

BENEFON OYJ BULLETIN 21.8.2007

AT 15:00 HRS

INTERIM REPORT 1-6/2007

#### SUMMARY HIGHLIGHTS

- Decisions by the Annual General Meeting
- GeoSolutions acquisition
- Daniel Harple as Executive Chairman
- Investor negotiations about the new financing round needed by the Company
- The Company's new strategy focused on software applications, services and solutions
- Completion of the Company's announced smart phone product program being scrutinised
- Decision to change Company name to GeoSentric Oyj

#### 1. Highlights of the last quarter

##### Decisions by the Annual General Meeting

The Annual General Meeting of Benefon Oyj confirmed the income statement and the balance sheet of the company from the financial period of year 2006, resolved that the loss from the period shall be booked on the previous years' profit/loss account and no dividend is paid and resolved to discharge from liability the members of the Board and the CEO. The General Meeting resolved further that the number of Board members is six and elected the following persons to the Board: Peter Bamford, Brian Katzen, Jeffrey Crevoiserat, Juha Kiikeri, Simon Wilkinson and Dan Harple. In its organizing meeting after the Annual General Meeting the Board elected Mr. Peter Bamford as the Chairman of the Board. Related to his election as the Chairman, Mr. Bamford was granted option rights of up to amount of 7,500,000 at the share subscription price EUR 0.15 per share. The General Meeting resolved further to keep the number of ordinary auditors at one and re-elected Ernst & Young Oy as the ordinary auditor with Mr. Erkka Talvinko, CPA, acting as the responsible auditor, and Mr. Veikko Soinio, CPA, as the deputy auditor.

The Annual General Meeting approved the purchase of the entire share capital of GeoSolutions B.V. through a share exchange in accordance with the proposal of the Board. The Board was also authorized to decide on increasing the share capital and issuing new shares, option rights and specific rights such that the maximum amount of share capital increase is EUR 1,902,500 and number of issued new investment series shares 190,250,000. The share capital can be increased by means of using the premium fund or invested unrestricted equity fund for the increase. The authorization entitles the Board 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 shares can also be issued without payment provided that there is an especially weighty financial reason for this as required by the Companies Act. The Board has the right to decide the terms of any issue by virtue of the authorization for all other

parts. The authorization is valid for two years from the date of the Annual General Meeting. With the same, the previous authorization granted by the Extraordinary General Meeting of February 1, 2007, was cancelled for the unused part.

The Annual General Meeting approved the amendment of the management agreement entered between the company and Octagon Consulting Limited in accordance with the proposal of the Board to include also special projects such as mergers, acquisitions and divisions.

#### GeoSolutions acquisition

On April 27, 2007, Benefon signed an Exchange Agreement to acquire shares of GeoSolutions BV, a developer of location-based technologies, products, and services for mobile and Internet-connected devices. This start-up firm employs 13 people and it did not have activities in 2006.

The acquisition was finalised in July 2007 when the shares issued in the acquisition, realised as a share exchange, were listed for public trading at Helsinki Exchanges. The principal contents of the acquisition are as detailed in the following.

The first part of the purchase price agreed in the terms of the Share Exchange Agreement entered into with GeoHolding B.V. was paid by issuing 21,000,000 new investment series shares at the closing ("First Issue"). In the First Issue the subscription price was EUR 0.14 per share, corresponding to EUR 2,940,000. The subscription price for the shares issued in the First Issue were paid with contribution in kind by transferring all outstanding shares of GeoSolutions B.V., representing the whole authorised share capital of the company, to Benefon Oyj as agreed in the Share Exchange Agreement.

In addition to the First Issue, in accordance with the Share Exchange Agreement, the Board decided to issue a maximum of 9,000,000 new investment series shares for subscription by GeoHolding without charge ("Second Issue"). These shares will be offered upon meeting the conditions set forth in the Share Exchange Agreement. If the conditions are not met within the agreed time period the shares issued in the Second Issue shall be returned to Benefon without charge and the purchase price shall be decreased by an amount corresponding to the agreed value of such shares.

The shares in First and Second Issues were issued by the Board by virtue of the authorisation granted to it by the Annual General Meeting of April 16, 2007. Due to technical reasons, the shares were issued in two separate issues.

