will fall due for repayment in four equal parts during 2009-2012 on the annual due date of June 30, excluding the convertible bonds converted into the Company's shares.

Board decided on 5.10.2006 to issue a convertible bond loan Benefon 2006A of a total maximum of EUR 290,000 subscribed for by Octagon Solutions Limited and Ashland Partners LP. The loan may be converted until 31.12.2012 into a total maximum of 5,800,000 new investment series shares of the Company. The entire loan has been converted into shares.

Board decided on 24.10.2006 to issue a convertible bond loan Benefon 2006B of a total maximum of EUR 300,000 subscribed for by Luben Limited and Ashland Partners LP. The loan may be converted until 31.12.2012 into a total maximum of 6,000,000 new investment series shares of the Company. The entire loan has been converted into shares.

Board decided on 7.11.2006 to issue a convertible bond loan Benefon 2006C of a total maximum of EUR 290,000 subscribed for by Luben Limited. The loan may be converted until 31.12.2012 into a total

maximum of 5,800,000 new investment series shares of the Company and the entire loan has been converted into shares.

The Board of the Company decided on January 12, 2007, to issue a convertible loan Benefon 2007A, with a maximum capital of 50.000 euros. The loan was subscribed by Ashland Partners. The loan may be converted until December 31, 2012, into a maximum of 555,556 new S-series share of the Company. The entire loan is now being converted into shares.

11. Option rights

The Company has the following decided option rights:

Option rights Benefon 2004A

Option decision: EGM 26.2.2004, registered 16.12.2004
 Option amount: 39,597988 pcs
 In book entry system: From 23.9.2005
 Subscriber: Options have been subscribed for holding by Octagon Capital Limited
 Options given: By Board decisions to a total of 35 parties a total of 35,800,000 options.
 Options not given: 3,797,988 pcs
 Share subscription period: 1.12.2004-31.12.2009
 Share subscription price: 0.14 euros per share
 Used for share subscription: 3,100,000 pcs

Option rights Benefon 2005A

Option decision: EGM 5.9.2005, registered 8.9.2005
 Option amount: 1,500,000 pcs
 In book entry system: From 15.2.2006
 Subscriber: Tomi Raita
 Share subscription period: 15.12.2008-31.12.2012
 Share subscription price: 0.10 euros per share
 Used for share subscription: None

Option rights Benefon 2005B

Option decision: EGM 5.9.2005, registered 19.10.2005
 Option amount: 20,000,000 pcs, divided in four classes:
 A: 3,000,000 pcs
 B: 5,000,000 pcs
 C: 7,000,000 pcs
 D: 5,000,000 pcs
 In book entry system: From 2.5.2006
 Subscriber: Options subscribed for by Octagon Capital Limited for holding
 Share subscription period: 15.8.2007-31.12.2012
 Share subscription price:
 A: 0.4250 euros
 B: 0.5100 euros
 C: 0.6800 euros
 D: 1.0200 euros
 Used for share subscription: None

Option rights Benefon 2006A

Option decision: Board on authority by AGM of 24.5.2006,
registered 17.11.2006
Option amount: 2,175,000 pcs
In book entry system: No
Subscriber: Luben Limited
Share subscription period: 2.1.2007-31.12.2012
Share subscription price: 0.10 euros per share
Used for share subscription: None

Option rights Benefon 2006B

Option decision: Board on authority by AGM of 24.5.2006,
registered 17.11.2006
Option amount: 2,250,000 pcs
In book entry system: No
Subscriber: Luben Limited
Share subscription period: 2.1.2007-31.12.2012
Share subscription price: 0.10 euros per share
Used for share subscription: None

12. Equity issue authority of the Board

The Extraordinary General Meeting convening on February 1, 2007, resolved according to Board proposal to cancel the authorization given to the Board on May 24, 2006 and authorized the Board of Directors, within one (1) year from the date of the meeting to decide on the increase of share capital by at maximum EUR 526,832.71 and on issue of new investment series shares, option rights or specific rights in terms of Article 1 of Chapter 10 of the Companies Act in one or more installments such that the maximum number of new investment series shares issued is 52,683,271. The authorization entitles the Board of Directors to deviate from the pre-emptive right of shareholders and also accept set-off or other consideration in kind as a payment for the shares, option rights or specific rights. The Board of Directors has the right to decide the terms of any issue by virtue of the authorization for all other parts.

BENEFON OYJ

Tomi Raita
CEO

13. Information about the financial statements of FY 2006

GROUP FINANCIAL STATEMENTS 2006, IFRS	1-12/2006	1-12/2005
	1000 EUR	1000 EUR
Net sales	6959	7562
Other operating income	25	85
Costs of operations	-17092	-10860
Depreciation and value adjustments	-1435	-185
Operating profit	-11543	-3398
Financial income and expenses	-17	207
Profit before taxes	-11560	-3191
Income taxes	0	0
Profit for the period	-11560	-3191
Fixed assets		
Tangible assets	244	132
Intangible assets	2873	27
Investments	61	61
Current assets		
Inventories	6194	1282
Receivables	4585	1566
Prepaid expenses	898	569
Cash in hand and at banks	2542	1337
Share capital	2634	1313
Other shareholders' equity	7476	-3644
Long-term liabilities	2630	985
Current liabilities	4657	6320
Balance sheet total	17397	4974
Gross investments in fixed assets	4393	40
Average number of personnel	82	76
Pledged assets and contingencies		
Contingent liabilities relating to chattel mortgage	1689	1633
Chattel mortgage nominal value	12068	12068
Pledged assets	414	403
Earnings/share, EUR	-0,05	-0,03
Shareholders' equity/share, EUR	0,04	-0,02
Shareholders' equity/share, diluted	0,04	

The key ratios have been computed undiluted as the dilution effect would improve them. In computing the result per share, the additional payments in 2005 due to reorganisation have not been included.

The given information is not based on financial statements officially approved by the Board and it is not audited.

CASH FLOW STATEMENT	1-12/2006	1-12/2005
	1000 EUR	1000 EUR
Cash flow from operations		
Profit for the period	-11560	-3191
Adjustments	4391	-764
Changes in working capital:		
Change in receivables	-3343	-1211
Change in inventories	-4912	1024
Change in current liabilities	2540	1158
Paid and received interests	78	-30
Cash flow from operations	-12806	-3014
Cash flow from investments	-4393	-40
Cash flow from financing		
Share subscription payments	16476	434
Transaction expenses of share issues	-1022	-9
Raised loans, equity	1225	313
Raised loans, liability	1725	2637
Payments of reorganization debt	0	-357
Cash flow from financing	18404	3018
Change in cash	1205	-36
Cash in the beginning of the period	1337	1373
Cash at the end of the period	2542	1337