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# Telio Holding ASA

## Q4 07 presentation

Eirik Lunde, CEO

Oslo, 12 February, 2008

## Telio Holding ASA

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- Leading European broadband telephony provider
- Committed to improving user experience and reducing cost to subscribers
- Innovative products and services based on scalable, access independent technology platform
- World renowned technology experts
- Headquartered in Oslo, listed on OSE with ticker "telio"

## Q4 07 Highlights

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- Continued customer growth
  - Subscribers: total increase of 4,214 VoIP customers during 4th quarter
  - Revenues: NOK 94.3 million, 20% increase compared to Q4 06
- Financials
  - 62% gross margin
  - 18% EBITDA margin
  - Strong operating profit of NOK 5.3 million (Q4 06: -13.7) including NOK 1.4 million in one-off costs related to M&A activities
  - Increased gross margin, OPEX continues to scale
  - Healthy cash position: NOK 122.9 million
- Customers & distribution
  - SMB service gradually adding to customer intake
  - Continuous customer growth in Denmark and Netherlands

## 2007 Highlights

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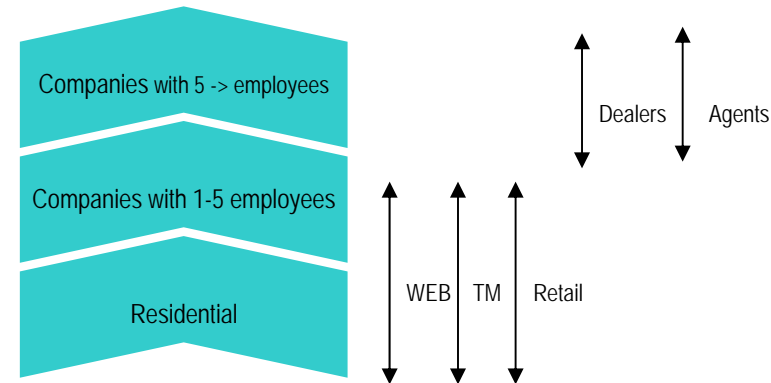
- Continued customer growth, + 19,216 active VoIP customers added during 2007
  - Norway: 8,415
  - International: 10,801
  
- Strong performance:

(Figures in NOK million)	2007	2006	+/-	+/-
Net revenues	362.3	290.8	+71.5	+25%
Gross profit	213.8	156.4	+57.4	+37%
Gross margin	59%	54%		
EBITDA	63.7	19.6	+44.1	+225%
EBITDA margin	18%	7%		
EBIT	14.2	(16.7)	+30.9	