In addition to the aforementioned directed share issues and by virtue of the mentioned authorisation, the Board of Directors issued at maximum 9,778,500 option rights to key personnel of GeoSolutions B.V., as agreed in the Share Exchange Agreement, of which 10,250,000 option rights were available. The option rights were offered for subscription by the senior management, members of the board of directors and key employees of GeoSolutions B.V., according to the terms and conditions of the option program. The share subscription price for the option rights is EUR 0.14 per share and the share subscription period began on April 27, 2007, and will end on April 7, 2014. The option rights are divided into nine (9) series and the share subscription periods are different for different series.

With the Second Issue, the Company's share capital may be increased by EUR 0.01 for each issued share by transferring a corresponding amount from the share premium account into share capital. As a result, the Company's share capital may be increased by EUR 90,000.00 and the share premium account correspondingly decreased by EUR 90,000.00.

As a result of the First Issue, the share capital of the Company was increased by EUR 210,000.00. As a result of the Second Issue the share capital increase from the share premium fund may amount to EUR 90,000.00. The shares subscribed for in the directed share issues represented 10,22 % and shares subscribed for by virtue of the issued option rights represent at maximum 3,33 % of the company's registered shares prior to the said increase in the share capital. Subscription period for the option rights began on April 27, 2007, and will end on April 27, 2012.

Daniel Harple as Executive Chairman

On June 28, 2007, the Company informed about resignations of the Board Chairman Peter Bamford and Board member Simon Wilkinson and about election of Daniel Harple as the Executive Chairman. Related with his resignation, the 7,500,000 option rights granted to Peter Bamford were cancelled.

Office in Shanghai

In May 2007, the Company opened in Shanghai an office with a planned personnel of 15. The task of the said new business unit is to adapt Benefon product range for the local conditions, development of a range of personal navigation devices for vehicular use, development of local software content and expansion of the database of the Company's Chinese language Internet solutions.

New TWIG service

Benefon announced on May 4, 2007, that it offers a free introductory TWIG Web Finder service subscription with purchase of TWIG Locator GPS/GSM tracking device. The TWIG Web Finder is a service for tracking vehicles and other mobile assets as well as for securing persons. The location of mobile objects can be seen on detailed street maps on three continents. The service enables users of TWIG products also to receive locations on normal mobile phones as address information. Further features include alarm reception, history functions, sending of SMS messages and workstation operation from multiple sites. The TWIG tracking solutions are made with easy use and competitive prices in mind. No installations are required. Further credits and service extensions can be conveniently purchased at the TWIG eShop.

Subsidiary in the Netherlands

Benefon announced on May 15, 2007, that related with the acquisition of GeoSolutions B.V. in accordance with the terms of the share exchange agreement entered into with GeoHolding B.V. on March 22nd, 2007, the Board of Benefon Oyj has also decided to establish a subsidiary in the Netherlands, Benefon Solutions B.V., for holding the GeoSolutions shares, and according to original transaction plan transfer the GeoSolutions shares to Benefon Solutions. The transfer price

of the shares has been agreed to correspond to the original purchase price of the shares paid by Benefon Oyj, which amount Benefon Oyj shall lend to Benefon Solutions B.V. for paying the transfer price. As the amount of original purchase price has not yet been determined finally the transfer price and the respective loan are subject to further adjustments corresponding to the conditions set forth in the share exchange agreement.

#### Company Strategic Focus

In June, the Company announced several strategic initiatives to leverage a recent acquisition, to further expand and develop the company's current products into an integrated portfolio and to position the company to take advantage of the rapidly growing global market for mobile, web and Internet-connected devices requiring location based services.

At the core of the strategy is the integration of the GeoSolutions platform across the product portfolio. Benefon acquired GeoSolutions in April 2007 to provide customers with high value applications and solutions to address market demand for mobile social networking, personal navigation and smart mobile services in the consumer market, mobile CRM, SFA, field and workflow management, and asset tracking in commercial markets. The GeoSolutions technologies provide the platform for the capture, usage, integration and management of location-based data and content to consumer and commercial applications and solutions.

Supportive of the strategic initiatives, the Company will receive an integrated senior executive team, brought together from key people of prior successful companies headed by Mr. Harple, co-founder of GeoSolutions and current Benefon Executive Chairman.

