

HIGHLIGHTS

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Sales increased by 20% from same quarter of prior year

GENERAL

The reorganization program completed 2 1/2 years early

The reorganization solution which the Company applied for in April 2003, was confirmed in March 2004 and was crucial in regard to the continuity of the Company, is detailed in the financial report of FY 2004 issued on 24.2.2005 and available 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 of the Company, Finnvera, OKO Bank and Sampo Bank ("FOS") according to which the reorganization program of the Company will be applied to be amended to end on 30.6.2005 instead of the prior confirmed 31.12.2008. The agreed application was sent on 28.4.2005 to Turku District Court which on 13.6.2005 resolved to approve the application of the Company. The decision of the Turku District Court became legally enforceable on 20.6.2005 and the Company reported after the end of the period on 4.7.2005 that in accordance with the approved program amendment it had paid off all non-collateralized debts. At the same time, the Company also paid to non-collateralized creditors of the Company additional payments which more than doubled the payments to the non-collateralized creditors determined in the reorganization program.

With the Turku District Court having decided to amend the re-organization program in accordance with the application, the Supervisor withdrew the regression suits filed in the District Court of Helsinki as reported by the Company in a market bulletin released on 16.12.2003.

Further, the Company and FOS have agreed 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 will release all collateral provided to them.

The advanced completion of the reorganization program has no direct effect on the alternate forced leaves of the Company which are continuing on production and financial grounds.

Additional financing secured for operations

On 12.4.2005, the Company reported about the financing arrangement for product development. In the arrangement, the selected leasing company Benecap Limited of Jersey, Channel Islands, will acquire from outside suppliers certain deliverables needed in the new product program mentioned in the FY 2004 result report issued on 24.2.2005. These deliverables, including items like the operating system, molds, Bluetooth software, and other mobile software, among others, are licensed to Benefon for utilization in the said new product program. In the arrangement, there is a structure in place for Benefon to buy out the ownership of these operating licenses with agreed terms and conditions. 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 with share exercise price of 0.14 euros each which shall be directed to the investors providing the funds for the license acquisitions.

Connected with the agreement for the advanced re-organization exit of Benefon Oyj outlined above, the Company reported on 20.4.2005 about raising a capital loan of 1,200,000 euros for financing the payments in the agreement. The loan was granted by the said Jersey company Benecap Limited who arranged the loan capital from investors. The loan carries no interest and it will be paid back at the end of 2007, as latest, subject to legal limitations pertaining to capital loans. As part of the negotiated terms and conditions of the loan, the Board of the Company committed to issue 2,160,000 option rights with share exercise price of 0.14 euros each to be directed to the investors providing the funds.

On 6.7.2005 the Company reported further that, in order to ensure the completion of the planned new product development program and to secure sufficient components required for such products as well as the ongoing strategic financing, the company will raise a capital loan of 1,250,000 euros. This loan was arranged by Benecap Limited who arranged the loan capital from investors. The interest of the loan is 8% p.a. and it will be paid back at the end of 2007, as latest, subject to legal limitations pertaining to capital loans. As part of the negotiated terms of the loan, the Board committed to issue a total of 2,500,000 option rights with share exercise price of 0.14 euros to the investors providing the funds.

On 3.8.2005, the Company reported further that the Board of the Company has decided to realize the commitments due to its said earlier three decisions, and to issue the committed total of 7,000,000 option rights to the 26 investors assembled by Benecap Limited in proportion to their contributions. The decision will be implemented by transferring to the investors a total of 7,000,000 options from the option rights granted by the extraordinary general meeting of 26.2.2004 of the Company, the amount of which was originally set at

39,597,988, which were registered in the Trade Register on 16.12.2004 and which currently are being parked at Octagon Capital Ltd. All of these options are exercisable at 0.14 euros per share until 31.1.2008.

The Company reported after the end of the reporting period on 10.11.2005 about additional measures to secure the short term financing of the Company including the convertible bond loan of a total of 500,000 euros, issued to MMA Limited and Biggles Limited and convertible at 0.21 euros per share until end of year 2007, and about a total of 3,300,000 option rights Benefon 2004A, with exercise price of 0.14 euros per share, directed to the said two investors together with Ashland Partners and the COO of the Company. The options will be exercised without delay.

The longer term financing solution of the Company is proceeding

The Company reported in December 2004 about retaining a New York investment bank to explore and evaluate the various financing alternatives for securing the long term financing of the Company. In the update report issued on 13.5.2005 the Company informed that one of the objectives of the on-going strategic financing project is to secure the financing for the said new product program to be realized during the years 2005 and 2006 in a cost effective manner and within the planned timeframe, and that the bank is about to contact interested investors for the purpose of presenting the history, current situation and trading information and the ongoing business development projects of the Company, of which the most central is the said new product program started last autumn.