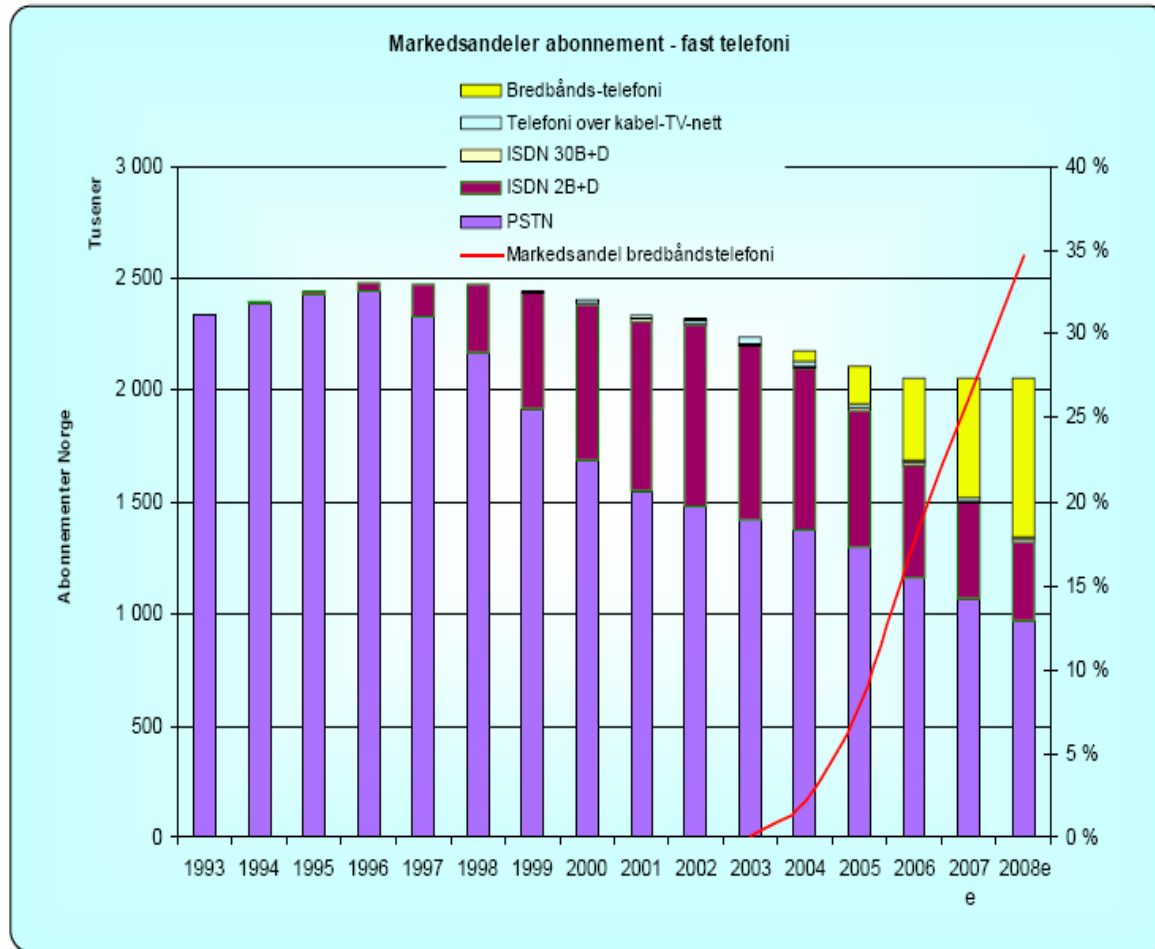
# Norway

Focus on profitable growth:

- SMB
  - Strong growth in the SMB segment
  - Telio's acquisition cost for an SMB customer is less than half of the acquisition cost in the residential market
  - 1,000 SMB lines in 2007
  - Agreement with Småbedriftsforbundet
  - Deliveries to larger companies like Reinertsen, Hjellegjerde and DNO
- Target sales towards residential
- More focus on GSM up sell to existing VoIP customer base

