

BENEFON

BENEFON OYJ

ANNUAL REPORT 2005



The twelve months ahead promise to be exceptional for the mobile phone industry, even by its own trail-blazing standards. This year, Benefon, with the launch of the TWIG brand, aims to be firmly at the vanguard developing a new handset category - a combined GSM/GPS handset.

As for the last twelve months, this has been a period of transition for the company. In order to ready ourselves for a period of significant growth, the company has undergone necessary restructuring, re-financing and we have formed an exceptional management team to realise our launch and growth ambitions.

Within the months to come we will launch the TWIG brand with Discovery, dubbed as the first mobile phone in the world with an in-built sense of direction. Consumers will therefore have their own Personal Navigation handset, the channel a premium product to sell, and operators a new suite of services that will further drive-up data usage.

We're using our GPS and telematics experience to deliver exciting new phone features and services and add significant value to the mobile market.

Our research has clearly substantiated that the market is ready for TWIG and everyone in the organisation will play a crucial role, ensuring that TWIG becomes the standard form of personal navigation.

A key imperative of our plan for growth is the network of strategic partnerships which we have been developing. Such examples being, Ross Lovegrove, the leading international designer, who has been commissioned to develop the extended portfolio of TWIG Personal Navigation mobile devices. Ross's background includes working with Tag Heuer, Sony and Apple and his appointment only serves to underline our intent to make TWIG an exciting and iconic global brand. And secondly there is China Potevio, our manufacturing partner in China, who will also market and distribute the TWIG Discovery throughout China.

I would like to conclude by thanking all of our employees, shareholders and partners for their continued support.

BENEFON OYJ BOARD REPORT AND FINANCIAL STATEMENTS FY 2005

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BOARD REPORT ABOUT FINANCIAL YEAR 2005**GENERAL**

The financial year 2005 of the company was characterised by stabilizing the business and creating basis for sufficient financing solution required for realizing new business plan. As major events, the company managed to conclude the reorganisation program in advance, get new product program launched, enter into certain important partnership agreements and make some important groundwork for finding sufficient financing solution. Additionally, the company's management was strengthened and marketing operations activated through the UK subsidiary in London.

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.

Company adopted the International Financial Reporting System (IFRS) during financial year 2005 and the financial statements for the year 2005 have been prepared according to the IFRS standards.

There were no significant changes in the operational environment during the year.

SIGNIFICANT EVENTS AFTER THE END OF FINANCIAL YEAR

Directed share issue

The company arranged a directed share issue to shareholders and investors in January 2006 for implementing the prepared financing solution. The offering and listing prospectus for the issue was published on January 18, 2006. In the share issue 53 shareholders and 25 investors subscribed for a total of 78,293,102 new investment series shares (BNFSV) of the company at the share subscription price of EUR 0,21. Total subscription price received by the Company was EUR 16,441,551.42, of which EUR 11,676,082.32 was paid in cash and EUR 4,765,469.10 using receivables from the company for set-off.

By virtue of the subscriptions company's share capital was increased by the decision of extraordinary general meeting of January 31, 2006 by EUR 782,931.02 from EUR 1,312,540.46 to EUR 2,095,471.48 and the number of outstanding shares from 131,254,046 shares to 209,547,148 shares. Increase in the share capital was registered in the trade register on February 9, 2006, and the new shares listed for trading in Helsinki Stock Exchange along with company's existing investment series shares on February 10, 2006.

Relating to the share issue, the general meeting of January 31, 2006 decided also to increase the number of Board members from four to five and elected Mr. David Francis as a Board member. In addition the said general meeting resolved on amending articles 4§ and 5§ of the Articles of Association such that the maximum number of shares was raised to 500,000,000. Further, the meeting resolved to cancel the authorisation granted by the extraordinary general meeting of September 5, 2005 to increase share capital by a rights offering.

Other events

In total 20,000,000 option rights of series Benefon 2005B issued by the extraordinary general meeting of September 5, 2005 were by the decision of the board

of directors offered for subscription by Octagon Capital Limited for holding purposes and accordingly subscribed by Octagon Capital Limited on April 19, 2006.

The company launched its new TWIG brand for the consumer market and the first TWIG navigation device on February 14, 2006 in the annual 3GSM convention for the mobile phone industry held in Barcelona.

At CeBIT exhibition held in March 2006 in Hannover, Germany, the company launched the TWIG Locator positioning device the sales of which is estimated to commence during the third quarter 2006. The TWIG Locator is targeted to replace Benefon TrackKeeper product by the end of year 2006.

SALES, MARKETING AND BUSINESS DEVELOPMENT

Mobile telematics sales are directed to about 20 countries and the sales efforts were focused especially on customer projects in Western Europe and other targeted markets. The share of mobile telematics sales of all sales in the reported quarter was nearly 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. New TWIG products will strengthen company's product offerings also in the consumer navigation market.

During the financial year the R&D-activities focused on development and realization of the new TWIG product generation. The company made a strategic decision to enter into the growing consumer personal navigation market. The TWIG branded integrated GPS devices will focus on personal navigation and location based services applications.

RISK MANAGEMENT

Benefon's business risks have been widely explained in prospectus published on January 18, 2006. Overall the biggest business risks of the company relate to failure to get the new TWIG product line in the markets on time to keep the competitive edge given by the innovative design and technological solutions. Additionally the new products will be essential since the sales of current product line is getting closer to end of its life cycle. As intellectual property rights and innovations are essential to company's success it has commenced internal projects to improve the management and protection of its key assets. Besides the above mentioned factors the company does not see any specific risk factors that would be different to risks of any company within the same line of business.

Company has paid special attention to improve its risk management by recruiting experienced resources and strengthening its management team. Benefon has also commenced an internal improvement plan, which also as a part of the plan includes improving risk management.

The company's overall financial performance is effected by exchange rate fluctuations. Exchange rate risks arises from exports and imports. The main account currency is the euro. The company also has invoicing in US dollars. The company imports it's products from China and pays in US Dollars. However such purchases are effected by the Chinese RNB which at present is facing extreme volatility. Benefon Oyj doesn't have any long-term foreign exchange commitments

ENVIRONMENTAL ISSUES

The company's products are mainly manufactured by its subcontractors in China. The subcontractors have by agreement warranted to Benefon that they comply with all applicable environmental laws and regulations. Only a small portion of production consisting of the old product line is manufactured by Benefon in its facilities. Benefon follows all laws and regulations that affect on these activities.

The company has also taken the EU Directive for Restriction of Hazardous Substances into account in its operations. The directive will become effective in the European Union from July 1, 2006 onwards. Directive prohibits selling and marketing products including hazardous materials covered by the directive, such as lead, cadmium and other heavy metals within the EU. The Company is preparing its production process to comply with the requirements of the directive by the effective date of June 30, 2006, which will be challenging regarding the management of production logistics and customer service of the old products including components with certain hazardous substances listed in the directive. However, Benefon does not believe this having any significant effect on company's financial performance.

FINANCIAL DEVELOPMENT IN THE REPORTING PERIOD

The net sales of the Company in quarter 10-12/2005 were 1753 teuros when in the previous quarter 7-9/2005 they were 2142 teuros. In the whole year 1-12/2005 the net sales were 7562 teuros. The net sales in the prior year 1-12/2004 were 7033 teuros.

The operating result in quarter 10-12/2005 was -1073 teuros, which was 178 teuros better than the operating result -1251 teuros in prior quarter 7-9/2005. The operating result in whole year 1-12/2005 was -3398 teuros, which was 492 teuros better than the operating result -3890 teuros in the prior year 1-12/2004.

In the financial period 1-12/2005, the Company had exceptional expense and income items related with the reorganization in form of the additional payments of 720 teuros to reorganization creditors and the booking as profit of the waived bank debts of 1616 teuros with interest, the net effect of which on the result of the period was 896 teuros.

The total of the balance sheet at the end of the quarter 10-12/2005 was 4974 teuros. In the balance sheet, there were no capitalizations of R&D expenses. At the end of the prior quarter 7-9/2005, the total of the balance sheet was 4847 teuros, and at the end of the prior year 1-12/2004 it was 4964 teuros.

The share of the equity capital of the balance sheet at the end of the quarter 10-12/2005 was -2331 teuros, or about -47%, when at the end of the prior quarter 7-9/2005 it was -1760 teuros, or about -36%, and at the end of the prior year 1-12/2004 it was -184 teuros, or about -4%.

The interest bearing net debt at the end of the quarter 10-12/2005 was 2886 teuros in book value and 3226 teuros in nominal value. Of this debt, being in form of capital loans and a convertible loan, a total of 2100 teuros in nominal value was used for set-off in the share issue of January 2006.. In addition, in February and April 2006 a total portion of approximately 87 teuros in nominal value of the convertible loan 2004A was converted into shares of the company which amount was thus also converted into shareholders' equity.

The total of liabilities at the end of the quarter 10-12/2005 was 7305 teuros, of which non-current liabilities amounted to 985 teuros and current liabilities to 6320 teuros. At the end of the previous quarter 7-9/2005 the total of liabilities was 6607

teuros, and at the end of the prior year 1-12/2004 it was 5148 teuros. The amount of cash at the end of the period was 1337 teuros, of which 362 teuros under pledge.

The company's overall financial performance for the year ended 2005 was marginally improved when compared to the prior year.

Sales increased as a result of continued efforts to focus on specific markets along with a tighter overall control on costs.