Completion of the Company's new smart phone product program being scrutinised

Related with the strategy focus detailed above, the Company is scrutinising the conditions and position of completing the new smart phone product program announced on February 21, 2007, with relation to the acquired operation of GeoSolutions evaluating among other things the possible synergy of the aforementioned operations and the market situation. In the interim report released by the Company on May 22, 2007, the Company informed that it is reviewing its product program for 2008, which work is still ongoing and now extended to cover also above mentioned program. The matter will be decided and disclosed after resolving the results of the on-going financing negotiations.

Change of the Company name

As announced by the Company on June 28, 2007, the Board of the Company has decided that the name of the Company will be changed into GeoSentric Oyj, and that the Board will initiate measures, inter alia invite the general meeting, to implement the name change. The reason for the name change is a desire to make the name of the Company to better match with the new business according to the Company's renewed strategy.

Financing program

Agreement of terms of the Tranche 8 and raising the first part

Benefon announced on May 8, 2007, that the company and Octagon Solutions Limited have agreed to the terms of the 8<sup>th</sup> tranche of financing, according to which the share subscription price for the directed share issues under tranche 8 shall be EUR 0.15 per share. In addition to new investment series shares the company shall issue convertible bond loan at share subscription price of EUR 0,025 per share. Each investment is also combined with issuance of agreed number of option rights at share subscription price of EUR 0.15. The maximum number of new investment series shares that may be issued under the tranche 8 is 50,000,000 along with 10,500,000 option rights. According to the terms of the financing the 8<sup>th</sup> tranche may amount up to 5 million euros and is to be raised in several parts as separately agreed. According to the financing agreement, Octagon Solutions shall have the first right to make the investments in tranche 8 up to its maximum amount, or, at its option, to assign the investment right to third party investors in accordance with the extended Financing Agreement.

The first part of the eighth tranche of the amount of 400,000 euros was raised by issuing shares and convertible bond loan for a total amount of EUR 400,000 to Killarney Partners. The maximum number of new investment series shares offered for subscription was 2,400,000. The principal amount of convertible bond loan was EUR 40.000 and each EUR 0.025 of the loan principal entitles its holder to subscribe for one new investment series share. The maximum number of shares that can be subscribed for by virtue of the loan was 1,600,000. As a part of the directed offering Killarney Partners was also offered for subscription at maximum 666,667 option rights entitling to subscribe for corresponding amount of new investment series shares at share subscription price of EUR 0.15 per share during the share subscription period from May 18, 2007 to May 31, 2011.

Of the share subscription price EUR 0.01 was booked into share capital and the remainder in the invested unrestricted equity account. As a result of the share issue, the Company's share capital may increase by a maximum of EUR 24,000.00 and as a result of convertible bond loan by a maximum of EUR 16,000.00. This convertible loan was in entirety converted into shares in June 2007.

At maximum, the shares offered for subscription in the above described directed offering represented 0.82 %, the convertible bond loan 0.55 % and the option rights 0.23 % of the company's registered shares. The subscribed new shares were listed for public trading at Helsinki Exchanges in July 2007.

Balancing the pricing of previous investments of Ashland Partners LP

Related with the acceptance of the terms of the Tranche 8, the Board of the Company decided to balance the pricing of previous investments by Ashland Partners LP to correspond the pricing agreed to with the group of investors participating the investments under the extended Financing Agreement and, to correct an error in the original pricing, the Board also decided to issue a maximum of 1,111,111 new investment series shares for subscription by Ashland Partners LP without charge. With the same, the Company's share capital was increased by EUR 0.01 for each share issued by transferring a correspondent amount from the premium fund to share capital. As a result, the Company's share capital was increased by EUR 11,111.11 and the premium fund correspondingly decreased by EUR 11,111.11. The shares offered for subscription in the directed share issue represent 0.38 % of the company's registered shares prior the respective increase in share capital. The new shares subscribed for were listed for public trading at Helsinki Exchanges in July 2007.

## Set-off issue

Benefon today announced on May 23, 2007 that it has decided to arrange a directed set off issue for a total maximum amount of EUR 1,134,181.20 to the Company's certain creditors. The maximum number of new investment series shares offered for subscription was 7,974,724 and subscription price was between EUR 0.12 and EUR 0.26 per share. Of the share subscription price EUR 0.01 was booked to share capital and the remainder in invested unrestricted equity fund. As a result of the share issue, the Company's share capital increased by EUR 79,747.24.