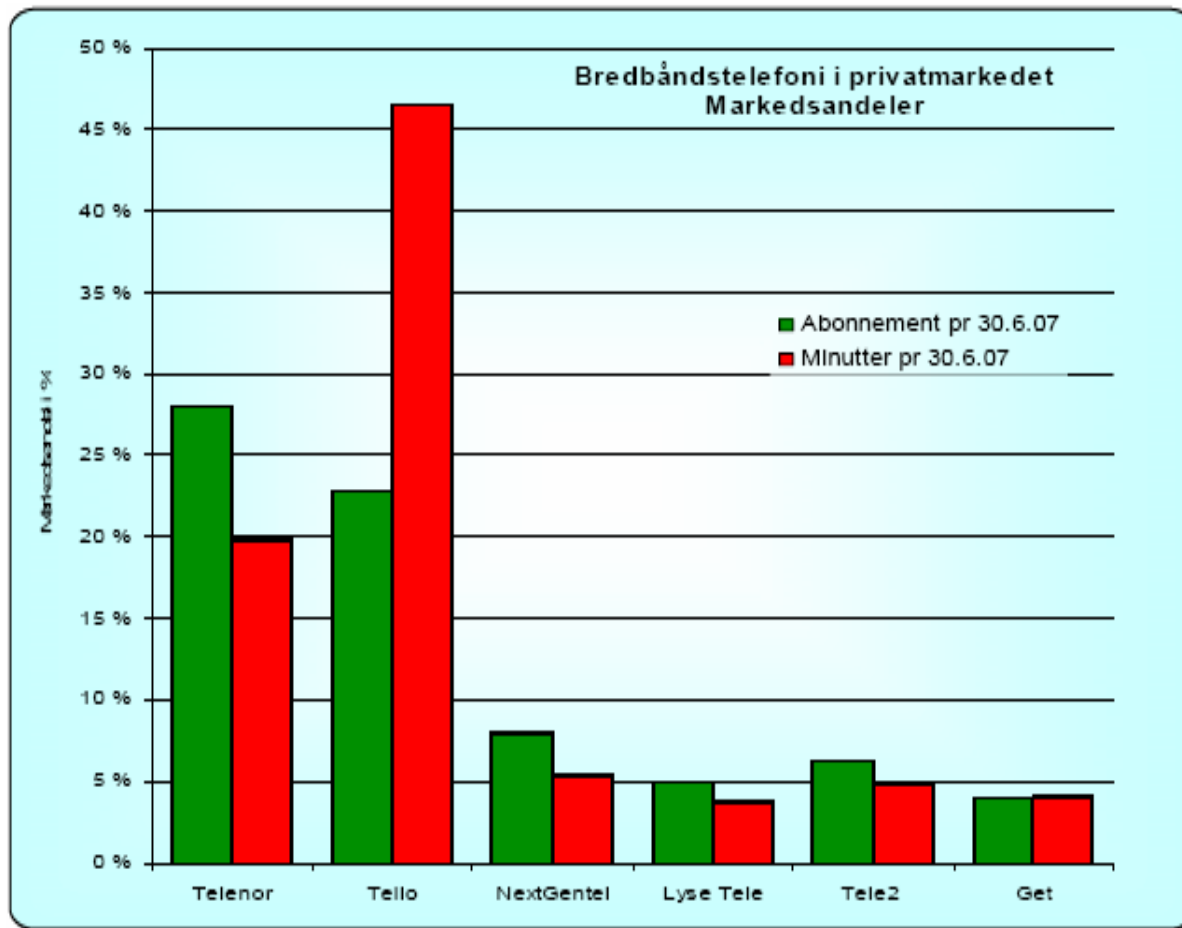


# VoIP market share - subscriptions



- PSTN and especially ISDN is decreasing
- VoIP market share is expected to reach more than 30% in 2008

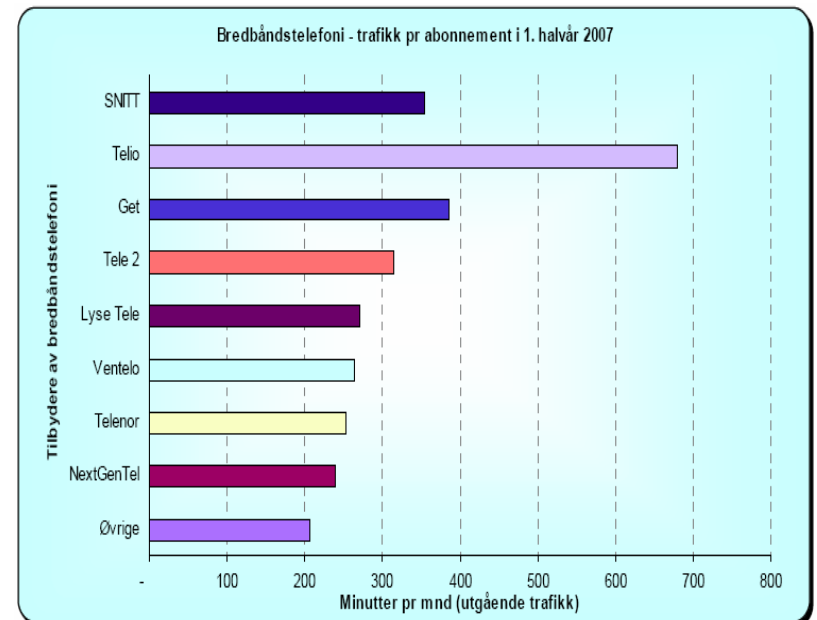
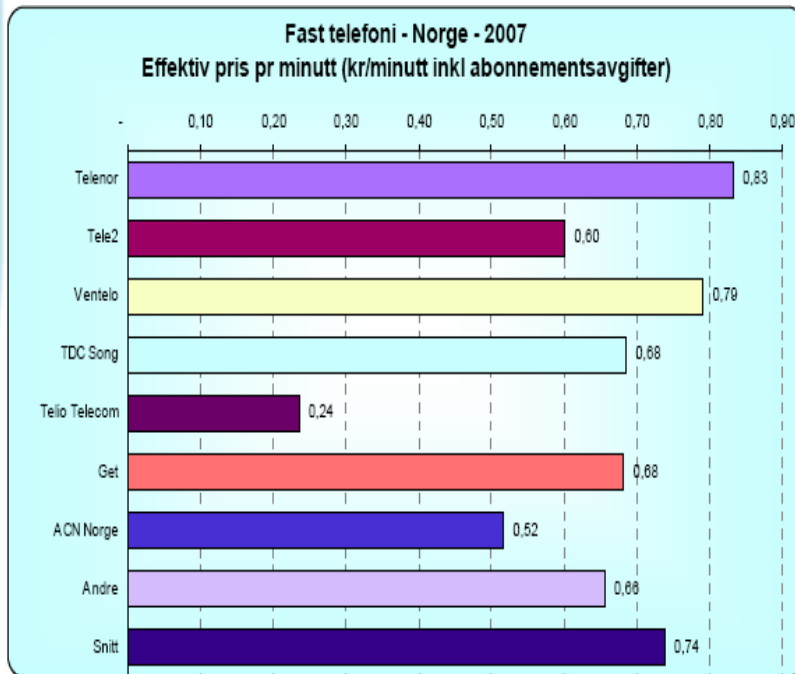
## Where is Telio in this picture?