INVESTMENTS

The investments of the company in the financial year 1-12/2005 were 40 teuros which all were realised in the final quarter 10-12/2005.

PERSONNEL

The number of employed active personnel at Benefon decreased during the financial year about 6% from 81 at the beginning of the year to the year-end figure 76 of which 35 persons were affected by alternate forced leaves. As average, the number of personnel was 76.

FUTURE OUTLOOK

After closing the sufficient financing in February 2006, the company will concentrate on finishing its new product range and implementing its published business plan, the crucial part of which is to start the sales of the TWIG product range in chosen markets and to strengthen the brand identity. The financial result of year 2006 will be strongly dependent on getting the new TWIG products in markets and success in their sales. The deliveries of the first product of this product program, TWIG Discovery, were originally planned to begin during the first year quarter 2006. Due to unforeseeable delays in production phase the project has been delayed and according to latest estimates the sales are targeted to start at the beginning of the third quarter 2006.

The introduction of TWIG Discovery was delayed due to the integration of the various complex software requirements. Benefon's technology encompasses amongst others the following: Benefon telematics server which includes tracking, emergency button functionality and location based software, Benefon personal navigation software and mobile phone operating software solution.

Ensuring all the above function in the required manner along with the ensurance of the conformity with the standards and integrating such software into a mobile device has stringent testing requirements. In order to ensure a successful launch of TWIG Discovery Benefon have taken the decision to make sure the device is fully compliant in all circumstances and this has caused additional test time along with additional compliance time and has resulted in a delayed launch of the product.

Benefon expects to receive during June confirmation that the device fully conforms with the requirements of the standards. Network testing and approval by market will then follow based on the needs of customer requirements

The company will estimate the need to update the financial forecast for 2006 published on January 12, 2006 as soon as the start date for deliveries of TWIG Discovery can be confirmed.

Due to above delays with new TWIG products the financial result of the first six months of 2006 seems to fall under the level budgeted in company's managerial accounting. The most important reasons for this are that company's current product line is getting closer to end of its life cycle and the sales are decreasing a bit faster than originally expected. At the same Benefon has invested heavily in the development of its new TWIG product line which due to above-mentioned reasons has been delayed. This has had a clear negative impact on company's financial performance during the first six months. The launch of new product line is expected to turn sales and profitability in clear growth.

SPECIAL MEASURES DURING THE FINANCIAL PERIOD FOR IMPROVING THE FINANCES OF THE COMPANY

The finances of the company were strengthened during the reporting period by means of a licensing arrangement of R&D-deliverables, raising capital loans and a convertible bond loan and issuing option rights, by virtue of which the company received an additional financing of approximately 4684 teuros. The said measures have been reported in more detail in market bulletins issued by the company on April 12, 2005, April 20, 2005, July 6, 2005, and November 10, 2005 and in the offering and listing prospectus published on January 18, 2006. The capital of the raised capital loans and the convertible bond loan was used in full for set-off to subscribe for new shares in the directed share issue of January 2006 described in more detail in the prior section "Significant Events After the End of the Financial Year".

In the said directed share issue, the Company received an additional financing of a total of EUR 16,441,551.42 of which EUR 11,676,082.32 was paid in cash and EUR 4,765,469.10 by using receivables from the company for set-off.

CONVERTIBLE BOND LOANS

In November 2005, by virtue of the authorisation granted by the annual general meeting of May 26, 2005, the board of directors decided to increase the share capital of the company by a maximum of EUR 23,809.52 by issuing in deviation from the shareholders' pre-emptive right to MMA Limited and Biggles Limited a convertible bond loan Benefon 2005A with a total maximum capital of EUR 500,000. The loan was raised to secure financing of the company until implementation of the then prepared financing solution. Subsequently, after the end of the reporting period in February 2006, the entire loan capital was converted into 2,380,952 new investment series shares.

Additionally, a part of the convertible loan Benefon 2004A was converted into 1,865,247 new investment series shares in February 2006 and part into 6.782.713 investment series share in April 2006. After these conversions, the remaining loan capital of the convertible bond loan 2004A is EUR 1,039,721.94 in nominal value which can be converted into a maximum of 103,972,194 new investment series shares of the company by December 31, 2008.

OPTION RIGHTS ISSUED OR DECIDED DURING THE REPORTING PERIOD

The extraordinary general meeting of September 5, 2005 resolved on a new option program Benefon 2005A which entitles the prior CEO and current COO of the company to

subscribe for a maximum of 1,500,000 option rights in three equal classes on certain conditions. The options are granted provided that the set pre-conditions for each class are fulfilled by July 1, 2007 at the latest. The same extraordinary general meeting decided further to adopt a new option plan Benefon 2005B consisting of a maximum of 20,000,000 new option rights divided into four series. For the new plan the share subscription price was determined to range from EUR 0.4250 to EUR 1.020 depending on option series.

In August 2005, the company transferred the committed option rights, as reported in market bulletins of April 12, 2005, April 20, 2005 and July 6, 2005, relating to the agreed licensing and leasing arrangement for R&D-deliverables and to the two capital loans, all arranged by Benecap Limited, a Jersey, U.K. company. The total number of the said committed option rights was 7,000,000, distributed between the 25 investors in proportion to their contributions. The transferred options were of series 2004A, exercisable at 0.14 euros per share by January 31, 2008.

In October 2005 the company issued an incentive package of 500,000 series 2004A option rights to Lextel Group that has been contracted by the company for marketing services in China and Hong Kong.

In November 2005 the company issued a total of 3,300,000 series 2004A option rights to MMA Limited, Biggles Limited, Ashland Partners and Mr. Tomi Raita. All options were issued on the condition that all subscribers will exercise the agreed proportion of option rights without undue delay. Of the issued option rights, 3,100,000 were used for share subscription in December 2005.

After the said issuances of option rights 2004A, the remaining number of series 2004A option rights held by Octagon Capital Limited and at the Board's disposal is 28,797,988.

EQUITY ISSUE AUTHORITY OF THE BOARD

The annual general meeting of May 26, 2005, decided to cancel the authorization granted on May 28, 2004, and authorized the Board of Directors within one year from the meeting to decide on the increase of share capital by rights issue or issue of options or convertible bonds in one or more installments, such that maximum number of new investment series shares is 25,630,809. Therefore, the share capital may based on the authorization be increased by a maximum of EUR 256,308.09. The authorization includes the right to deviate from the pre-emptive right of the shareholders and right to decide that the shares can be subscribed for in kind, using the right of set-off or on other specific terms.

The authorisation has been used in November 2005 when the board of directors decided to increase the share capital of the company by a maximum of EUR 23,809.52 by issuing a convertible bond loan with a loan capital of EUR 500,000. By virtue of the authorization the share capital can still be increased at maximum by EUR 232,498.57.

ADOPTION OF IFRS-ACCOUNTING

The company adopted the International Financial Reporting System (IFRS) during financial year 2005 and the financial statements for year 2005 have been prepared and presented according to the IFRS standards. In the market bulletin issued by the company on January 12, 2006 about adoption of IFRS reporting the company has detailed the most essential changes in preparing and presenting the group financial statements caused by the adoption of IFRS reporting.

BENEFON OYJ GROUP INCOME STATEMENT

1000 EUR	Note	1.1.-31.12.2005	1.1.-31.12.2004
Net sales	3	7562	7033
Other operating income	5	85	140
Increase (+)/decrease (-) in inventories of finished products		-41	-27
Production for own use		0	0
Use of raw materials and consumables		-4187	-5023
Total expense of employees	8	-3247	-3556
Depreciations	7	-185	-430
Business value adjustments	7	0	-41
Other (operating) expenses	6	<u>-3385</u>	<u>-1986</u>
OPERATING RESULT		-3398	-3890
Financial income	10	1630	12935
Financial expenses	11	<u>-1423</u>	<u>-328</u>
RESULT BEFORE TAXES		-3191	8717
Income taxes	12	<u>0</u>	<u>41</u>
RESULT FOR THE PERIOD		-3191	8758
Earnings per share, EUR	13		
Basic earnings per share, EUR		-0,03	-0,04

In computing the earnings per share, neither reorganization debt cuts nor additional payments have been included.

Diluted earnings per shares has not been computed because dilution effect would improve the key figure.