## Raising the second part of the eighth financing tranche

Benefon announced on June 4, 2007, that the Board of Directors decided to raise the second part of a maximum of 1,350,000 euros of the 8<sup>th</sup> financing tranche according to terms announced on May 8, 2007, as follows.

The Board decided to issue shares and convertible bond loan for a total maximum amount of EUR 1,350,000 to Tradewind Investment Services Ltd. and Biggles Ltd. ("directed offering"). The maximum number of new investment series shares offered for subscription was 8,100,000 and subscription price EUR 0.15 per share. Of the shares at maximum 6,000,000 were offered for subscription to Tradewind Investment Services Ltd. and at maximum 2,100,000 to Biggles Ltd.

The principal amount of convertible bond loan was EUR 135,000 and each EUR 0.025 of the loan principal entitled its holder to subscribe for one new investment series share. Of the loan EUR 100,000 was offered for subscription to Tradewind Investment Services Ltd. and EUR 35,000 to Biggles Ltd. The maximum number of shares that can be subscribed for by virtue of the loan was 5,400,000.

As a part of the directed offering, Tradewind Investment Services Ltd. was also offered for subscription at maximum 2,500,000 and Biggles Ltd. at maximum 875,000 option rights entitling to subscribe for corresponding amount of new investment series shares at share subscription price of EUR 0.15 per share during the share subscription period ending on June 30<sup>th</sup>, 2011.

Of the share subscription price EUR 0.01 is booked to share capital and the remainder in invested unrestricted equity fund. As a result of share issue company's share capital was increased by a maximum of EUR 81,000.00 and as a result of shares subscribed by virtue of the convertible bond loan by a maximum of EUR 54,000.00, and it may be increased as a result of share subscriptions by virtue of the option rights by a maximum of EUR 33,750.00.

The shares subscribed for in the directed offering represented 2.58 %, those subscribed for by virtue of the convertible bond loan 1.72 % and those possibly subscribed for by virtue of the option rights 1.07 % of the company's registered shares.

The subscribed new shares were listed for public trading at Helsinki Exchanges also in July 2007.

## Investor negotiations of the new financing arrangement

The Board of the Company has continued negotiations on the new financing round informed in bulletin released on June 28, 2007 for securing the working capital of the Company. If completed, the financing arrangement will have an influence on the ownership of the company. The matter will be informed in more detail after the negotiation has been finalized.

#### Offering option rights to certain Benefon key people

In June, the Board of Directors decided to issue at maximum 1,500,000 option rights to certain key people of Benefon Oyj for subscription. Each option right entitles its holder to subscribe for one (1) new investment series share at subscription price of EUR 0.14. The option rights are divided into two series with different share subscription period beginning times of July 11, 2007, or June 1, 2009, depending on series. Share subscription period for all options will end on December 31, 2012. The subscription period for option rights will end on 31.12.2007. The issued option rights represented a maximum of 0.48 % of the company's registered shares.

#### 2. Developments after the end of the reporting period

After the end of the reporting period on July 24, 2007, the Company published the prospectus approved by the Finnish Financial Supervision ("FSA"), prepared for listing new shares at Helsinki Exchanges for public trading issued in the share exchange of GeoSolutions acquisition, in the eighth financing tranche and in the set-off issue. On the same day, the Company made public with market bulletin prior undisclosed information included in the prospectus. The Prospectus is available for downloading at the Company website [www.benefon.com](http://www.benefon.com).

#### 3. Operational Review

In the second quarter, focus points of the Company's operations and product development were continuing market launches of TWIG Discovery Pro and TWIG Locator products and further upgrading of their functionalities, on one hand, and integration of client applications for GeoSolutions' GyPSii service into Windows Mobile operating system and development of the GyPSii service portal, on the other hand.

The development of the sales did not meet expectations due to intensified competition and price erosion and, according to the re-focused strategy, the Company decided to focus on services and service solutions where the profitability is significantly better as compared to mobile devices and the working capital fluctuations are easier manageable.

Accordingly, the Company has decided to focus the development resources on the GeoSolutions' Product family.

#### 4. Outlook for the remainder of 2007

During 2007, the Company has established three operating units with businesses based on exploitation of service potential offered by GSM networks, the Internet and the GPS system, in one way or other.

The first unit is the traditional Internet-enabled GPS/GSM mobile handset business, addressing specifically the B2B market but serving also up-segment consumer markets where feasible.