In the new update report issued on 1.8.2005, the Company informed that the Company's evaluation of various strategic funding alternatives, as referred to in the bulletin dated 26.5.2005, is still on-going and further information will be available towards the end of August 2005.

After this, on 5.9.2005, the extraordinary general meeting decided to authorise the Board of Directors to decide on an increase in the Company's share capital by a maximum of EUR 1.000.000 through a new issue of shares based on pre-emptive subscription rights of the shareholders, by issuing a maximum of 100.000.000 new investment class shares (BNFSV), or convertible loans or option rights that entitle to said shares. The shares each have a counter book value of EUR 0.01. Any shares, convertible loans or option rights that are not subscribed by the shareholders pursuant to the pre-emptive subscription rights of the shareholders may be allocated by the Board of Directors to new investors for subscription. The meeting decided further that the Board of Directors shall decide on the subscription price so that the subscription price may incorporate a discount to the market price prevailing at the time the decision is taken, but shall not be lower than the counter book value of the shares. The principal amount of the capital loans, as defined in the Finnish Companies Act, issued by the Company, excluding any accrued interest thereon, may be used to set-off the subscription price. The Board of Directors was authorised to determine the subscription price and to decide on all other terms and conditions of the share issue. The authorization shall be valid for a period of one year from this decision. The evaluation of the Company's financing alternatives is ongoing and expected to be

completed by the end of this year.

Extraordinary general meeting on 5.9.2005

The extraordinary general meeting of the Company on 5.9.2005, in addition to the authorisation detailed above, also decided about the new option program of 20,000,000 options, about the conditionally promised option package of 1,500,000 options to the previous CEO and about amendment of the terms of the option program of the Company decided on 26.2.2004 to include in the target group also parties in the inner circle of the Company.

Satelinx-LOI about GPS/GSM/GPRS-technology in wrist watch

The Company reported on 8.9.2005 about an LOI signed with Satelinx regarding acquisition of the product designs of a GPS/GSM/GPRS watch currently owned by Satelinx Inc. Benefon will be testing the capability of the GPS/GSM/GPRS watch in relation to its own core technology and will be integrating its' proprietary protocols into the Satelinx watch to test its compatibility and integration into Benefon's back-end solutions. The LOI is subject to the successful testing of the GPS/GSM/GPRS watch and once proven to work will be subject to a royalty based payment arrangement with a maximum payment amount.

Benefon would then launch a bundled solution, which will enable the company to sell its new integrated GPS/GSM/GPRS handheld due out in the 4th quarter of 2005 with multiple watches as a set. This will then enable parents to track their kids as well as Benefon will then be able to provide solutions linked to the elderly.

The Company received a working test unit in October and testing and evaluation is ongoing.

New CEO started and London office opened

The Company informed on 18.7.2005 that the Board of the Company has appointed Mr. Jonathan Bate to the position of Chief Executive Officer, effective from October 15, 2005, and further on 26.8.2005 that the new CEO will begin in the Company already on 19.9.2005. Connected with this, the activity at the prior reported London office started at the end of September. The preceding CEO Tomi Raita, continues in the Company as the Chief Operating Officer. The total number of employees in the UK office stands at five.

Distribution agreement for UK with 20:20 Logistics

After the end of the reporting period on 17.10.2005, the Company reported about signing an exclusive distribution deal with the UK's biggest distributor, 20:20 Logistics, part of the Caudwell Group of companies which includes Dexter Solutions and Phones4U. The agreement will allow 20:20 to distribute Benefon products and services to operators, retail outlets and large corporate users throughout the UK and Ireland. The agreement

contains commitment of 10,000 units shipped after the UK approval and for 185,000 units to be sold annually in order for 20:20 to maintain exclusive distribution arrangement.

Incentive option package for Lextel marketing

On 17.10.2005, the Company reported further that the Board of Benefon has decided to issue an incentive package of 500,000 option rights to Lextel Group who have been contracted by the Company for marketing services in China and Hong Kong. The decided options are part of the 39,597,988 option rights Benefon 2004A decided by the extraordinary general meeting of 26.2.2004 and exercisable at 0.14 euros per share until 31.1.2008.