BENEFON OYJ GROUP BALANCE SHEET (IFRS)

1000 EUR	Note	31.12.2005	31.12.2004
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	132	271
Goodwill	15	0	0
Other intangible assets	15	27	30
Other financial assets	16	61	60
Deferred tax assets	17	0	0
		<u>220</u>	<u>361</u>
CURRENT ASSETS			
Inventories	18	1282	2306
Trade receivables and other receivables	19	1566	853
Prepaid expenses		569	71
Cash and cash equivalents	20	1337	1373
		<u>4754</u>	<u>4603</u>
TOTAL ASSETS		4974	4964
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	21	1313	1278
Share issue		0	4
Share premium account	21	1211	26034
Retained earnings		-4855	-27500
		<u>-2331</u>	<u>-184</u>
Total shareholders' equity		-2331	-184
Non-current liabilities			
Deferred tax liabilities	17	0	0
Interest bearing debt	24	985	2946
		<u>985</u>	<u>2946</u>
Current liabilities			
Trade payables	25	4372	1958
Provisions	23	47	45
Interest bearing debt	24	1901	199
		<u>6320</u>	<u>2202</u>
Total liabilities		7305	5148
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		4974	4964

GROUP CASH FLOW STATEMENT

1000 EUR	Note	1.1.-31.12.2005	1.1.-31.12.2004
CASH FLOW FROM OPERATIONS			
Result of the period		-3191	8758
Adjustments	27	-764	-12343
Changes in working capital:			
Change of trade and other receivables		-1211	221
Change of inventories		1024	1966
Change of trade and other liabilities		-142	-1706
Benecap product development license agreement		1300	0
Paid interests		-44	-24
Received interest payments		14	34
Cash flow from operations, net		-3014	-3094
Cash flow from investments, net		-40	-85
CASH FLOW FROM FINANCING			
Proceeds from issue of share capital		434	2814
Transaction expenses of share issues		-9	-80
Proceeds from long term borrowings, equity		313	427
Proceeds from long term borrowings, liability		2637	1553
Payments of reorganization dept		-357	-217
Net cash flow from financing		3018	4497
Change in cash, increase (+)/decrease (-)		-36	1318
Cash on January 1		1373	55
Cash on December 31		1337	1373

Benefon Oyj Group Statement of Changes in Shareholders' Equity (IFRS)

	Share capital (1000eur)	Share issue (1000eur)	Share prem account (1000eur)	Accrued result (1000eur)	Convertible bond loan (1000eur)	Total (1000eur)
Shareholders' equity 31.12.2003	6371	0	22273	-42548	1750	-12154
Impact of implementation of IFRS	0	0	1135	-62	-1750	-677
Adjusted sh.hold. equity 1.1.2004	6371	0	23408	-42610	0	-12831
Share conversion of convertible loan	226	0	457	0	0	683
Share issues	1033	0	1781	0	0	2814
Ismap acquisition	0	4	41	0	0	45
Decrease of share capital	-6352	0	0	6352	0	0
Share issue expenses	0	0	-80	0	0	-80
Equity portions of liabilities	0	0	427	0	0	427
Result of the period	0	0	0	8758	0	8758
Shareholders' equity 31.12.2004	1278	4	26034	-27500	0	-184
Share issues	35	-4	403	0	0	434
Paid prior year losses	0	0	-25577	25577	0	0
Share issue expenses	0	0	-9	0	0	-9
Booked expense of stock options to key personnel and partners	0	0	0	258	0	258
Equity portions of liabilities	0	0	360	0	0	360
Result of the period	0	0	0	-3190	0	-3190
Shareholders' equity 31.12.2005	1313	0	1211	-4855	0	-2331

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. BASE INFORMATION OF THE COMPANY

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

Copy of the group financial statements is available at the internet address www.benefon.com or at the company head office at address Meriniitynkatu 11, FIN-24100 Salo, Finland.

2. ACCOUNTING PRINCIPLES FOR THE FINANCIAL STATEMENTS

Accounting principles:

This is the first financial statements of the group prepared in accordance with the International Financial Reporting Standards ("IFRS") and applying the IAS and IFRS standards and the SIC and IFRIC interpretations valid on 31.12.2005 and as approved by the EU have been followed.

The group has adopted the international IFRS-accounting during year 2005 and prepared the opening balance sheet in accordance with IFRS-standards on the transit date 1.1.2004 together with the comparison from year 2004. The company issued on 12.1.2006 the IFRS adoption bulletin in which the most essential effects from the adoption were outlined. In addition, in this bulletin there were presented the clearing accounts for result and shareholders' equity.

The group financial statements have been prepared on the basis of original purchase costs except financial assets and liabilities, except sellable financial assets or financial assets and liabilities expensed at fair value. Payments with shares have been booked at fair value on their provision date. Numeric information is presented in thousands of euros.

Preparation of financial statements according to IFRS standards prescribes by the management certain valuations and consideration in application of the preparation principles. Management evaluations have affected eg. the amounts of assets, liabilities and expenses in reporting period. Evaluations are based on the best view of the management at the moment but it is possible that the realised figures deviate from the estimates used in the financial statements.

Accounting principles

Consolidation principles:

The group financial statements include the parent company Benefon Oyj and the 100% owned subsidiaries Benefon S.A. until 30.11.2004, Ismap S.A. from 31.12.2004 onwards and Benefon UK started in year 2005. Intragroup shareholdings have been eliminated by means of purchase method. Intragroup business transactions and internal receivables and liabilities have been eliminated.

Foreign currency transactions:

The group financial statements are presented in euros, being both the operational and presentation currency. Business transactions in currencies are converted into euros by using the parity value of the transaction date, and the receivables and liabilities by using the parity values on the date of the financial statements.

Tangible assets:

Tangible assets are valued at the original acquisition cost less the accrued amortizations and devaluations. Asset items are amortized with even write-offs over the economic utility period which for machines and furniture has been 5 years. Residual value of the asset items and their economic utility period are checked at with every financial statement and adjusted as needed.

Sales profits and losses incurred with decommissioning and sale of asset items are included either in other income or in other expenses of operations.

Intangible items:

Goodwill is not amortized but values are tested annually for impairment. The goodwill is valued at original cost less impairment.

Purchase expense of software is booked as intangible assets if they will generate future economic benefit. Capitalized software is amortized with straight-line method over useful life which has been 5 years. Other intangible assets are amortized with straight-line method over 10 years.

Research costs are expensed.

Research expenses are capitalized in the balance sheet as intangible asset items on date when the product is technically realizable, it can be exploited commercially and it is expected to generate future economic benefits. The financial pre-requisites for such capitalization have first been met with the completed financial arrangement in first part of 2006.

Amortizations are booked from an asset item when it is ready for use.

The economic utility period for capitalized product development expenses is 2-3 years, within which they are booked as expense with straight line method.

Acquisition expenses of computer software is booked in the balance sheet as intangible asset items if they generate future economic benefit. Capitalized computer software is amortized with even allotments over economic utility period which has been 5 years.

Other intangible asset items are amortized with straight line method over a 10 year period.

Inventories:

Inventories are valued at acquisition cost or a lower net realization value. Acquisition cost is based on FIFO-principle. Acquisition cost of finished and work-in-process consists of raw materials, cost of direct labour and other direct costs and of a proportion of fixed manufacturing costs determined at normal factory load. Net realization value is the estimated sales price received in normal business situation less the costs of completion and selling expenses.

Rental agreements:

The company has no financing leasing agreements. Other rental agreements may be terminated with 3-12 month notice. Rent payments based on other rental agreements are expensed.

Impairment:

The group evaluates on every book closing date whether there are indications that the value of some asset item has been decreased. With any such indication, the potentially available cash from such item is estimated. However, the potentially available cash is always in any case estimated for business value, intangible assets and non-finished intangible asset items.

Employee benefits:

Pension arrangements are continually paid and their cost has been expensed.

IFRS 2 Payment in shares-standard is applied to options granted after 7.11.2002 and with exercise period not commenced before 1.1.2005.

Such options have been valued at fair value at the grant date and the fair value has been expensed in the period in which the option right was granted.

Provisions:

A provision is booked in the balance sheet in case, as the result of some prior event, some legal or factual liability has been incurred for the group, realization of the liability is probable and the amount of the liability can be estimated reliably. A product warranty provision is booked when a product under such warranty is sold. The amount of a warranty provision is based on empirical knowledge of realization of warranty expenses.

Income taxes:

Tax expense in the result account consists of the taxable income in the period and of the deferred tax. Accounted taxes are computed from the temporary difference between book value and taxation value. Accounted tax receivables and liabilities are offset by taxation authority. Accounted tax receivable is booked at the amount up to which it is probable that in the future there will be accrued taxable income against which the interim difference may be exploited.

Financing instruments:

The book value of financing instruments with first booking is their fair value which usually is the same as the acquisition cost. For the subsequent valuation for financial statements financing instruments are classified according to IAS 39 into financial assets and liabilities, loans and other receivables, investments to be held until due date, sellable financial assets and other liabilities, all expensed at fair value.

Loans and other receivables, investments to be held until due date and other liabilities are valued at sequenced acquisition expense. Financial assets and liabilities expensed at fair value are valued nominally. Sellable assets are valued at fair value in the balance sheet and value adjustments are booked in equity in the fair value fund.

The book value of asset items belonging to current financial assets and liabilities is regarded to match their fair value. In case no market value or other reliably determinable value is available for sellable shares, the acquisition expense is used as their book value.

As the capital loans and one convertible loan and a part of the R&D-loan have been used for set-off in the share issue arranged in the beginning of year 2006, and the remaining part of the R&D-loan has been paid back, no fair values are presented for them in the notes. The book value of the remaining convertible loan is considered to approximately correspond to its fair value.

Eventual impairment of financing instrument items is considered regularly.

An item of financing assets or liabilities is booked in the balance sheet with the company becoming a party of the instrument terms.

An financing instrument item is removed from the balance sheet as the contractual rights related with its cashflow have ceased to exist or the item has been transferred to another party in way that the related risks and benefits have essentially been transferred to the receiver. Financing liability is removed from the balance sheet when the liability has ceased to exist because of pay-back or other reason.

Capital loans and convertible loans are divided, on basis of loan terms or other contractual terms related with the said transactions into components of equity and liability as detailed in IAS 32.

No derivative contracts have been in use.

Financing liabilities:

Capital loans and convertible loans are divided into components of shareholders' equity and liabilities.

Revenue recognition:

Sales of deliverables is booked as income when the significant risks and benefits related with the ownership have been transferred to the buyer and the group no more has products in possession and factual control of them.