The second is the services and solutions business unit created around the Company's newly acquired Geosolutions B.V., allowing the Company to sharpen its focus within this market.

The third is the Benefon China unit addressing the Personal Navigation Devices (PND) market of emerging, less saturated markets. The creation of Benefon China allows the Company to enter the lucrative PND market within China, and the unit serves as an in-country sales and support center for GyPSii products into China.

In the second half of 2007, the Company is streamlining its operations and has expanded its sales organisation to secure the favourable development of the current and future product sales and is putting measures in place to improve 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. Due to intensified competition and price sensitivity, the delays occurred in the launch of Twig Discovery have decreased its competitiveness in the marketplace. However, the Company expects to sell the remaining stock of finished TWIG Discovery products. In June 2007, the Company made a write-off of 1056 teuros for estimated amounts of excess material.

The Company via its acquisition of Geosolutions has entered into a new business area. Geosolutions is engaged in the business of location aware software and services. The Geosolutions technology provides Benefon with access to a core proprietary search and mobile social networking solution. The acquisition provided the Company with a product, the technology and an experienced team which will allow the company to a) provide an integrated content rich location services platform to its product line, b) exploit the business potential provided by various existing social networks' installed bases and, c) deliver an integrated service solution for most network operators and mobile phone manufacturers. On the other hand, the cost of GeoSolutions personnel has increased the Company's fixed costs.

Within marketing, the focus points are growing of sales volume and expansion of markets and on intensified marketing efforts of network based services and service solutions support applications, especially the launch of the GyPSii service to network operators and service providers.

Production function concentrates in managing the rampdown of TWIG Discovery material inventory and logistics pipeline.

## 5. Financial Review

Financial Performance in the period

The net sales of the company in Q2/2007 were 1140 teuros and in period Q1+Q2/2007 2373 teuros. The comparable net sales in Q2/2006 were 2136 teuros and in period Q1+Q2/2006 3260 teuros.

The operating profit in Q2/2007 was -5694 teuros and in period Q1+Q2/2007 -9817 teuros. The comparable operating profit in Q2/2006 was -919 teuros and in period Q1+Q2/2006 -2126 teuros.

The total of the balance sheet at the end of Q2/2007 was 16892 teuros. The total of the balance sheet at the end of the previous year 2006 was 17397 teuros and at the end of the same period Q2/2006 in the previous year it was 15248 teuros.

The total shareholders' equity at the end of Q2/2007 was 10679 teuros, or about 63% of the balance sheet, when at the end of the previous year 2006 it was 10421 teuros, or about 60%. At the end of the same period Q2/2006 in the previous year it was 11219 teuros, or about 74%.

The book value of interest-carrying debt at the end of Q2/2007, including the capital loans, was 1357 teuros. The total liabilities at the end of Q2/2007 were 6213 teuros, whereas they were 6976 teuros at the end of year 2006 and 4029 teuros at the end of the same quarter Q2/2006 in the previous year. Cash and cash equivalents at the end of the period was 1281 teuros of which 373 teuros were pledged.

The Company adopted the International Financial Reporting System (IFRS) during financial year 2005 and the financial statements for the year 2005 and onwards, including the interim reports, have been prepared according to IFRS.

#### Report on sufficient liquidity in period 07/2007-09/2008

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 07/2007-09/2008	million euros
Cash flow from operations	-5.1
Share subscription payments	6.5
Investments	-0.3
Change in cash	1.1
Cash in the beginning of the period	1.3
Cash at the end of the period	2.4

#### 6. Company information

Founded in 1988 in Finland by early mobile phone pioneers, Benefon is a leader in development of businesses based on exploitation of the service potential offered by GSM networks, the Internet and the GPS system. Benefon is at forefront of innovation and research in this domain.

The number of personnel in quarter 2Q/2007 averaged 84, of whom 23 persons were affected by alternate forced leaves.

Benefon share (BNFSV) is listed on the small cap -list of OMX Nordic Exchange in Helsinki.

