Telio Holding ASA

Q1 08 presentation

Eirik Lunde, CEO

Oslo, 29 April 2008

Telio Holding ASA

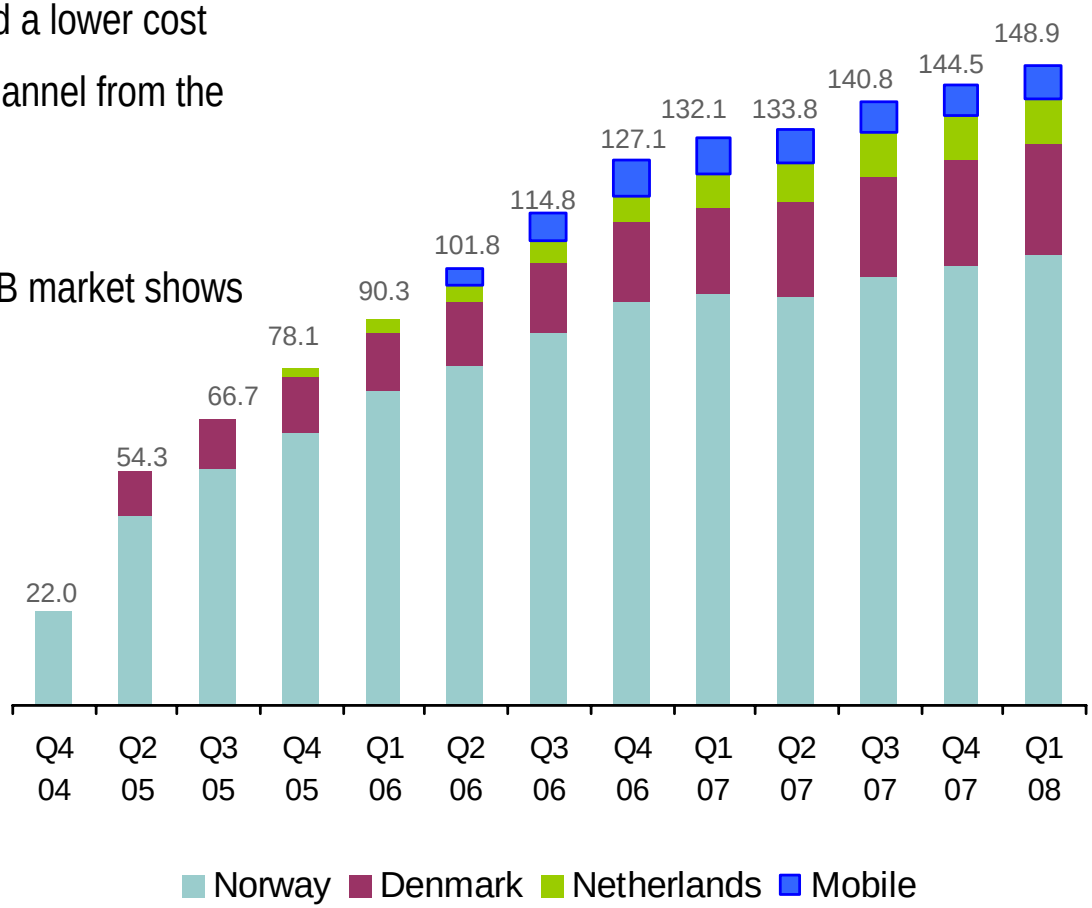
- Leading European broadband telephony provider
- Committed to improving user experience and reducing cost to subscribers
- Innovative products and services based on scalable, access independent technology platform
- World renowned technology experts
- Headquartered in Oslo, listed on OSE with ticker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

Q1 08 Highlights

- Continued customer growth
  - Subscribers: total increase of 4,210 net VoIP customers during Q1
    - 2,268 net VoIP customers in Norway
    - 1,475 net VoIP customers in Denmark
  - Revenues: NOK 94.3 million
  - Q1 revenues in line with Q4 07 revenue level, despite reduced termination prices from 1 January, Easter holidays in March and seasonality in general
- Financials
  - 61% gross margin
  - 24% EBITDA margin
  - Strongest operating profit ever of NOK 12 million, an increase of 193% (Q1 07: NOK 4.1 million)
  - OPEX continues to scale
  - Cash position: NOK 72.1 million (after repayment of bond loan)
- Customers & distribution
  - Strong development in SMB distribution
  - Healthy customer growth in Denmark

Growth opportunities

- Increasing customer base in residential market, at a lower pace and a lower cost
- Reduced activity in OTS channel from the end of Q1
  - Better provisioning rate
- Building distribution for SMB market shows promising progress



SMB - posed for strong growth until 2012

- According to results of Canalys' analysts research (April 2008):
  - SMB VoIP take-up so far has been very slow compared to Medium and Big enterprises
  - By 2012 it is expected that total share of SMB lines on VoIP will be 70 pct throughout EMEA
- Current number of SMB VoIP lines is just a few pct of total SMB lines in Norway and most of EU countries, so it will be growing in the order of magnitude
- Telio has a great value proposition, strong technological platform and newly established channels for effective SMB distribution