Financial outlook updated

The Company updated its financial outlook by reporting after the end of the reporting period on 26.10.2005 that its fiscal 2006 revenues and net income are expected to be 66.5 million euros and 7.5 million euros respectively. The company also expects that it will achieve 2005 revenues of approximately 8.46 million euros with a net loss of approximately 2.9 million euros. Benefon also expects fourth quarter 2005 sales to be approximately 2.39 million euros with a net loss of 439,000 euros. The Company expects further that its partnership with China Putian will generate significant manufacturing savings from its new products along with sales opportunities commencing in 2006 and beyond. Consequently, the Company expects to reach profitability in the first quarter of 2006, generating net profit for the full year 2006, and maintaining profitability on an annual basis thereafter.

According to the Company, the schedule of the new product program detailed on 13.5.2005 has stretched, shifting deliveries from the last quarter of this year into the beginning of next year. The strategic outlook provided in the said spring earnings projection has not essentially changed.

The Company underlined that the given estimates are based on facts and assumptions the Company believes to be accurate; however, there is a high degree of uncertainty in these assumptions. Specifically, the Company's ability to achieve its financial forecasts is highly dependent on its ability to complete funding requirements, its ability to meet product development timelines, the success of its partnership with China Putian, its ability to hire and retain qualified employees, its ability to manage its growth, changes and trends in the mobile communications industry in general.

The Company still complemented the given outlook update on 4.11.2005 by informing that the latest financial projection update of 26.10.2005 and the preceding projections do not yet include eventual effects from the Company adapting a financial accounting and reporting system based on the International Financial Reporting System (IFRS) standards, which shall take place in Finland in this year at the latest. The Company is in the process of adapting IFRS based accounting, and the financial statements from this

year 2005, in accordance with the new regulations, will be based on the IFRS.

The Company defends against patent claim in Italy

Benefon Oyj informed on 25.5.2005 about a patent claim raised against the Company by Magi.tel in Rome, Italy, and maintained that in the Company's view the claims were totally groundless both as to any alleged infringement as well as to any liability for damages, and that the Company intends to vigorously defend its no-fault position against all such claims. After the end of the reporting period on 26.10.2005, the Company provided a situational update by informing that, in a hearing in June 2005, the Company provided the court with additional material substantiating its position and refuting the claim of Magi.tel, and, in a new hearing on 19.10.2005, the judge agreed with the requests of the Company to file further evidence supporting its position. The next hearing will be held on 5.4.2006.

China Putian JV and agreements

After the end of the reporting period the Company reported to have entered into an agreement with China Putian to establish a joint venture for the development and manufacturing of GPS mobile phones and Mobile Telematics solutions. The Joint Venture will market the products in China and other agreed-upon world markets. The Joint Venture will be established in Beijing, China, and encompass R&D, manufacturing and sales of GPS mobile equipment and solutions. Under the agreement, Benefon and China Putian will officially establish the joint venture by April 2006 with a minimum of 2 million US dollars of capital. Products from the joint venture will be sold in China under either a China Putian brand or a co-brand and are expected to hit the market next year.

Benefon has also signed a manufacturing agreement with Putian's Beijing Capitel to begin production of its new personal navigation phone expected to be shipping for European distribution later this year. Under the agreement, Capitel is to manufacture a minimum of 200,000 units over a twelve month period and will also allow for Benefon to continue manufacturing in Salo, Finland, as agreed between the parties.

On the same day, Benefon reported further that it had signed distribution deal with one of China's biggest distributors, China Putian International, with the initial committed order being 10,000 units. China Putian International will distribute Benefon products and services to operators, retail outlets and large corporate users throughout mainland China. The agreement allows for China Putian International to market and distribute Benefon's GPS products via any of its subsidiaries and will leverage their strong sales and distribution channels to gain market share in China.

SALES, MARKETING AND BUSINESS DEVELOPMENT

The business of the Company is to offer mobile telematics terminals, software and

solutions for securing lives and property, for improving field management and for personal navigation applications and location based services.

Mobile telematics sales are directed to about 20 countries and the sales efforts were focused especially on customer projects in Europe and in USA. The share of mobile telematics sales of all sales in the reported quarter was almost 100 %.

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 to continue introductions of novel terminal and software products and product versions in the most central markets for increased sales opportunities. Connected with this, the Company has started the new product program centering on years 2005 and 2006 as outlined previously.

FINANCIAL PERFORMANCE IN THE PERIOD

As informed by the Company, the financial information in this interim report is still in accordance with the Finnish accounting practise.

The net sales of the Company increased by 2% from the prior quarter and 20% from the same quarter of the prior year. The operating loss before one-off items stayed on the level of prior quarter but improved from that of the same period in 2004.