Benefon Oyj

Tomi Raita  
CEO

## BENEFON OY INTERIM REPORT 2Q/2007 (NOT AUDITED)

## GROUP INCOME STATEMENT

1000 EUR	2Q/2007	1-2Q/2007	2Q/2006	1-2Q/2006	2006
Net sales	1140	2373	2136	3260	6959
Other operating income	26	26	13	14	25
Increase (+) / decrease (-) in inventories of finished products	324	118	7	-3	2625
Production for own use	0	0	0	0	0
Use of raw materials and consumables	-2138	-2717	-1436	-2142	-7190
Total expense of employees	-1922	-3349	-1199	-2199	-4915
Depreciations	-1256	-1959	-21	-44	-563
Impairment loss	0	0	0	0	-872
Other operating expenses	-1868	-4309	-2208	-3656	-11775
Capitalised R&D expenses	0	0	1789	2644	4163
Operating result	-5694	-9817	-919	-2126	-11543
Financial income	5	18	34	49	145
Financial expenses	-29	-319	-25	-106	-162
Result before taxes	-5718	-10118	-910	-2183	-11560
Income taxes	127	127	0	0	0
Result of the period	-5591	-9991	-910	-2183	-11560
Earnings per share, eur					
Undiluted earnings per share	-0,02	-0,04	-0,01	-0,01	-0,05

Diluted earnings per share has not been computed because dilution effect would improve the key figure.  
The interim financial statements have not been audited.

## GROUP BALANCE SHEET

## REPORTING PERIOD

1000 EUR	Note	30.6.2007	30.6.2006	31.12.2006
ASSETS				
Non-current assets				
Property, plant and equipment		235	264	244

Development costs		1440	2644	2841
Goodwill		216	0	0
Other intangible assets		5532	23	32
Other financial assets		62	61	61
Deterred tax assets		0	0	0
Total		<u>7485</u>	<u>2992</u>	<u>3178</u>

Current assets				
Inventories		5080	1777	6194
Trade receivables and other receivables		2323	2378	4585
Prepaid expenses		723	2044	898
Cash and cash equivalents		1281	6057	2542
Total		<u>9407</u>	<u>12256</u>	<u>14219</u>

Total assets		16892	15248	17397
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#### EQUITY AND LIABILITIES

Shareholders' equity				
Share capital	5	3303	2206	2634
Share issue		1224	0	400
Share premium account	5	15925	15936	15936
Invested distributable equity account	5	12927	0	4866
Retained earnings		<u>-22700</u>	<u>-6923</u>	<u>-13415</u>
Total shareholders' equity		10679	11219	10421

Non-current liabilities				
Deferred tax		1403	0	0
Interest bearing debt	7,8	<u>920</u>	<u>954</u>	<u>2319</u>
Total		2323	954	2319

Current liabilities				
Trade payables and other payables		3296	3028	4500
Provisions		157	47	157
Interest bearing debt	7,8	<u>437</u>	<u>0</u>	<u>0</u>
Total		3890	3075	4657

Total liabilities		6213	4029	6976
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Total shareholders' equity and liabilities		16892	15248	17397
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#### GROUP CASH FLOW STATEMENT

#### REPORTING PERIOD

1000 EUR		1-2Q/2007	1-2Q/2006	2006
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Cash flow from operations

Result of the period	-9991	-2183	-11560
Adjustments	1898	147	4391
Changes in working capital			
Change of trade and other receivables	2437	-2287	-3343
Change of inventories	1114	-495	-4912
Change of trade and other liabilities	-70	958	2540
Paid interest	-1	-24	-62
Received interest payments	12	40	140
Cash flow from operations, net	-4601	-3844	-12806
Cash flow from investments, net	-117	-2816	-4393
Cash flow from financing			
Proceeds from issue of share capital	2993	11676	16476
Transaction expenses of share issues	-144	-296	-1022
Proceeds from long-term borrowings, equity	0	0	1225
Proceeds from long-term borrowings, liabilities	608	0	1725
Cash flow from financing, net	3457	11380	18404
Change in cash	-1261	4720	1205
Cash in the beginning of the period	2542	1337	1337
Cash at the end of the period	1281	6057	2542

## GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital (1000eur)	Share issue (1000eur)	Share premium account (1000eur)	Inv. distrib. equity account (1000eur)	Accrued result (1000eur)	Total (1000eur)
Shareholders' equity 31.12.2005	1313	0	1211	0	-4855	-2331
Share issue, cash	556	0	11120	0	0	11676
Share issue, offset with capital, loans and trade receivables	227	0	4407	0	0	4634
Conversion of convertible bonds into shares	110	0	425	0	0	535
Share issue expenses	0	0	-1227	0	0	-1227
Booked equity from stock options to key personnel and partners	0	0	0	0	115	115
Result of the period	0	0	0	0	-2183	-2183
Shareholders' equity 30.06.2006	2206	0	15936	0	-6923	11219
Shareholders' equity 31.12.2006	2634	400	15936	4866	-13415	10421
Share issue, cash	189	-400	0	3153	0	2942
Share issue, dept set-off		1134				1134