- Broadband telephony is being reduced to 2 major players;
  - Telenor and Telio
- Number of VoIP service providers is going down
  - Significant reduction in 2007
  - and our estimate is that this process will accelerate in 2008
- Telio has succeeded in attracting customers with high loyalty and high volumes

# Customer value proposition = loyal customers

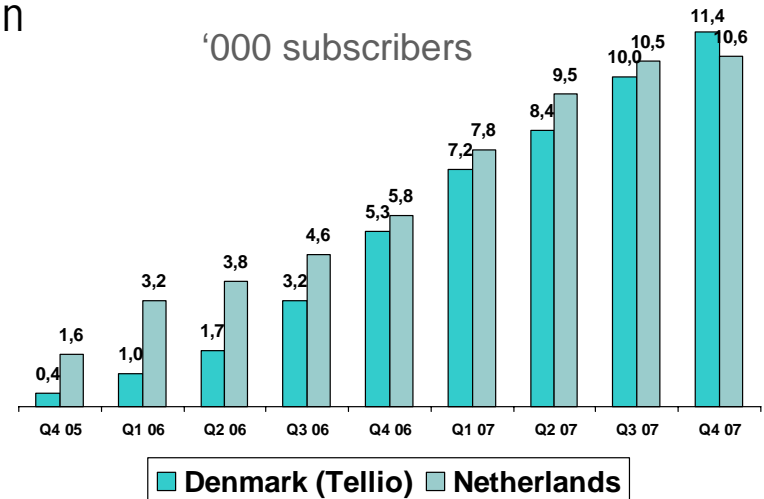
- Number of minutes per subscriber is significantly higher for Telio than the competition



- and thus very effective price per minute

# International

- Healthy growth
  - DK 114% compared to Q4 06
  - NL 83% compared to Q4 06
  
- SMB service to be launched in Denmark in February



# Technology and products update

- mVoIP for SMB launched end of November as indicated in Q3 presentation
- New devices expected to be launched during Q2
  - Linksys WRP400 - wireless access point with dual wireless network - enabler for faster adoption of mVoIP
  - Linksys SPA962 and 932 - Full featured High End IP Phone and Call Attended solution for SMB
  - Nokia N81 and N82 - new mVoIP devices that will be certified for Telio

Year 2008 should bring a number of new devices, which will make the product more appealing to the channels



## Strategy update

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- Engaged in M&A activities in late Q4 and January, but no transaction
  - Will continue to explore possible strategic opportunities
- Norway: Focus on building distribution for SMB services
- International: Market opportunities to be explored

## Update legal issues

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- Ecom
  - The Oslo Tingrett Court has now decided that the ecom issue has legal interest and that a court case most probably will take place before summer 2008.