3. SEGMENT INFORMATION

The primary reported segments of the group comprise business segments. Separable segments for moment are one, or mobile telematics equipment. Its share of net sales, result and assets was almost 100% in the period and over 90% also in the prior period.

Secondary segments comprise geographic areas by customer location. Assets are located in Finland. Risks and profitability of the geographic areas do not significantly differ from each other.

NET SALES BY GEOGRAPHIC AREA

1000 EUR	2005	2004
Finland	1629	1832
Rest of Europe	4703	3687
Rest of world	1230	1514
Total	<u>7562</u>	<u>7033</u>

4. ACQUISITIONS

The group acquired at the end of 2004 all shares of Ismap S.A. The group paid for the shares 49 teuros, of which 4 teuros in cash and 45 teuros in a share swap.

Fair values used in consolidation, 1000 eur:	2004
Ismap receivables	193
Ismap liabilities	-185
Net assets	<u>8</u>
Cost of an acquisition	49
Goodwill	41
Cashflow effect	-4

The goodwill from the acquisition, 41 teuros, was expensed in 2004.

5. OTHER OPERATING INCOME

1000 EUR	2005	2004
Profit from sales of tangible assets	57	140
Insurance compensations	28	0
Total	<u>85</u>	<u>140</u>

6. OTHER OPERATING COSTS

1000 EUR	2005	2004
Research and development expense	1686	328
Credit losses / impairment of receivables	3	338
Rental costs	279	386
External services	526	42
Other cost items	891	892
Total	<u>3385</u>	<u>1986</u>

7. DEPRECIATIONS AND VALUE ADJUSTMENTS / WRITE-DOWNS

1000 EUR	2005	2004
Depreciations of tangible assets:		
Machinery and equipment	163	334
Depreciations of intangible assets:		
Other intangible assets	22	96
Impairment:		
Goodwill	0	41
Total of depreciations and devaluations	<u>185</u>	<u>471</u>

8. TOTAL EXPENSE OF EMPLOYEES

1000 EUR	2005	2004
Salaries	2568	2913
Pension costs - defined contribution plans	420	383
Granted stock options	123	0
Other social security costs	136	260
Total	<u>3247</u>	<u>3556</u>
Average number of personnel	76	91

Information about management benefits are presented in note 29 Related party transactions.

9. RESEARCH AND DEVELOPMENT EXPENSES

1000 EUR	2005	2004
Research and development costs expensed	2726	1325

10. FINANCING INCOME

1000 EUR	2005	2004
Interest income	7	1
Dividend income	2	30
Currency exchange profits	5	3
Debt cuts of the reorganization program	0	12459
Closing of the French sales company	0	442
Booking as income of bank debt with interest accord to settl agrt	1616	0
Total	<u>1630</u>	<u>12935</u>

11. FINANCING COSTS

1000 EUR	2005	2004
Interest cost	544	206
Additional payments to reorganization creditors	720	0
Reorganization cost	139	120
Other financing costs	20	2
Total	<u>1423</u>	<u>328</u>

12. INCOME TAXES

1000 EUR	2005	2004
Tax based on the taxable income in the period	-812	-1012
Accounted taxes	94	-225
Total income taxes	<u>-718</u>	<u>-1237</u>
Booked income taxes (booking as income of tax liability from depreciation difference).	0	-41
Result of sustained operations	-3191	8989
Tax base	26 %	29 %
Tax from sustained operations with Finnish tax base	-829	2607
From terminated operations	0	-79
From settlements (FOS-debt, reorganization debt cut)	-386	-3613
From non-booked losses deductible in taxation	783	1006
From items non-deductible in taxation	455	61
From share issue expenses	-23	-23
Total tax in the income statement	<u>0</u>	<u>-41</u>
Effective tax rate	0,0 %	-0,5 %

Income taxes have been computed with a tax base of 26 % (29%). For prudence reasons income taxes have not been booked as the company has made a taxable loss since year 1998. The oldest taxable losses will be rendered obsolete in 2008.

13. EARNINGS PER SHARE

	2005	2004
Result of the period 1000 EUR	-3191	8758
Reorganization debt cuts and additional payments	-896	-12901
Adjusted result	<u>-4087</u>	<u>-4143</u>
Average weighted number of shares, 1000 pcs	128218	92876
Basic earnings per share, euros	-0,03	-0,04

Earnings per share with adjustment for dilution has not been computed as the dilution would improve the key figure.

14. TANGIBLE ASSETS

1000 EUR	2005	2004
Machinery and equipment		
Acquisition cost per 1.1.	1917	2444
Additions	23	68
Subtractions	-683	-595
Acquisition cost per 31.12.	1257	1917
Accrued depreciations per 1.1.	-1646	-1908
Depreciations in the period	-163	-333
Accrued depreciations of the subtractions	683	595
Accrued depreciations per 31.12.	-1126	-1646
Book value per 1.1.	271	535
Book value per 31.12.	132	271

15. INTANGIBLE ASSETS

1000 EUR	2005	2004
Goodwill		
Acquisition cost per 1.1.	0	0
Additions	0	41
Subtractions	0	-41
Acquisition cost per 31.12.	0	0
Accrued depreciations per 1.1.	0	0
Depreciations in the period	0	-41
Accrued depreciations of the subtractions	0	0
Accrued depreciations per 31.12.	0	-41
Book value per 1.1.	0	0
Book value per 31.12.	0	0

18.

Other intangible assets		
Acquisition cost per 1.1.	824	1009
Additions	20	3
Subtractions	-711	-188
Acquisition cost per 31.12.	133	824
Accrued depreciations per 1.1.	-794	-886
Depreciations in the period	-22	-96
Accrued depreciations of the subtractions	711	188
Accrued depreciations per 31.12.	-105	-794
Book value per 1.1.	30	124
Book value per 31.12.	27	30

16. OTHER FINANCING ASSETS

1000 EUR	2005	2004
Pledged deposit	41	40
Telephone shares	19	19
Other shares	1	1
Total	<u>61</u>	<u>60</u>

17. TAX RECEIVABLES AND LIABILITIES

1000 EUR	1.1.2004	Booked in result account	31.12.2004	Booked in result account	31.12.2005
Tax receivables					
Confirmed losses	17263	0	18275	0	19087
Temporary difference	17	0	32	0	436
Total	<u>17280</u>	<u>0</u>	<u>18307</u>	<u>0</u>	<u>19523</u>
Net from accounted tax liability	-2	0	-3	0	-35
Accounted net tax credit	<u>17278</u>	<u>0</u>	<u>18304</u>	<u>0</u>	<u>19488</u>
Tax credit in the balance sheet	0	0	0	0	0
Tax liabilities:					
Depreciation difference	41	-41	0	0	0
Temporary difference	2	0	3	0	35
Total	<u>43</u>	<u>-41</u>	<u>3</u>	<u>0</u>	<u>35</u>
Net from accounted tax credit	-2	0	-3	0	-35
Accounted net tax liability	<u>41</u>	<u>-41</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax liability in the balance sheet	41	-41	0	0	0

The company holds confirmed losses for 70289 teuros from years 1998-2004 and will accrue more for 3126 teuros from 2005. The confirmed loss of 6435 teuros from year 1998 will be rendered obsolete in 2008.

18. INVENTORIES

1000 EUR	2005	2004
Raw materials and consumables	1221	2204
Finished products	61	102
Total	<u>1282</u>	<u>2306</u>

In the period, the company expensed inventories for 265 teuros, with which the book value was decreased to correspond its net realization value (858 teuros in 2004).

19. SALES RECEIVABLES AND OTHER RECEIVABLES

1000 EUR	2005	2004
Sales receivables	984	499
Deferred receivables	382	96
Other receivables	200	258
Total	<u>1566</u>	<u>853</u>

20. CASH ASSETS

1000 EUR	2005	2004
Cash at hand and in the banks	975	1088
Pledged bank accounts	362	285
Total	<u>1337</u>	<u>1373</u>

21. SHAREHOLDERS' EQUITY

	Number of shares (1000)	Share capital (1000eur)	Sh prem account (1000eur)	Total (1000eur)
1.1.2004	18939	6371	23408	29779
Share conversion of cbl 2003A 12.2.-23.3.2004	5132	222	457	679
Decrease of share capital 22.3.2004		-6352		-6352
Share issue 5.4.2004	92593	926	391	1317
Share conversion of cbl 2004A 30.6.2004	424	4		4
Share issue 15.11.2004	6176	62	803	865
Share issue 29.11.2004	4517	45	587	632
Business value of Ismap acquisition			41	41
Costs of share issues			-80	-80
Equity components separated from liabilities			427	427
31.12.2004	<u>127781</u>	<u>1278</u>	<u>26034</u>	<u>27312</u>
Share issue 3.3.2005	373	4		4
Compensation of prior year losses 26.05.2005			-25577	-25577
Share issue 15.12.2005	3100	31	403	434
Costs of share issues			-9	-9
Equity components separated from liabilities			360	360
31.12.2005	<u>131254</u>	<u>1313</u>	<u>1211</u>	<u>2524</u>

The maximum number of shares is 500.5 million of which investment shares are 500 million and base shares 0.5 million.

Base shares were converted into investment shares in 2004. According to bylaws, base shares converted into investment shares cannot be converted back into base shares and in paid share issue and in fund issue may be issued only investment shares.

The shares carry 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.