Share issue, share premium acc.	11		-11			0
Share exchange, GeoSolutions	210	90		3900		4200
Conversion of convertible bonds into shares	259	0	0	1778	0	2037
Booked expense of share issues	0	0	0	-770	0	-770
Stock options to key personnel and partners	0	0	0	0	706	706
Result of the period	0	0	0	0	-9991	-9991
Shareholders' equity 30.06.2007	3303	1224	15925	12927	-22700	10679

KEY FIGURES	REPORTING PERIOD				
	2Q/2007	1-2Q/2007	2Q/2006	1-2Q/2006	2006
Net sales, 1000 EUR	1140	2373	2136	3260	6959
Operating result, 1000 EUR	-5694	-9817	-919	-2126	-11543
Result before taxes, 1000 EUR	-5718	-10118	-910	-2183	-11560
Gross investments, 1000 EUR	6215	6266	1945	2816	4393
Average personnel	84	84	82	79	82
Earnings per share, EUR	-0,02	-0,04	-0,01	-0,01	-0,05
Equity per share, EUR	0,03	0,03	0,04	0,04	0,04
Weighted average number of shares in period 1000 pcs	303072	284939	198723	198867	213490
Number of shares at the end of the period, 1000 pcs	330299	330299	220576	220576	263416

#### 1. BASIC INFORMATION ABOUT THE COMPANY

Benefon Oyj ("Group") is a provider of navigation devices intended for personal and professional use, and that of services enabling navigation, tracking and locating by means of personal mobile devices. The Group sells products in 30 countries.

The parent company of the Group is Benefon Oyj. Its registered domicile is Salo, Finland, with street address Meriniitynkatu 11, 24100 Salo, Finland, and mail address PO.Box 84, FIN-24101 Salo, Finland.

Copy of the Group financial statements FY2006 is available at the internet address [www.benefon.com](http://www.benefon.com) or at the company head office at address Meriniitynkatu 11, FIN-24100 Salo, Finland.

#### 2. ACCOUNTING PRINCIPLES FOR THE FINANCIAL STATEMENTS

Foundation:

The group interim report has been prepared in accordance with the International Financial Reporting Standards ("IFRS"), and it has been prepared according to the accounting standard IAS 34.

Interim reports. An interim report shall be read together with the financial statements for year 2006.

Principles of preparation:

The utilised principles of preparation are identical with those utilised by the Group in financial statements for FY 2006.

IASB has published new standards and interpretations and changes in existing standards, application of which is mandatory on 1.1.2007, and which the group has not adopted earlier voluntarily. The group has adopted the following standards (and their amendments) and interpretations from 1.1.2007 onwards:

IAS 1, Presentation of financial statements, amendments in sections 124A-C.  
IFRS 7, Financing instruments: Notes.

IFRS 8, Business segments. The Company provides an assessment about segment reporting in context of the business acquisition.

IFRIC 11, Group and Treasury Share transactions.

IFRIC 12, Service Concession Arrangements. Its new interpretation is not applicable to Group's industry.

New standards, interpretations or amendments have not had significance or essential effect to information in the interim report.

### 3. SEGMENT INFORMATION

The primary reported segments of the group comprise business segments. Number of distinct segments at the moment is one: mobile telematics equipment. Its share of net sales, result and assets was almost 100% in the reporting period and in the prior period.

It is likely that around the acquired GeoSolutions and the established China-unit will be formed reported segments. Net assets of GeoSolutions are about 5 Meur but the company is still in early stage of products and services commercialisation and its effect in the net sales of year 2007 is estimated to be small.

### 4. ACQUISITIONS

Benefon Oyj has on 2.5.2007 acquired the entire share stock of the Dutch firm GeoSolutions BV. The acquisition was realised as a share exchange in which the Company issued 21,000,000 new shares and, upon the terms of the share exchange agreement having been met, will issue 9,000,000 more new investment series shares of the Company. In the interim report, it has been assumed that also the latter part will be realised.