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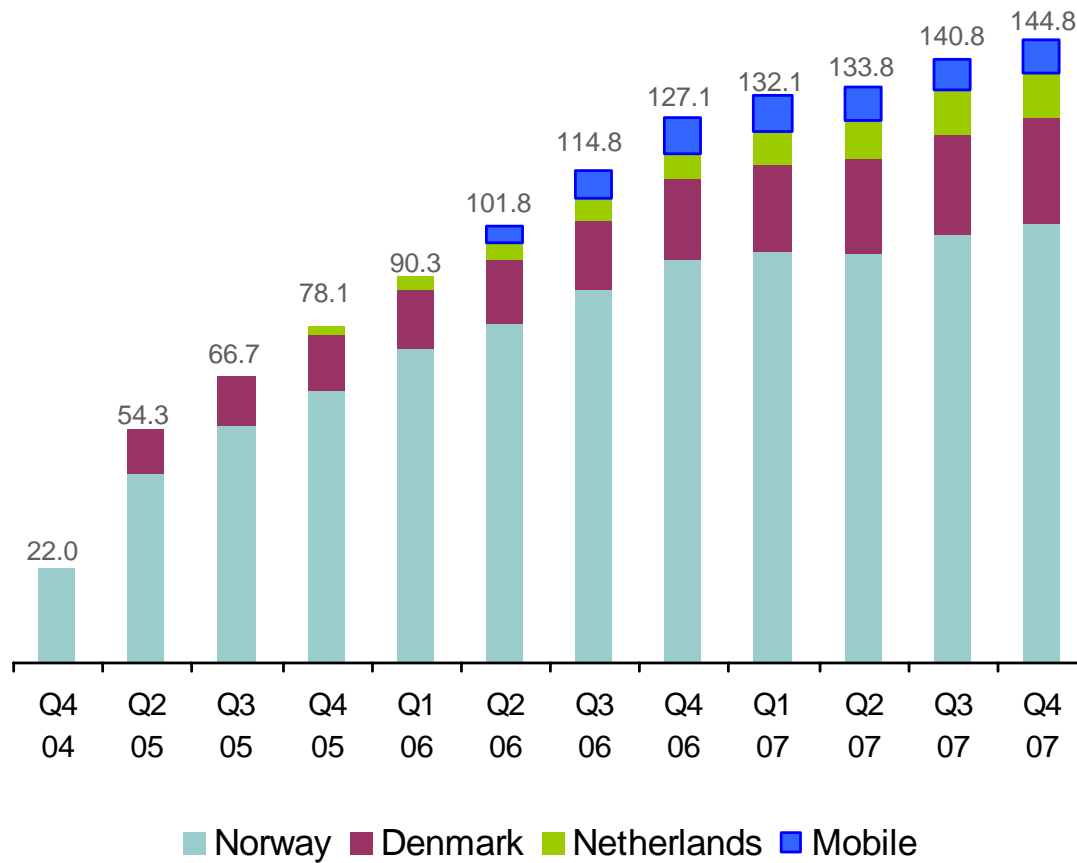
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# Enclosures