22. OPTION RIGHTS

The company carries four on-going stock option programs. In all of these, one option right entitles to to subscribe for one new S-share of Benefon Oyj.

Option program Benefon 2001A:

AGM of Benefon Oyj decided on 27.4.2001 to issue a maximum of 200.000 option rights to be offered to key personnel at employ of or being recruited by Benefon Oyj and its subsidiaries. These option rights have not been granted. The share subscription price is 0.34 euros and the share subscription period will expire on 1.6.2006.

Option program Benefon 2004A:

The EGM of Benefon Oyj decided on 26.2.2004 in connection with the reorganization arrangements to issue option rights to be offered to key personnel at employ of or being recruited by Benefon Oyj as nominated by the Board. The amount of option rights was eventually determined to be 39,597,988 and the share subscription price 0.14 euros. The share subscription period will expire on 31.1.2008. The AGM of Benefon Oyj decided on 26.5.2005 to expand the target group to include also chosen co-operation partners and other parties providing the company with services it needs, time to time. Of these option rights, until now, 10.800.000 have been granted and 2.500.000 granted conditionally. Of the option rights, 3,100,000 have been used for share subscription. The EGM of Benefon Oy decided on 5.9.2005 to amend the terms of option rights so that with a Board decision the option rights may be granted to Company's top management, Board members, key personnel and to the strategic suppliers, sellers, consultants and other co-operation parties regardless whether any of them is a share holder or not. Among the recipients of the option rights, there may be natural or judicial persons who may be part of the related party of the company. The amount of these option rights, held by Octagon Capital Limited company and at the disposal of the Board, is now 28,797,988.

Conditional option program Benefon 2005A:

The EGM of Benefon Oyj decided on 5.9.2005 to issue a maximum of 1.500.000 option rights to the prior CEO of the company Mr. Tomi Raita. The option rights are divided into A, B and C class options, with the amount of options in each class being a maximum of 500.000. For each option class there are separate conditions the fulfilment of which entitles the reception and exercise of options of that option class. For all option classes, the set conditions shall be fulfilled by 1.7.2007, at the latest, or they will expire. The latest possible share subscription period with these options will begin on 15.8.2007 and end on 15.9.2007. Share subscription price with all option rights is a fixed 0,10 euros.

Option rights 2005A have not yet been offered for subscription. The share subscription period for options 2005A has not yet commenced.

Option program Benefon 2005B:

The EGM of Benefon Oyj decided on 5.9.2005 to issue a maximum of 20.000.000 option rights to be key personnel, related parties and strategic partners. Option rights are divided into A, B, C and D class options. The maximum amounts of option rights are 3,000,000 for class A, 5,000,000 for class B, 7,000,000 for class C and 5,000,000 for class D. The subscription period for the option rights began on 19.10.2005 and will end on 19.4.2006. The share subscription price was determined to be 0.425 euros for class A, 0.510 euros for class B, 0.680 euros for class C and 1.020 euros for class D. The share subscription period will begin on 1.1.2006 for class A, 1.1.2007 for class B, 1.1.2008 for class C and 1.7.2008 for class D. Share subscription period for all option classes will expire on 31.12.2008. All option rights 2005B have been subscribed for holding by Octagon Capital Limited company. None of these options have been granted yet.

The base information of the option programs is presented by program in the below schedule.

Option program	Shares total pcs	Class	Share subscript period begins	Share subscript period ends	Subscript price euroa/share	Shares per option
2001A	200.000		begun	1.6.2006	0,340	1:1
2004A	39.597.988		begun*	31.1.2008	0,140	1:1
2005A	1.500.000		begun**	15.9.2007	0,100	1:1
2005B	3.000.000	A	1.1.2006	31.12.2008	0,425	1:1
2005B	5.000.000	B	1.1.2007	31.12.2008	0,510	1:1
2005B	7.000.000	C	1.1.2008	31.12.2008	0,680	1:1
2005B	5.000.000	D	1.7.2008	31.12.2008	1,020	1:1
Yhteensä	61.297.988					

* The subscription period of 2,500,000 pcs of 2004A options for CEO Jonathan Bate is connected to performance targets. Depending on meeting of the targets, share subscription right may arise partially or in whole or not at all.

The share subscription right has not yet begun.

** 2005A options are divided in three groups of 500.000 pcs in each. Each group have their own targets of performance that need to be met for the share subscription right to begin.

The schedules do not include conversion rights of the convertible loans.

Number of shares subscribed with options and their average weighted subscription price.

	Shares pcs	Act. Price/ weighted average
Outstanding in the beginning of 1.1.2004	0	-
Granted in the period	0	-
Lost in the period	0	-
Realised in the period	0	-
Become due in the period	0	-
Outstanding at the end of period 31.12.2004	0	-
Granted in the period	14.800.000	0,136 EUR
Lost in the period	0	-
Realised in the period	3.100.000	0,140 EUR
Become due in the period	0	-
Outstanding at the end of period 31.12.2005	11.700.000	0,135 EUR
Useable for share subscription 31.12.2004	-	-
useable for share subscription 31.12.2005	7.700.000	0,140 EUR

At the end of period 31.12.2005 the weighted remaining validity time is 2.1 years.

Used methods and assumptions for determining the fair value of options.

The fair value of personnel options on grant date according to IFRS 2 has been determined with Black & Scholes -model. The expected volatility used in valuation is based on the realised volatility in the 12 month period preceding the grant date.

The weighted assumptions used in valuation are as follows:

Share subscription price 0,13 euros.

Share market price 0,38 euros.

Expected volatility 97 %.

No-risk interest yield 2,3 %.

Expected validity time of options 2,4 years.

Dividend yield 0,0 %.

The weighted fair value of personnel options granted in 2005 on the grant date was 0.30 euros.

23. PROVISIONS

1000 EUR	2005	2004
Warranty provision	47	45

The Company grants one-year warranty for certain products. Products under warranty are repaired or replaced with a corresponding product. The amount of provision is based on empirical information about actual accrued costs.

24. INTEREST BEARING DEBT

1000 EUR	2005	2004
Non-current:		
Bank loans	0	1285
Cbl 2004A	985	918
Capital loan 350 teur, v.2004	0	306
Capital loan 500 teur, v.2004	0	437
Total	<u>985</u>	<u>2946</u>
Current		
Bank loans	0	199
Cbl 2004A	19	0
Capital loan 350 teur, v.2004	324	0
Capital loan 500 teur, v.2004	463	0
Capital loan 1250 teur, v.2005	1095	0
Total	<u>1901</u>	<u>199</u>

Bank loans

Bank loans 1484 teur with interest has been booked as income in June 2005, because according to the decision by the district court regarding the conclusion of the reorganization program of the company. they have ceased to exist. Based on the signed settlement agreement, the banks waived their receivables on condition that the controller of the reorganization calls off the regression suites. The debt may be reinstated only in case that the company would be rendered in new reorganization or declared bankrupt before 30.9.2008.

Convertible bond loan 2004A:

This loan with a nominal principal of 1130 teuros was decided on 26.2.2004. The pay-back was due in four even annual allotments starting in 2005. The interest is 4%. The loan may be converted between 1.6.2004-31.12.2008 into a maximum of 113.044.073 S-shares of the company with book parity value of 0.01 euros. Following share conversions have been made: 4239,19 euros/423.919 shares on 30.6.2004, 18652,47 euros/1.865.247 shares on 20.2.2006 and 67827,13 euros/6.782.713 shares on 4.4.2006. The loan capital, interest and other benefit may be paid in case of dismantling or bankruptcy of the company only with priority after the other creditors. The principal may be returned otherwise only providing that a full coverage for the bound equity and other non-distributable items in the confirmed financial statements for the latest expired financial year is retained. Interest or other benefits may be paid only in case the paid amount may be used for profit distribution in the confirmed balance sheet for latest expired financial period.

Capital loans with nominal principals of 350 teur and 500 teur in 2004:

The loans were raised in April-June 2004. The pay-back was due annually in four even allotments from year 2005 onwards. The loan interest is 6%.

The loans were used in the company's share issue on 31.1.2006 for share subscription in set-off.

Capital loan with nominal principal of 1250 teur, in 2005:

This loan was raised in July 2005. The loan was due to be paid back on 31.12.2007. The loan interest is 8%. The loan was used in the share issue on 31.1.2006 for share subscription in set-off.

The above cbl and capital loans have been divided in the financial statements into equity and liabilities. The liability component of the loans have been booked in the balance sheet at fair value determined by using a market interest of a corresponding loan at the time of raising the loan. The equity components have been computed as a difference between the received cash and the fair value of the debt. Discount interest is interest the company could expect to negotiate for a corresponding loan from third parties. The interest consists of no-risk interest and of a company specific risk premium. The effective interests of the loans range from 14,04 to 16,42 %.

25. TRADE DEBT AND OTHER DEBT

1000 EUR	2005	2004
Bank loans	0	294
Capital loan 1200 teur, in 2005	1146	0
Product development loan 1300 teur, in 2005	1265	0
Cbl 2005A	445	0
Purchase debt	560	483
Deferred liabilities	823	778
Other liabilities	133	403
Total	<u>4372</u>	<u>1958</u>

Capital loan with nominal principal of 1200 teur, in 2005:

The loan was raised in April 2005. The loan was due to paid back on 31.12.2007.

The loan was used in the share issue on 31.1.2006 for share subscription in set-off.

