

GENERAL

The Company applied for advanced reorganization completion

The reorganization solution, the Company applied for in April 2003 and received in March 2004 and which in regard to the continuity of the Company, is detailed in the result report of FY 2004 issued on 24.2.2005 and also on the company web site www.benefon.com

The Company reported on 20.4.2005 about the agreement between the Company, the supervisor of the reorganization program, Finnvera, OKO Bank and Sampo Bank ("FOS") according to which the reorganization program of the Company will be applied to be amended to end already on 30.6.2005 instead of the prior confirmed 31.12.2008. The application has been sent to Turku District Court on 28.4.2005.

Providing that the District Court approves the proposed program amendment, the Company will pay off all non-collateralized debts in advance upon the decision of the District Court becoming legally enforceable. With the non-collateralized creditors of the Company will be paid additional payment share which will more than double the payments to the non-collateralized creditors determined in the reorganization program.

In case the District Court decides to amend the re-organization program in accordance with the application, the Company will pull back the regression suits filed in the District Court of Helsinki and reported by the Company in a memo released on 16.12.2003.

Further, the Company and FOS have agreed about certain financial covenants upon fulfilment of which, but not later than 30.9.2008, FOS will waive all claims towards and receivables from the Company and release all collateral provided.

Connected with the reported agreement for an advanced re-organization exit of Benefon Oyj, the Company received a loan of 1.200.000 euros for financing the payments in the agreement. The loan is granted by Benecap Limited, a company in Channel Islands, company and certain third party investors assigned by it. The loan carries no interest and it is to be repaid back at the end of 2007, as latest, subject to legal limitations pertaining to capital loans.

As a part of the negotiated terms and conditions of the loan, the Board commits to issue 2.160.000 option rights directed to the lenders. The exercise price with these options will be 0.14 euros per share, and the exercise period is three years after the issuance of the options.

The advanced completion of the reorganization program the Company has applied for would have no effect to the continuing need of the alternate forced leaves agreed with the personnel on grounds of reorganization. Therefore, the company has agreed with the personnel that, in case the advanced reorganization completion application is approved, the alternate forced leaves will continue as they now are on productive and financial grounds.

Important agreement in Spain

The Company reported on 22.3.2005 about the agreement connected with the program of the Spanish government.

domestic violence in which the Benefon Track Pro product was chosen as the technical solution for the project implemented together with the Spanish Red Cross and Vodafone.

Ismap acquisition completed

Ismap acquisition, secured in the end of 2004, was completed in the beginning of April 2005 when the remaining shares of Ismap were transferred to Benefon. Prior to that on 3.3.2005, the increase of share capital of 3,735.20 euros of the share swap was registered at the Trade Register.

Financing arrangement received for the new product program

In the beginning of April, the Board of the Company decided to enter a licensing agreement for certain deliverables in the product program mentioned in the result report the Company made public on 24.2.2005. In the arrangement, the monthly fees paid by the Company will fall in the bracket from 12,500 to 25,000 euros depending on the value of the licenses, and the arrangement includes an option for the Company to buy out the license rights on agreed terms. The deliverables comprise among others an operating system, moulds, Bluetooth software and other mobile software.

In accordance with the terms of such operating license, the Board decided further to commit to issue a maximum of 2,340,000 option rights, which amount will depend on the actual amount of the licenses extended. The Options were issued to the said leasing company and certain third parties for the agreed performance and deliverables. The price of these options will be 0.14 euros per share, and the exercise period will expire three years after the issuance.

Punk, Ziegel exploring longer term financing solutions

The Company reported in December 2004 about retaining a New York investment bank Punk, Ziegel to explore and evaluate the financing options for securing longer term strategic options of the Company which undertaking

SALES, MARKETING AND BUSINESS DEVELOPMENT

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

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 reported quarter was in excess of 90 %.

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

FINANCIAL PERFORMANCE IN THE PERIOD

The persistent strength of euro against US-dollar has challenged the growing of the sales especially in North also in other markets outside the euro-zone. However, due to successful cost management, the operating loss

The net sales of the company in quarter 1-3/2005 were 1564 teuros, when they were 1880 teuros in the preceding 12/2004. The net sales in the same quarter 1-3/2004 a year before were 1658 teuros.

The operating result before one-off items in quarter 1-3/2005 was -454 teuros. The comparable figure in the period 10-12/2004 was -831 teuros and the same in the same quarter 1-3/2004 a year before was -746 teuros. The net operating period 1-3/2005 was -465 teuros.

The total of the balance sheet at the end of quarter 1-3/2005 was 4406 teuros. The total of the balance sheet at the end of the previous quarter 10-12/2004 was 4876 teuros and at the end of the same period 1-3/2004 a year before it was 4876 teuros. The share of the shareholders' equity of the balance sheet at the end of 1-3/2005, including the capital loans, was 1027 teuros, or about 23%, when at the end of the prior quarter 10-12/2004 it was 1461 teuros, or about 30%. The interest-bearing debt at the end of the quarter, including the capital loans, was 3099 teuros. The total liabilities at the end of the quarter 1-3/2005 were 3365 teuros, whereas they were 3370 teuros at the end of the prior quarter 10-12/2004 and 4536 teuros at the end of the same quarter 1-3/2004 a year before. Of the total liabilities at the end of quarter 1-3/2005, non-current liabilities were 1285 teuros and current liabilities 2080 teuros. Cash at hand and in the banks at the end of the period was 1121 teuros, of which 285 teuros is pledged.