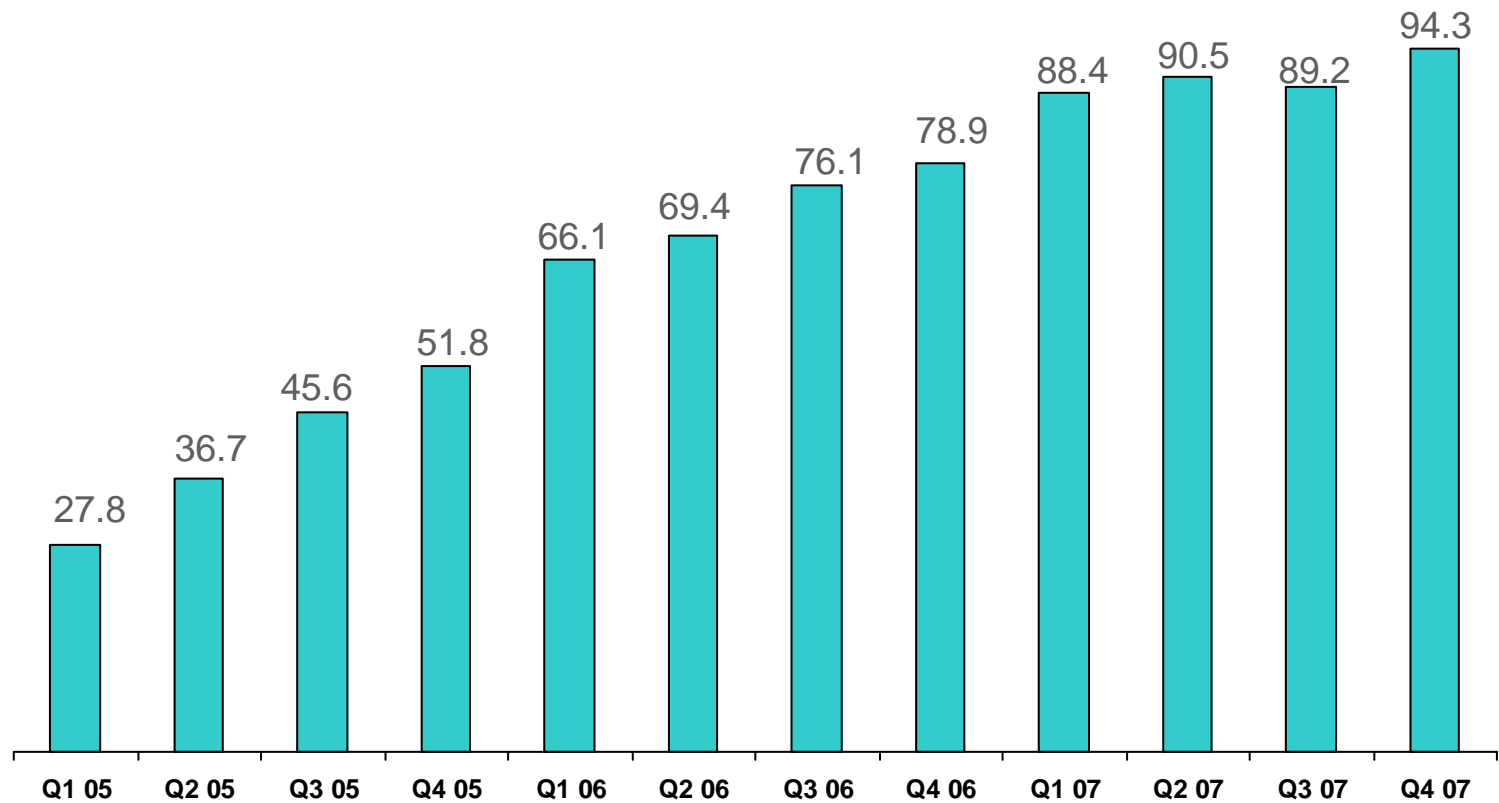
# Overall subscriptions per Q4 07

'000 subscribers



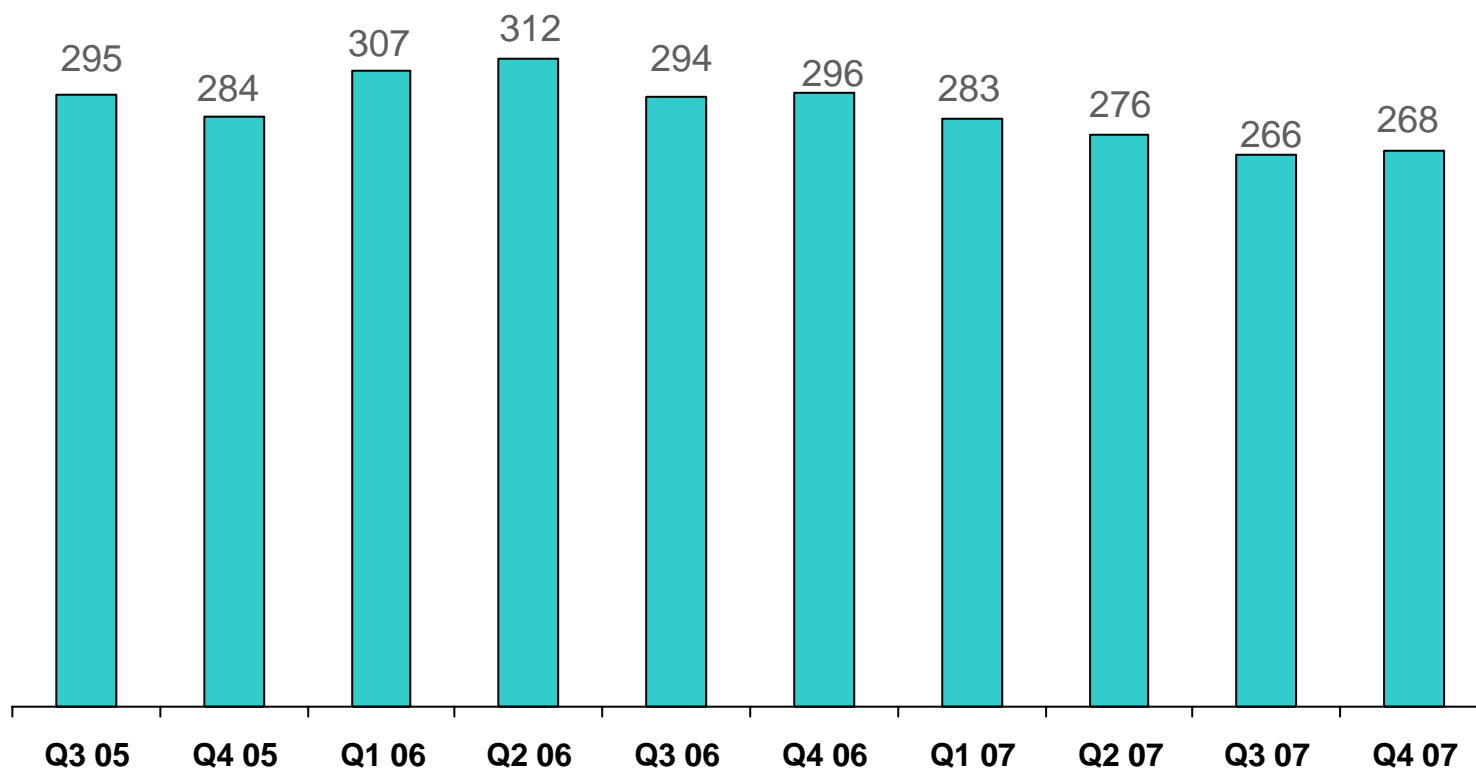
## Continued strong revenue growth, +20% compared to Q4 06

NOK mill.