Product development loan with a nominal principal of 1300 teur, in 2005:

R&D license agreement with Benecap was interpreted to be a financing arrangement. Therefore, the R&D expenses paid by Benecap were booked as expense of Benefon and, therefore, a liability. The expenditure from the agreement and the amount of the stock options falling to the period have been treated as financing costs. Of the loan, 746.500 euros was used in the share issue on 31.1.2006 for share subscription in set off, rest of the loan was paid back in February 2006 in cash.

Convertible loan 2005A:

The loan with a nominal principal of 500 teuros was raised in November 2005. The loan is interest free and will be paid back on 31.12.2007, unless the loan has been converted into company shares before. The loan may be converted into the company's S-shares at 0,21 euros per share. The loan was converted into 2.380.952 shares on 20.2.2006, with a share capital increase of 23.809,52 euros.

The above loans have been divided in the financial statements into equity and liabilities as detailed in section 24 above.

26. MANAGEMENT OF FINANCING RISKS

Currency risk:

As invoicing currency, the company uses mostly the company's operational currency, the euro and to some extent the US-dollar. Material purchases are made also in other currencies. The currency risk is not significant. In the balance sheet, foreign currencies are included only in sales receivables and purchasing liabilities.

Interest risk:

Only financing liabilities include interest-bearing items. The interest are fixed and related with equity loans. Of these loans, majority were used in spring 2006 for subscription of company shares in set-off and therefore no interest needs to be paid of these loans.

Credit risk:

The group carries no significant centers of credit risk. The receivable situation is checked always before new deliveries. Customers considered to carry a risk are served only against advance payment or a letter of credit.

27. ADJUSTMENT OF OPERATIONAL CASHFLOWS

1000 EUR	2005	2004
Debt cuts in reorg program	0	-12459
Closing of the French sales company	0	-442
Booking as income of bank debts	-1484	0
Booking as income of bank debt interests	-132	0
Depreciations	185	430
Devaluations	0	41
Unrealized exchange rate differences	-5	-119
Interest costs	544	184
Interest income	-7	-1
Stock options to personnel and marketing	258	0
Other adjustments	-123	23
Total	<u>-764</u>	<u>-12343</u>

28. COLLATERAL COMMITMENTS AND CONTINGENCIES

1000 EUR	2005	2004
Contingent liability		
Debt to banks with interest until 31.12.2005	1633	
This debt was booked as incom, see note 24 interest bearing debts.		
Collateral for own liabilities:		
Chattel mortgage as collateral for own liability	12068	12068
Pledged non-current financial assets	41	40
Pledged current financial assets	362	285

29. RELATED PARTY TRANSACTIONS

The parent and subsidiary company relations in the group were as follows:

Parent company Benefon Oyj.

Subsidiaries with parent company ownership and voting rights of 100 % are Benefon S.A. until 30.11.2004, Ismap S.A. and Benefon UK Ltd.

1000 EUR	2005	2004
Employee benefits of the management:		
Salaries and bonuses	462	360
Pension payments	77	60
Procured services	112	88
Payments with shares	123	0
Total	<u>774</u>	<u>508</u>

The management on 31.12.2005 comprised four Board members and eight other managers.

The Board members are not paid salary or bonuses.

The previous CEO of the company Tomi Raita received a directed conditional option program 2005A the share subscription period of which has not yet commenced.

The present CEO of the company Jonathan Bate was promised a maximum of 2,500,000 option rights 2004A on performance-related conditions. For options granted to Raita, an expense of 69 teuros was booked in the period according to IFRS 2 and for options to Bate similarly 54 teuros, adding up to a total of 123 teuros.

The CEO has with the company a two-year contract. Contractual annual salary is 175,000 GBP on top of which is paid a bonus of 75.000 GBP with fulfilment of certain business goals of the company.

In addition has been agreed a recruiting bonus of 2.500-7.500 GBP. On top of this, as fringe benefits, there is a car compensation, family sick insurance and life insurance.

Other close circle transactions:

1000 EUR	2005	2004
Liabilities towards close circle:		
Cbl 2004A, portion of Octagon Solutions	800	800
Capital loan 350 teur, Octagon Solutions	326	326
Capital loan 500 teur, Octagon Capital	500	500
Capital loan 1250 teur, Benecap Limited	1250	0
Capital loan 1200 teur, Benecap Limited	1200	0
R&D loan, Benecap Limited	1300	0
Total	<u>5376</u>	<u>1626</u>

The above liabilities are presented at nominal value and include equity components.

The loan terms are presented in notes 24 Interest bearing debts and 25 Purchase debts and other debts. Related with the mentioned Benecap loans, the 26 investors providing the loan capitals were granted a total of 7.000.000 option rights 2004A. The terms of the said option program have been detailed in note 22 Option rights.

30. EVENTS AFTER THE END OF THE PERIOD

The significant events after the end of the period have been covered in the Board Report.

31. ADOPTION OF IFRS STANDARDS

These are the group's first financial statements prepared with the IFRS principles, the group's prior financial statements have been prepared along the Finnish accounting norms (FAS).

The adoption of IFRS accounting has changed accounts, their notes and accounting principles in comparison with prior financial statements. The preparation principles detailed in note 2 Preparation principles of financial statements have been applied also in reference information of prior year and in the opening IFRS balance sheet on 1.1.2004. The clearing accounts and explanations presented later depict the differences of IFRS accounting compared with the Finnish accounting norms (FAS).

Reconciliation of shareholders' equity on 1.1.2004 and 31.12.2004:

1000 EUR	FAS 31.12.2003	IFRS effect	IFRS 1.1.2004	FAS 31.12.2004	IFRS effect	IFRS 31.12.2004
ASSETS						
Non-current assets:						
Tangible assets	535		535	271		271
Goodwill	0		0	0		0
Other intangible assets	124		124	30		30
Other financial assets	30		30	60		60
Deferred tax credit	0		0	0		0
	689	0	689	361	0	361
Current assets						
Inventories	4265	7	4272	2296	10	2306
Sales receivables and other rec.	895		895	775	78	853
Advance payments	250		250	71		71
Cash assets	55		55	1373		1373
	5465	7	5472	4515	88	4603
Total assets	6154	7	6161	4876	88	4964
EQUITY AND LIABILITIES						
Shareholders' equity						
Share capital	6371		6371	1278		1278
Share issue	0		0	4		4
Share premium account	22273	1135	23408	25577	457	26034
Retained earnings	-42548	-62	-42610	-27374	-126	-27500
Convertible loans	1750	-1750	0	1126	-1126	0
Capital loans	0		0	850	-850	0
Total equity	-12154	-677	-12831	1461	-1645	-184
Non-current liabilities						
Deferred tax credit	41		41	0		0
Interest bearing debts	0		0	1285	1661	2946
	41	0	41	1285	1661	2946
Current liabilities						
Trade creditors and other liabilities	11029	18	11047	2085	-127	1958
Provisions	41		41	45		45
Current interest bearing debts	7197	666	7863	0	199	199
	18267	684	18951	2130	72	2202
Total liabilities	18308	684	18992	3415	1733	5148
Total equity and liabilities	6154	7	6161	4876	88	4964

Reconciliation of income statement from period 1.1.-31.12.2004:

1000 EUR	FAS 1.1.- 31.12.2004	IFRS:n vaikutus	IFRS 1.1.- 31.12.2004
Net sales	7033		7033
Other operating income	140		140
Change of inventories of finished and non-finished products	-30	3	-27
Manufacturing for own use	0		0
Use of materials and consumables	-5023		-5023
Total expense of employees	-3556		-3556
Depreciations	-430		-430
Impairment of goodwill	0	-41	-41
Other operating costs	-2264	278	-1986
Operating profit	-4130	240	-3890
Financing income	34	12901	12935
Financing costs	-24	-304	-328
Profit before one-off items and taxes	-4120	12837	8717
One-off income items	12901	-12901	0
Income taxes	41		41
Profit of the period	8822	-64	8758
Earnings per share, euros			
Basic earnings per share	-0,04		-0,04

Notes to clearing accounts of equity on 1.1.2004 and 31.12.2004, and profit in period 1.1.-31.12.2004:

a) Goodwill

Acquisition of Ismap S.A. in 2004 did not produce business value according to FAS accounting. In IFRS accounting, the portion of the acquisition price paid in share swap was booked at fair value at the time of acquisition which produced a business value of 41 teuros. The business value was tested and a devaluation booking of 41 teuros was made for it.

b) Inventories

A share of manufacturing fixed cost was added to inventory value. Advance payments have been added to inventory value in accordance with FAS, the FAS column has not been adjusted.

c) Share premium fund

1000 EUR	1.1.2004	31.12.2004
Share premium fund according to FAS	22273	25577
Equity component of liabilities	1135	496
Business value of Ismap S.A. acquisition		41
Transaction costs of share issues	0	-80
Share premium fund according to IFRS	<u>23408</u>	<u>26034</u>

d) Accrued profits

1000 EUR	1.1.2004	31.12.2004
Accrued profits in FAS	-42548	-27374
Inventories	7	10
Cbl interest in 2003	-69	-69
Cbl interest in 2004	0	-184
Devaluation of business value	0	-41
Transaction costs of share issues	0	80
Transaction costs of unfinished share issues	0	78
Accrued profits in IFRS	<u>-42610</u>	<u>-27500</u>

e) Convertible loans and capital loans

In FAS these loans are presented as own item in equity account.