REPORT ON SUFFICIENT LIQUIDITY IN PERIOD 04/2005-06/2006

The account on the sufficient cashflow provided hereinafter is based on the latest business plan. The account includes the payments to the non-collateralized creditors of the re-organization debt and the additional payments according to the amendment of the reorganization program proposed to the District Court.

Cashflow account of period 04/2005-06/2006 / 1000 euros

Operating result before extraordinary items (presuming the said new product program)	523
Depreciations	183
Increase of current receivables	-858
Reduction of inventories	461
Increase of non-interest bearing debt	431
Payment of re-organization debt and additional payments to non-collateralized creditors	-1173
Paid interests	-75
Investments	-201
Raised capital loan	1200
Change of interest bearing debt	0
Change of cash at hand	491

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

INVESTMENTS

The Company made no investments in the reporting period.

PERSONNEL

The number of employed personnel at Benefon in the quarter 1-3/2005 averaged 78. At the end of the quarter personnel was 76 when at the end of the prior quarter 10-12/2004 it was 81 and at the end of the same quarter year before it was 96. In quarter 1-3/2005, the alternate forced leaves touched about 57 people of the employ

FUTURE OUTLOOK

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

EQUITY ISSUE AUTHORITY OF THE BOARD

The ordinary general meeting of 28.5.2004 decided to cancel the authorisation granted on 26.2.2004, and authorized the Board of Directors, within the time limit of one year from the meeting granting the authorization, to decide on the increase of share capital by rights issue, issue of options or convertible bonds in one or more instalments so that in the 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 pre-emptive right of the shareholders, referred to in Chapter 2, Section 2 of the Companies Act, to subscribe for new shares, convertible bonds or options and the right to determine the terms of the subscriptions, those entitled to subscription, the terms and conditions of the subscription and the terms and conditions of the convertible bonds and options. The authorizations may be used in deviation from the shareholders' pre-emptive right provided that there is a weighty financial reason from the company's point of view, such as financing of corporate acquisition or other arrangement relating to the development of the company's business operations or strengthening of the company's balance sheet, to do so.

When the share capital is increased by a rights issue on other basis than convertible bonds or options, the Board of Directors is authorized to decide that the shares can be subscribed for in kind, using the right of set-off or on other special 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.

In addition, the Board has committed to use the authorisation for the increases of share capital by issuing opt

connection with the financial arrangements reported on 12.4.2005 and 20.4.2005. Together, these commitments amount to a total of 45,000 euros of share capital and 4,500,000 shares.

Therefore, the remaining free authorisation for the Board to increase the share capital is 184,592.84 euros corresponding to 18,459,284 shares.

ADOPTING IFRS REPORTING

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

BENEFON OYJ

Tomi Raita
CEO

INTERIM REPORT 1-3/2005

	1-3/05 1000 EUR	1-3/04 1000 EUR	1-12/04 1000 EUR
Net sales	1564	1658	7033
Other operating income	17	6	140
Costs of operations	-1969	-2294	-9776
Depreciation according to plan	-66	-116	-430
Operating profit before one-off items	-454	-746	-3032
One-off items	0	0	-1098
Operating profit	-454	-746	-4130
Financial income and expenses	-11	23	10
Profit before extraordinary items	-465	-723	-4120
Extraordinary income	0	12459	12901
Profit before appropriat. and taxes	-465	11736	8781
Change in deferred tax liabilities	0	0	41
Profit for the period	-465	11736	8822
Fixed assets			
Intangible assets	25	100	30
Tangible assets	209	447	271

Investments	60	30	60
Current assets			
Inventories	2163	4365	2367
Receivables	1036	984	775
Cash in hand and at banks	913	1025	1373
Shareholders' equity	-980	893	-515
Convertible equity bond loan	1126	1130	1126
Capital loan	850	350	850
Obligatory reserves	45	42	45
Long-term liabilities	1285	1863	1285
Current liabilities	2080	2673	2085
Balance sheet total	4406	6951	4876
Gross investments in fixed assets	0	5	101
Average number of personnel	78	97	91
Pledged assets and contingencies			
Liabilities relating to chattel mortgage	1484	1484	1484
Chattel mortgage nominal value	12068	12068	12068
Pledged investments	40	7	40
Pledged deposits	285	0	285
Other commitments	91	0	67
Earnings/share, EUR	-0,00	-0,04	-0,04
Shareholders' equity/share, EUR	-0,01	0,01	-0,00

The interim financial statements have not been audited.

Cashflow account from period 1.1.-31.3.2005 (1000 euros)

Cashflow from operations	
Result before extraordinary items	-465
Adjustments	
Depreciation according to plan	66
Write-off of inventories	0
Cash flow before change in working capital	-399
Change in working capital	
Increase of current receivables	-261
Decrease of inventories	205
Decrease of current liabilities	-5

Cashflow from operations	-460
Cashflow from investments	
Tangible and intangible investments	0

Cashflow from financing	
Paid share issues and capital loans	0
Payments of re-organization debt	0

Cashflow from financing	0
Change in cash	-460
Cash in the beginning of period	1373
Cash at the end of period	913