1000 EUR

Acquisition cost to Benefon:

Share issued as payment	4200
Transaction costs	<u>486</u>
Total	4686

## Assets and liabilities at fair value according to IFRS:

IPR	6000
Goodwill	216
Deferred tax liability	<u>-1530</u>
Acquired net assets at fair value	4686

## Net assets of the acquired company at fair value:

IPR	6000
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## 5 SHAREHOLDERS'S EQUITY

	Number of shares (1000)	Share capital (1000eur)	Share Inv. distrib. premium account (1000eur)	equity account (1000eur)	Total (1000eur)
31.12.2006	263416	2634	15936	4867	23437
Share issue 1.2.2007	1667	16		334	350
Share conversion of CBL2007A 22.3.2007	556	6		44	50
Share issue 22.3.2007	4703	47		940	987
Share conversion of CBL2007B 22.3.2007	21071	211		1604	1815
Share issue 10.4.2007	2045	21		409	430
Share Exchange 25.5.2007, GeoSolutions	21000	210		3900	4110
Share issue 28.5.2007	2400	24		336	360
Share capital increase 28.5.2007	1111	11	-11		0
Share conversion CBL2007D 28.5.2007	2630	26		105	131
Share conversion CBL2007E 13.6.2007	1600	16		24	40
Share issue 13.6.2007	8100	81		1134	1215
Costs of share issues 30.06.2007				<u>-770</u>	<u>-770</u>
	<u>330299</u>	<u>3303</u>	<u>15925</u>	<u>12927</u>	<u>32155</u>

Maximum number of shares in the Company, as stipulated in the articles of association, is 1000 million. The share carries no nominal value but the book parity value at the moment is 0.01 euros per share. Maximum share capital is 50 million euros. All outstanding shares are fully paid.

## 6. OPTION RIGHTS

In the reporting period, 9,778,500 new option rights according to IFRS 2 have been issued to key personnel of GeoSolutions and 1,500,000 option rights to other key persons of Benefon. Share subscription price with these options is 0.14 euros.

Option expense booked in the period according to IFRS 2. Received service is compensated as options. In cost booking the counter item is shareholders' equity.

1000 EUR

1-2Q/2007 1-2Q/2006

2006

Options issued in 2005	56	114	58
Options issued in 2006	82	0	2942
Options issued in 2007	568	0	0
Total	706	114	3000

## 7. DEBTS WITH NOMINAL INTEREST

1000 EUR	Nominal loan value 2Q/2007	2Q/2007	2Q/2006	2006
Non-current loans:				
CBL 2004A	955	920	954	898
Current loans:				
CBL 2007C	302	302	0	0
CBL 2007F	135	135	0	0
		437	0	0

## 8. DEBTS WITH NO NOMINAL INTERESTS

1000 EUR	Nominal loan value 2Q/2007	2Q/2007	2Q/2006	2006
Non-current loans:				
Interest-free loan 1450 teur, year 2006	1450	0	0	703
Interest-free loan 1500 teur, year 2006	1500	0	0	718
Total		0	0	1421

Interest-free loans, year 2006, with nominal value of 1450 teur and 1500 teur.

In March 2007, these loans were converted into convertible loan 2007B.

Convertible loan 2007B was converted into shares in April 2007.

## 9. COLLATERAL COMMITMENTS AND CONTINGENCIES

## REPORTING PERIOD

1000 EUR	2Q/2007	2Q/2006	2006
Contingent liabilities relating to chattel mortgage	1711	1667	1689
Collateral for own liabilities:			
Chattel mortgage as collateral for contingent liabilities	12068	12068	12068
Pledgeg non-current financial assets	42	41	41
Pledgeg current financial assets	373	358	373

## 10. RELATED PARTY TRANSACTIONS

Inner circle transactions have been presented in the financial statements for year 2006. No essential changes have taken place in the reporting period.

Interest free loans with a nominal capital of 2950 teuros, raised from Luben Limited in year 2006, were converted in March 2007 into convertible loan 2007B, which was converted into shares in April 2007.

#### 11. EVENTS AFTER THE END OF THE PERIOD

Market bulletins on 24.7.2007

Benefon Oyj published the listing prospectus for new shares issued in share. On the same day, the Company issued a separate bulletin with prior un-published information included in the listing prospectus.