In IFRS, depending on loan terms, they are either liabilities or in part liabilities and in part equity.

f) Provisions

In FAS, provisions are presented as own item, in IFRS they are liabilities.

FAS column has been adjusted for this.

g) Interest bearing debt and other debt

1000 EUR	1.1.2004	31.12.2004
Debt and obligatory provisions in FAS	18308	3415
Convertible loans and capital loans	1750	1976
Equity component of debt	-1135	-427
Addition of accrual discount interest to debt capital	51	112
Deferred liabilities from interests	18	72
Debt (including provisions) in IFRS	<u>18992</u>	<u>5148</u>

32. FIVE YEAR STATISTICS

	2005	2004	2003	2002	2001
	IFRS	IFRS	FAS	FAS	FAS
Net sales	7562	7033	6737	14737	47310
Export share of net sales %	78,5	74,0	79,3	92,1	95,7
Operating result, 1000 EUR	-3398	-3890	-20206	-8059	-10593
Share of net sales %	-44,9	-55,3	-299,9	-54,7	-22,4
Result before taxes, 1000 EUR	-3191	8717	-20767	-10329	-10099
Share of net sales %	-42,2	123,9	-308,3	-70,1	-21,3
ROE %	n/a	n/a	n/a	-281,1	-165,1
ROI %	n/a	n/a	n/a	-55,4	-43
Solidity %	-47,2	-3,8	-235,9	15,7	11,7
Gross investments, 1000 EUR	40	101	32	5804	3025
Share of net sales %	0,5	1,4	0,5	39,4	6,4
R&D expenses, 1000 EUR	2726	1325	4623	7740	8052
Share of net sales %	36,0	18,8	68,6	52,5	17,0
Average personnel	76	91	140	251	366
EPS, EUR	-0,03	-0,04	-1,44	-1,21	-2,30
Equity per share, EUR	-0,02	-0,00	-0,73	0,38	0,64
Dividend per share, EUR	0,00	0,00	0,00	0,00	0,00
P/E	neg.	neg.	neg.	neg.	neg.
Share price 31.12., EUR	0,25	0,12	0,38	0,72	2,46
Period's low, EUR	0,12	0,11	0,16	0,64	1,80
Period's high, EUR	0,58	0,50	1,05	4,20	9,45
Period's average, EUR	0,33	0,24	0,42	1,77	4,30
Market cap 31.12., milj. EUR	32,8	15,3	7,2	7,0	13,8
Share turnover 1000 pcs	85096	44699	29546	4684	2319
Share turnover %	66,4	48,1	205,6	54,8	41,9
Weighted average number of shares in period, 1000 pcs	128218	92876	14373	8547	5531
Number of shares 31.12. 1000 pcs					
S-share	131254	127781	18439	9260	5116
K-share	0	0	500	500	500
Total	131254	127781	18939	9760	5616

COMPUTING FORMULAS OF KEY FIGURES

ROE %	$100 \times \frac{\text{Result of period}}{\text{Equity + minority share (average)}}$
ROI %	$100 \times \frac{\text{Operating result}}{\text{Total of balance sheet - non-interest debt (average)}}$
Solidity %	$100 \times \frac{\text{Equity + minority share}}{\text{Total of balance sheet - received advance payments}}$
EPS, EUR	$\frac{\text{Result of period}}{\text{Weighted average number of shares}}$
Equity/share, EUR	$\frac{\text{Equity}}{\text{Number of shares}}$
P/E	$\frac{\text{Share price 31.12.}}{\text{EPS}}$

33. DISTRIBUTION OF SHARE HOLDINGS AND INFORMATION ABOUT SHAREHOLDERS

Stock distribution by sector:

According to share register on 31.12.2005	% share capital	% votes
Financing and insurance companies	58,5	58,5
Households	27,9	27,9
Companies	8,7	8,7
Public entities	3,6	3,6
Others	1,3	1,3
Total	100,0	100,0

Distribution by holding amount:

According to share register on 31.12.2005

Shares pcs	Number of sharehold	% of sharehold	Nr of shares 1000 pcs	% of shares
1- 100	1141	17,4	88	0,1
101- 1000	2278	37,4	1283	1,0
1001- 10000	698	34,6	9652	7,4
10001-	6575	10,6	118781	90,5
		100,0	129804	98,9
On common accounts and special accounts			1450	1,1
Total			131254	100,0

Biggest shareholders:

According to share register on 31.12.2005

	% share capital	% of votes
Kauppa- ja teollisuusministeriö	3,6	3,6
Halyard Oy	3,1	3,1
Jonninen Henry	2,2	2,2
Lounais-Suomen verovirasto	1,8	1,8
Uutela Keijo	1,1	1,1
Nieminen Jorma U.	0,9	0,9
Finnvera Oyj	0,9	0,9
Kiinteistösiivous Sirjo Oy	0,4	0,4
Näkki Raimo	0,3	0,3
Vakkari Juha	0,2	0,2
Custodian account shares	57,5	57,5
Others	28,0	28,0
Total	<u>100,0</u>	<u>100,0</u>

The Board members and the CEO held or controlled on 31.12.2005 a total of 54.853.607 shares, representing 41,8 % of all shares and votes.

PARENT COMPANY FINANCIAL STATEMENTS (FAS)

PARENT COMPANY RESULT REPORT

1000 EUR	Note	1.1.-31.12.2005	1.1.-31.12.2004
Net sales	1	7562	6919
Inventory change of finished products and work-in-process		-36	-30
Manufacturing for own use		0	0
Other operating income	2	85	140
Material and services			
Material and consumables			
Purchases in period		3339	3003
Change of inventories	4	<u>983</u>	<u>1932</u>
External services		-45	-71
Cost of personnel	3	-2991	-3048
Depreciations and value adjustments			
Depreciations according to plan	4	185	430
Devaluations	4	<u>0</u>	<u>38</u>
Other operating expense	5	<u>-2461</u>	<u>-2553</u>
Operating result		-2393	-4046
Financing income		14	34
Financing costs	6	<u>-798</u>	<u>-24</u>
Profit before one-off items		-3177	-4036
One-off items	7	<u>0</u>	<u>12459</u>
Profit before appropriations and taxes		-3177	8423
Appropriations			
Change in depreciation difference		<u>0</u>	<u>141</u>
Profit in the period		<u><u>-3177</u></u>	<u><u>8564</u></u>

PARENT COMPANY BALANCE SHEET

1000 EUR	Note	31.12.2005	31.12.2004
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Intangible rights	8	21	20
Other non-current expenditures	8	<u>6</u>	<u>10</u>
		27	30
Tangible assets			
Machinery and equipment	9	129	271
Investments			
Shares in the group companies	10	8	8
Other receivables	10	41	40
Other investments	10	<u>20</u>	<u>20</u>
		69	68
CURRENT ASSETS			
Inventories			
Material and consumables		1221	2204
Finished products		56	92
Advance payments		<u>569</u>	<u>71</u>
		1846	2367
Current receivables			
Trade receivables		984	499
Receivables from group companies		55	0
Other receivables		186	65
Accrued income / prepaid expense		<u>67</u>	<u>18</u>
		1292	582
Cash at hand and in the banks		<u>1277</u>	<u>1373</u>
		<u>4640</u>	<u>4691</u>
LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11	1313	1278
Share premium fund	11	403	25577
Share issue	11	0	4
Retained earnings	11	-1796	-35938
Result of the period	11	-3177	8564
Convertible loan	11	1126	1126
Capital loan	11	<u>3300</u>	<u>850</u>
		1169	1461
OBLIGATORY PROVISIONS			
Other obligatory provisions	12	47	45
LIABILITIES			
Non-current liabilities			
Loans from financial institutes		0	1073
Convertible loan		500	0
Trade creditors		0	93
Other non-current liabilities		0	62
Deferred liabilities		<u>0</u>	<u>57</u>
		500	1285
Current liabilities			
Loans from financial institutes		1484	467
Convertible loan		31	66
Procurement liabilities		560	403
Other current liabilities		98	258
Accruals and deferred income / accrued expense		<u>751</u>	<u>706</u>
		2924	1900
		<u>4640</u>	<u>4691</u>

PARENT COMPANY CASHFLOW STATEMENT

1000 EUR	1.1.-31.12.2005	1.1.-31.12.2004
Operating cashflow		
Result before one-off items	-3177	-4036
Adjustments:		
Depreciations according to plan	185	430
Devaluations of non-current liabilities	0	38
Devaluations of inventories	266	858
Un-realized exchange rate profits and losses	-9	-119
Financing income and costs	34	10
Other adjustments	59	73
Changes in working capital		
Changes in trade and other receivables	-710	162
Changes in inventories	255	1283
Changes in trade and other liabilities	44	-1885
Paid interests	-44	-20
Received interest payments	14	33
Net operating cashflow	-3083	-3173
Net investment cashflow	-40	-85
Financing cashflows		
Payments of share issues	434	2814
Convertible loans, capital loans	2950	1980
Payments of reorganization debt	-357	-217
Net financing cashflow	3027	4577
Change of cash	-96	1319
Cash in the beginning of period	1373	54
Cash at the end of period	1277	1373

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES FOR THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

The financial statements of the parent company have been prepared according to the Finnish Accounting Standards.

Tangible assets:

Acquisition expenses comprise immediate expenses. Acquisition expense includes items the acquisition expenses of which have not yet been expensed as amortization according to plan.

Amortizations according to plan have been made with straight-line method based on the useful life of the asset items.