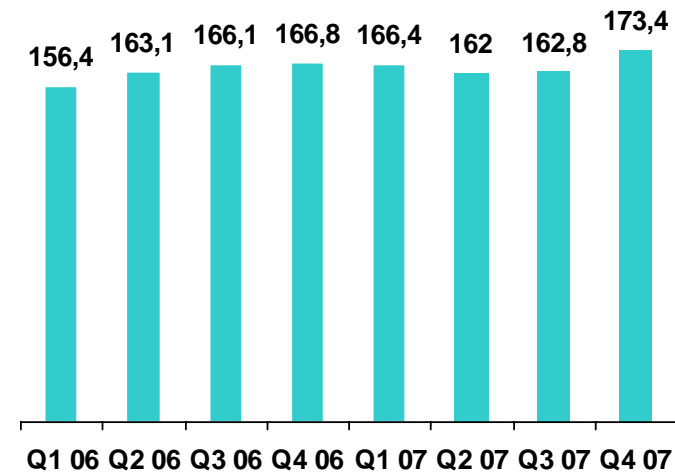
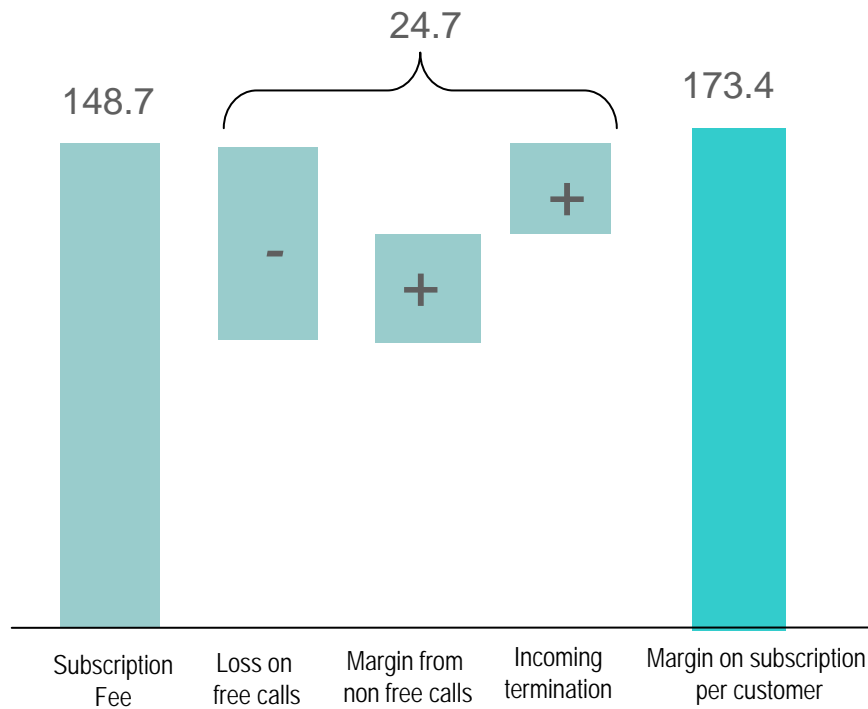
## Average monthly revenue per subscriber for VoIP Norway