The net sales of the company in quarter 7-9/2005 were 2142 teuros, as compared to 2103 teuros in the preceding quarter 4-6/2005. The net sales in the same quarter 7-9/2004 a year before were 1790 teuros.

The operating result before one-off items in quarter 7-9/2005 was -416 teuros. The comparable figure in the previous quarter 4-6/2005 was -401 teuros and the same in the same quarter 7-9/2004 a year before was -590 teuros. The operating result in quarter 7-9/2005, including a 269 teuro write-off of non-current material, was -685 teuros and the net result -720 teuros, whereas in the previous quarter 4-6/2005 the operating result was -401 teuros and net result -1140 teuros. In the same quarter 7-9/2004 a year before, the operating result was -1688 teuros and the net result -1700 teuros.

The total of the balance sheet at the end of quarter 7-9/2005 was 4678 teuros. The total of the balance sheet at the end of the previous quarter 4-6/2005 was 4137 teuros and at the end of the same period 7-9/2004 a year before it was 4926 teuros. The share of the shareholders' equity of the balance sheet at the end of 7-9/2005, including the capital loans, was 1584 teuros, or about 34%, when at the end of the prior quarter 4-6/2005 it was 1056 teuros, or about 26%. The interest-carrying net debt at the end of the quarter, including the capital loans, was 4349 teuros. The total liabilities at the end of the period 7-9/2005 were 3049 teuros, whereas they were 3036 teuros at the end of the prior quarter 4-6/2005 and 4547 teuros at the end of the same quarter 7-9/2004 a year before. The total

liabilities at the end of quarter 7-9/2005 were 3049 teuros, all non-current. This figure includes 1627 teuros worth of collateralized debts and interests which in accordance with the re-organization exit agreement will be waived and booked as income by 30.9.2008 at the latest. Cash at hand and in the banks at the end of the period was 1523 teuros of which 352 teuros was pledged.

REPORT ON SUFFICIENT LIQUIDITY IN PERIOD 10/2005-12/2006

The account on the sufficient cashflow provided hereinafter is based on the latest business plan. Existing order stock does not make a significant part of the estimated sales in the period. The account includes the re-payments of the re-organization debt according to the re-org program and the proceeds from the Rights Issue and the offering to investors.

Cashflow account of period 10/2005-12/2006 / million euros

Operating result before extraordinary items (presuming the said new product program)	7.1
Depreciations (mainly of R&D- capitalization)	3.3
Increase of current receivables	-10.3
Increase of inventories	-7.5
Increase of non-interest bearing debt	2.3
Paid interests	-0.3
Investments (mainly R&D- capitalization)	-13.1
Share subscriptions and convertible loans	20.0
Change of interest bearing debt	0.0
Change of cash at hand and in the banks	1.5

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

INVESTMENTS

The Company made no investments in the reporting period.

PERSONNEL

The number of employed personnel at Benefon in the quarter 7-9/2005 averaged 74. At the end of the quarter, the number of personnel was 74 when at the end of the prior quarter 4-6/2005 it was 76 and at the end of the same quarter 7-9/2004 a year before it was 88. In quarter 7-9/2005, the alternate forced leaves effected about 33 people of the employed personnel.

FUTURE OUTLOOK

On 26.10.2005 the Company updated the revenue and profitability projections for the year 2005. In the projection, the Company estimates the sales will increase and the result improve in the final quarter of the year. The Company underlined that the estimates are based on facts and assumptions the Company believes to be accurate but that there is a high degree of uncertainty in these assumptions. Specifically, the Company's ability to achieve its financial forecasts is highly dependent on its ability to complete funding requirements, its ability to meet product development timelines, the success of its partnership with China Putian, its ability to hire and retain qualified employees, its ability to manage its growth, changes and trends in the mobile communications industry in general. Also, the evolution of the euro-dollar parity may affect the outlook.

On 4.11.2005, the Company still complemented the given outlook update by informing that the latest financial projection update of 26.10.2005 and the preceding projections do not yet include eventual effects from the Company adapting a financial accounting and reporting system based on the International Financial Reporting System (IFRS) standards, which shall take place in Finland this year at the latest. The Company is in the process of adapting IFRS based accounting, and the financial statements for the current fiscal year 2005, in accordance with the new regulations, will be based on the IFRS.

EQUITY ISSUE AUTHORITY OF THE BOARD

The ordinary general meeting of 26.5.2005 decided to cancel the authorisation granted on 28.5.2004, 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 issue of convertible bonds or options or in the rights issue a total maximum of 25,630,809 new investment shares with a book parity 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 256,308.09 euros.