Inventories:

Inventories are valued with fifo-principle at purchase cost or at re-purchase cost, if lower, or at probable sales price.

Purchase cost of inventories includes variable costs.

Items in foreign currency:

Receivables and liabilities in foreign currencies have been converted into euros at exchange rate of the day published by the European Central Bank.

R&D-costs:

R&D-costs are capitalized on parts fulfilling the pre-requisites stipulated in the resolution 50/1998 of the Ministry of Trade and Industry. However, costs are capitalized only to the extent allowed by the IFRS-standards.

Obligatory provisions:

In the financial statements, as obligatory provisions are booked projected future warranty costs incurred by repair or replacement of delivered products within the warranty period. Provision is determined on basis of historical experience about the level of the warranty costs.

Accounted tax credit::

Accounted tax credit has not been booked in the balance sheet. On basis of confirmed losses from prior periods and from this period the Company is entitled to a tax credit of approximately 19.087.000 euros.

1. NET SALES BY MARKET AREA

1000 EUR	2005	2004
Finland	1629	1832
Rest of Europe	4703	3573
Rest of world	1230	1514
Total	<u>7562</u>	<u>6919</u>

2. OTHER OPERATING INCOME

1000 EUR	2005	2004
Profits from tangible asset sales	57	140
Insurance compensation	28	0
Total	<u>85</u>	<u>140</u>

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3. COST OF PERSONNEL

1000 EUR	2005	2004
Salaries	2459	2548
Pensions, defined contribution plans	404	363
Other personnel social security costs	128	137
Total	<u>2991</u>	<u>3048</u>
Average number of personnel	73	85

MANAGEMENT SALARIES AND BONUSES

1000 EUR	2005	2004
CEO and Board members	146	50

4. DEPRECIATIONS AND VALUE ADJUSTMENTS

Depreciation according to plan has been recorded on straight-line basis over the estimated useful life. The length of useful economic life in depreciation calculations is 5 years for intangible assets, 10 years for other long term expenditures and 5 years for machines and furniture.

1000 EUR	2005	2004
Depreciation according to plan		
Intangible rights	18	28
Other long term expenditures	4	68
Machines and furniture	163	334
Total	<u>185</u>	<u>430</u>
Value adjustments or write-downs of non-current assets:		
Shares of subsidiary, Benefon S.A.	0	38
Devaluations of current assets:		
Materials and consumables	266	858

5. OTHER OPERATING COSTS

1000 EUR	2005	2004
R&D costs	386	328
Credit losses	3	488
Rental costs	268	313
External services	730	503
Other cost items	1074	921
Total	<u>2461</u>	<u>2553</u>

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6. FINANCING COSTS

1000 EUR	2005	2004
Interest costs	46	21
Additional payments to reorganization creditors	720	0
Other financing costs	32	3
Total	<u>798</u>	<u>24</u>

7. ONE-OFF ITEMS

1000 EUR	2005	2004
Reorganization program debt cuts	0	12459

8. INTANGIBLE ASSETS

1000 EUR	2005	2004
Intangible rights		
Acquisition cost 1.1.	141	313
Additions	20	3
Subtractions	-71	-175
Acquisition cost 31.12.	90	141
Accrued depreciations 1.1.	-121	-268
Depreciations in period	-18	-28
Accrued depreciations of subtractions	71	175
Accrued depreciations 31.12.	-68	-121
Book value 1.1.	20	45
Book value 31.12.	22	20
Other long term expenditures		
Acquisition cost 1.1.	683	696
Additions	0	0
Subtractions	-640	-13
Acquisition cost 31.12.	43	683
Accrued depreciations 1.1.	-673	-618
Depreciations in period	-4	-68
Accrued depreciations of subtractions	640	13
Accrued depreciations 31.12.	-37	-673
Book value 1.1.	10	79
Book value 31.12.	6	10

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9. TANGIBLE ASSETS

1000 EUR	2005	2004
Machines and furniture		
Acquisition cost 1.1.	1917	2444
Additions	20	68
Subtractions	-683	-595
Acquisition cost 31.12.	1254	1917
Accrued depreciations 1.1.	-1646	-1908
Depreciations in period	-163	-333
Accrued depreciations of subtractions	683	595
Accrued depreciations 31.12.	-1126	-1646
Book value 1.1.	271	535
Book value 31.12.	129	271

10. INVESTMENTS

1000 EUR	2005	2004
Ismap S.A.	8	8
Pledged deposit	41	40
Telephone shares	19	19
Other shares	1	1
Total	<u>69</u>	<u>68</u>

11. SHAREHOLDERS' EQUITY

	Share capital (1000eur)	Share issue (1000eur)	Share prem account (1000eur)	Prior period result (1000eur)	Result of period (1000eur)	Cbl and capital loan (1000eur)
Equity as of 1.1.2004	6371	0	22273	-21726	-20563	1750
Prior year result	0	0	0	-20563	20563	0
Share conversion, CBL 2003A	222	0	1523	0	0	-1750
Share issues	1033	0	1781	0	0	0
Ismap acquisition	0	4	0	0	0	0
Reduction of share capital	-6352	0	0	6352	0	0
CBL 2004A	0	0	0	0	0	1130
Share conversion, CBL 2004A	4	0	0	0	0	-4
Capital loan 5.4.2004	0	0	0	0	0	350
Capital loan 28.5.2004	0	0	0	0	0	250
Capital loan 17.6.2004	0	0	0	0	0	250
Result of period	0	0	0	0	8564	0
Equity 31.12.2004	1278	4	25577	-35937	8564	1976
Retained earnings	0	0	0	8564	-8564	0
Share issues	35	-4	403	0	0	0
Coverage of prior year losses	0	0	-25577	25577	0	0
Capital loan	0	0	0	0	0	1200
Capital loan	0	0	0	0	0	1250
Result of period	0	0	0	0	-3177	0
Equity 31.12.2005	1313	0	403	-1796	-3177	4426

Main terms of the convertible equity bond loans and capital loans:

Capital, interest and other benefits can only be paid, in dissolution or bankruptcy of the company, with priority after all other loans.

Capital can only be redeemed if there is full coverage on non-distributable income, according to the financial statements confirmed from the latest fiscal year, on share capital and all other non-distributable income.

Any interest and/or any other benefit may only be distributed to the loan holders provided that payable amount does not exceed the amount of profit freely distributable to shareholders, according to the latest balance sheet.

Distributable assets 31.12.

1000 EUR	2005	2004
Result from prior periods	-27373	-42289
Decrease of share capital 22.03.2004	0	6352
Coverage of prior year losses 26.05.2005	25577	0
Result of period	-3177	8564
Interest of convertible loans and capital loans	-208	-67
Distributable assets 31.12.	-5181	-27440

Distributable assets of the group (IFRS) on 31.12.2005 are -4855 teuros.

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12. OBLIGATORY PROVISIONS

1000 EUR	2005	2004
Warranty provision	47	45

13. COLLATERAL COMMITMENTS AND CONTINGENCIES

1000 EUR	2005	2004
Collateral provided for own liabilities		
Bank loans against chattel mortgage	1633	1484
Provided chattel mortgage	12068	12068
Pledged non-current financing assets	41	40
Pledged current financing assets	<u>362</u>	<u>285</u>
Total	<u>403</u>	<u>325</u>
Other liabilities	208	67

BOARD PROPOSAL TO THE GENERAL MEETING FOR MEASURES REGARDING
THE LOSS OF THE PERIOD

The company has no distributable assets.

The result of the period of the parent company is -3.177.204,96 euros (FAS).

The Board proposes to the General Meeting that no dividend is distributed and that loss for the period is booked on the account of Retained earnings.

Salo, May 5, 2006

Brian Katzen
Chairman of the Board

Jeffrey Crevoiserat
Board Member

Philip Parker
Board Member

Juha Kiikeri
Board Member

David Francis
Board Member

Jonathan Bate
CEO

The financial statements and the Board report have been prepared according to generally accepted accounting practices. A separate Auditor's report has been given today.

Salo, May 17 2006

Ernst & Young Oy
KHT-yhteisö

Tapio Ali-Tolppa, CPA

USED BOOKS	Daily book.	ADP printouts
	Main book	ADP printouts
	Cash book	ADP printouts
	Sales register	ADP printouts
	Procurement register	ADP printouts
	Inventory books	ADP printouts
	Salary books	ADP printouts
VERIFICATIONS	10	Domestic purchase invoices
	11	Foreign purchase invoices
	12	Domestic purchase invoices/inventory
	15	Domestic payments
	16	Foreign payments
	20	Domestic sales invoices
	21	Domestic rebate invoices
	22	Foreign sales invoices
	23	Foreign rebate invoices
	24	Memo invoices
	29	Payments
	30	Bank receipts
	35	Receipts of Moscow office
	40	Hand cash receipts
	45	Financing events
	50	Memo receipts
90	Management accounting receipts	
91	Accounting bookings, management accounting	
92	Sales appropriations, management accounting	
93	Material costs, management accounting	

Accounting material is stored as paper copies.

AUDITORS' REPORT

Translation from Finnish original

To the shareholders of Benefon Oyj

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Benefon Oyj for the period 1.1.2005-31.12.2005. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Directors of the

parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of result from the period is in compliance with the Companies Act.

Tampere May 17, 2006

Ernst & Young Oy
Authorised Public Accountants

Tapio Ali-Tolppa
Authorised Public Accountant