

BENEFON OYJ BULLETIN September 28, 2006 at 16:55

BENEFON UPDATES TWIG LAUNCH SCHEDULE AND ANNOUNCES COMMITTED FINANCING

Benefon today announced that it would revise the large scale launch date of its new TWIG Discovery GSM/GPS handset in Europe to October 2006. Launch dates for China and Russia will remain on track for December 2006. The revision of the launch date is caused by a delay in the mass production associated with Benefon's new product introduction. This resulted in an approximate three-week delay of manufacturing in its Chinese facility. Although the challenges caused a critical delay in production timing, the company's production facility is now up and running. As the company does not have sufficient time to recover during the remainder of the quarter, it will be revising its forecast guidance published on August 2, 2006, which are now cancelled. The company will publish updated projections by October 3, 2006.

"Despite the recent challenges in launching our first phone in many years, Benefon still has the opportunity for a strong product launch in Western Europe, and the demand for our products from customers provides us with continued confidence. We will have a great portfolio of products over the coming 12 to 18 months and a strong line up of innovative GSM/GPS devices to offer our customers", stated Jonathan Bate, Benefon CEO.

Benefon also announces new financing plan that is introduced to guarantee the sufficiency of company's working capital. The company has agreed on a financing package comprising subscriptions in shares, convertible bond loan issues, options and debt instruments with Octagon Solutions Ltd. and Ashland Partners LP., totaling at maximum of 7.35 million euros. The funding is secured and committed by Octagon Solutions Ltd. and the total number of investors providing the funds may not exceed ten. The agreed funding is divided into five tranches each of which the Board of Directors is entitled to call separately. Investors' financing commitment is valid for six months until March 28, 2007.

According to agreed terms, and provided that maximum amount of the funding is raised, the investors may subscribe to up to 16,761,905 new investment series shares at €0.21 offered to them for subscription and, in addition, to an equity convertible bond loan of the amount of 880,000 euros that can be used to subscribe for a maximum of 17,600,000 new investment series shares. 2,950,000 euros of the 7.35 million may also be issued as interest free debt securities at the company's option. As a part of the agreement the investors shall additionally be entitled to subscribe for a maximum of 4,425,000 option rights with €0.10 strike price in proportion to their financing commitments.

As the result of the share subscriptions and exercising the convertible bonds and option rights the number of company's shares may increase by a maximum of 38,786,905. The actual decisions to call the funding and to issue corresponding amount of shares, convertible bonds and option rights shall be made separately by the Board of Directors and published immediately after such decision has been made.

The now announced financing plan is aimed at securing that Benefon will maintain its capability to continue introducing new products despite the additional costs resulting from the recent delays with TWIG Discovery.

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