The authorization includes the right to deviate from the pre-emptive 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 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 the company's balance sheet.

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 specific terms.

As reported on 10.11.2005 and detailed hereafore in section General, this authorisation was used for directing to the two outside investors a convertible bond loan of a total maximum of 500,000 euros, convertible into a maximum of 2,380,952 new shares at the maximum at 0.21 euros per share until the end of year 2007, due to which the share capital of the Company may increase by 23,809.52 euros at the maximum. After this, the remaining authority of the Board to increase share capital is for 232,498.57 euros.

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 standard are proceeding. No precise estimates for the effects from the adoption of the IFRS standards can yet be offered.

BENEFON OYJ

Jonathan Bate
CEO

INTERIM REPORT 1-9/2005

	7-9/05 1000 EUR	4-6/05 1000 EUR	7-9/04 1000 EUR
Net sales	2142	2103	1790
Other operating income	0	0	36
Costs of operations	-2302	-2461	-2294
Depreciation according to plan	-114	-117	-116
Operating profit before one-off items	-590	-865	-746
One-off items	-1098	0	0

Operating profit	-1688	-865	-746
Financial income and expenses	-12	16	23
Profit before extraordinary items	-722	-849	-1700
Extraordinary income	0	0	0
Profit before income taxes	-722	-1140	-1700
Profit for the period	-722	-1140	-1700
Fixed assets			
Intangible assets	17	21	54
Tangible assets	127	148	268
Investments	60	60	63
Current assets			
Inventories	1256	1811	2818
Receivables	1695	1370	1653
Cash in hand and at banks	1523	727	70
Shareholders' equity	-2842	-2120	-1639
Convertible equity bond loan	1126	1126	1126
Capital loan	3300	2050	850
Obligatory reserves	45	45	42
Long-term liabilities	0	0	1860
Current liabilities	3049	3036	2687
Balance sheet total	4678	4137	4926
Gross investments in fixed assets	0	0	2
Average number of personnel	74	76	90
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	352	352	0
Other commitments	158	115	0
Earnings/share, EUR	-0,01	-0,01	-0,01
Shareholders' equity/share,	-0,02	-0,02	0,00

EUR

The interim financial statements have not been audited.

INTERIM REPORT 1-9/2005

	1-9/05 1000 EUR	1-9/04 1000 EUR	1-12/04 1000 EUR
Net sales	5809	5154	7033
Other operating income	17	49	140
Costs of operations	-6939	-7057	-9776
Depreciation according to plan	-158	-347	-430
Operating profit before one-off items	-1271	-2201	-3032
One-off items	-269	-1098	-1098
Operating profit	-1540	-3299	-4130
Financial income and expenses	-787	27	10
Profit before extraordinary items	-2327	-3272	-4120
Extraordinary income	0	12459	12901
Profit before income taxes	-2327	9187	8781
Change in deferred tax liabilities	0	0	41
Profit for the period	-2327	9187	8822
Fixed assets			
Intangible assets	17	54	30
Tangible assets	127	268	271
Investments	60	63	60
Current assets			
Inventories	1256	2818	2367
Receivables	1695	1653	775
Cash in hand and at banks	1523	70	1373
Shareholders' equity	-2842	-1639	-515
Convertible equity bond loan	1126	1126	1126
Capital loan	3300	850	850
Obligatory reserves	45	42	45
Long-term liabilities	0	1860	1285

Current liabilities	3049	2687	2085
Balance sheet total	4678	4926	4876
Gross investments in fixed assets	0	43	101
Average number of personnel	76	93	91
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	352	0	285
Other commitments	158	0	67
Earnings/share, EUR	-0,02	-0,04	-0,04
Shareholders' equity/share, EUR	-0,02	0,00	-0,00

The interim financial statements have not been audited.

Cashflow account from period 1.1.-30.9.2005 (1000 euros)

Cashflow from operations	-2327
Adjustments	
Depreciation according to plan	158
Additional payments to re-organization creditors	720
<hr/> Cash flow before change in working capital	-1449
Change in working capital	
Increase of current receivables	-920
Decrease of inventories	1111
Increase of current liabilities	35
<hr/> Cashflow from operations	-1223
Cashflow from investments	
Tangible and intangible investments	0

Cashflow from financing	
Paid share issues and capital loans	2450
Payments of re-organization debt	-1077

Cashflow from financing	1373
Change in cash	150
Cash in the beginning of period	1373
Cash at the end of period	1523