NOK



# Average monthly gross profit per subscriber for VoIP Norway

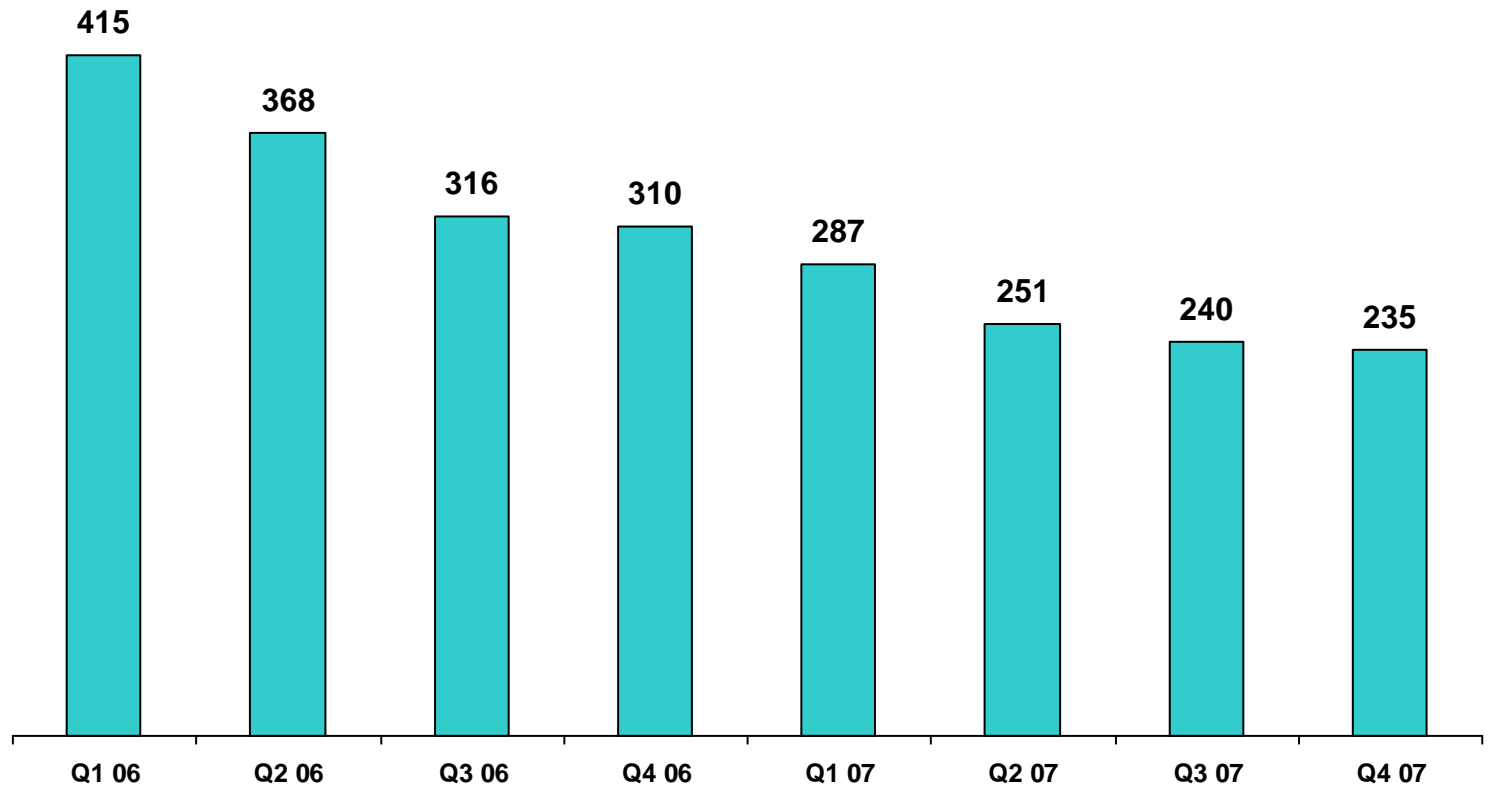
NOK



## Scaling continues

– improved quarterly opex\* per subscriber\*\*

NOK



\* Opex excludes sales & marketing, amortization of subscriber acquisition cost, share based payment and one-off costs

\*\* Billable subscriber (Musimi includes number of customers that used the account during the quarter)



## Profit & loss statement

NOK '000

	Q4 07	Q4 06	var	FY 2007	FY 2006	var
Sales	92 313	79 382	16 %	356 900	289 691	23 %
Other revenues	1 969	(449)	-539 %	5 402	1 140	374 %
<b>Total revenue</b>	<b>94 282</b>	<b>78 933</b>	<b>20 %</b>	<b>362 302</b>	<b>290 831</b>	<b>25 %</b>
Cost of connections and traffic charges	(36 189)	(38 213)	-5 %	(148 470)	(134 398)	10 %
Salaries & personnel costs	(13 392)	(11 287)	19 %	(43 543)	(38 698)	13 %
Selling & marketing costs	(16 164)	(14 938)	8 %	(58 809)	(41 144)	43 %
Other expenses	(11 489)	(14 625)	-21 %	(47 822)	(56 998)	-16 %
Depreciation and amortisation	(11 791)	(13 523)	-13 %	(49 441)	(36 311)	36 %
<b>Operating profit (loss)</b>	<b>5 257</b>	<b>(13 653)</b>		<b>14 217</b>	<b>(16 718)</b>	
Finance costs	(413)	(1)	41200 %	(2 949)	(2 005)	47 %
<b>Profit (loss) before tax</b>	<b>4 844</b>	<b>(13 654)</b>		<b>11 268</b>	<b>(18 723)</b>	