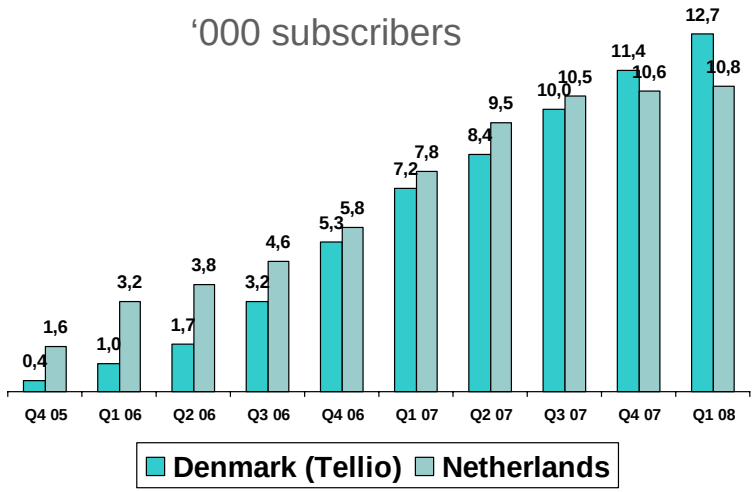
Norway - focus on profitable growth in SMB market

- Telio's acquisition cost for an SMB customer is less than half of the acquisition cost in the residential market
- Profit from an SMB customer is higher than for a residential customer
- Currently above 1,900 lines in the SMB market
- Strong growth in April
- Stronger focus on a direct distribution model, with 100 % focus on Telio
- Success with direct sales force and web
- Few competitors in the SOHO-segment
- Excellent value proposition for the SMB segment (price plan, installation, quality of service etc.)

International

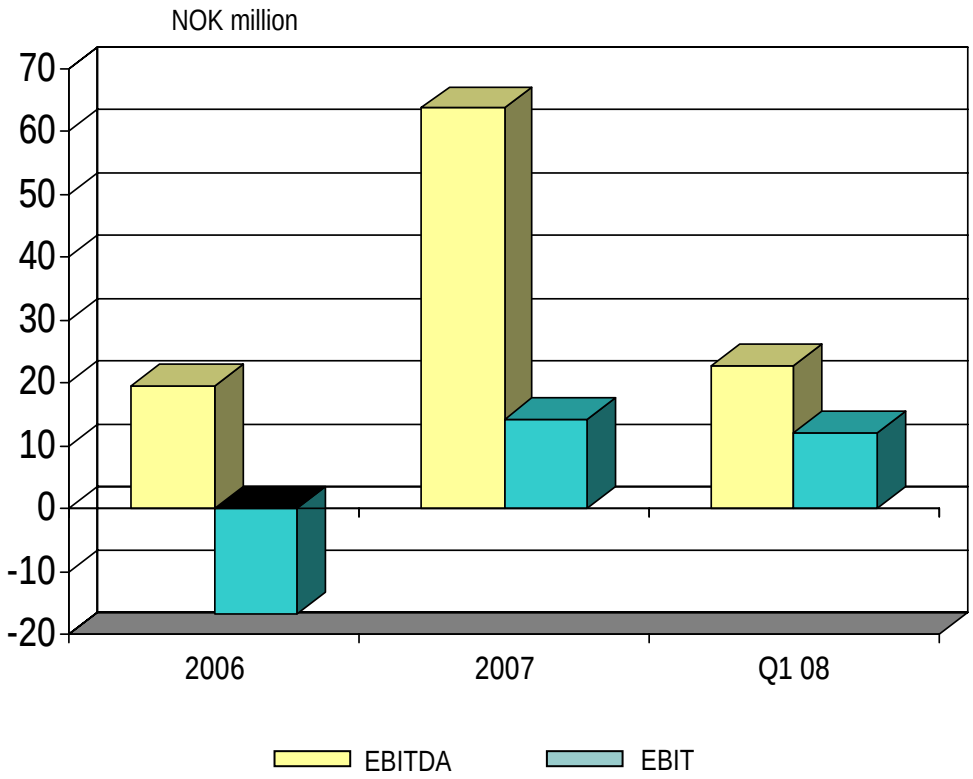
- Healthy growth
  - DK 76% compared to Q1 07
  - NL 38% compared to Q1 07

- Denmark
  - Launched SMB services in Q1
  - Positive development in online sales (lower CAC)
  - Good response from the market on reduced prices to mobile and international
  - 5th largest provider of fixed international traffic



Development in EBITDA/EBIT – significant shift in profitability

- Healthy revenue growth despite a more mature residential market and regulatory issues (pricing)
- Continuously COGS optimizing (vendor agreements etc.) results in increased gross margin
- Focus on profitable growth and more healthy customer intake at reduced costs
- Continuously focus on scaling OPEX
- Potential for further improvements



Cash flow

	Q1 08	Q1 07	2007
Cash flow from operations	16,525	8,423	49,958
Investment activities	(2,867)	(4,701)	(15,810)
Cash flow after investments	13,658	3,722	34,148
Financing activities	(64,378)	(5,271)	(21,202)
Net cash flow	(50,720)	(1,549)	12,946

- Cash flow from operations (working capital) negatively affected by late payments of approx. NOK 5 million
- Repayment of bond loan of NOK 60 million in Q1
- NOK 72.1 million in cash 31 March

Update legal issues

- Ecom
  - No new information to report regarding the upcoming court trial in June 2008
- Ministry of Transport and Communications has on the 22nd of April decided that
  - Telio can not compensate loss of revenue on incoming international calls by raising termination price for incoming national calls
  - The announced penalties of 15th of November are not applicable

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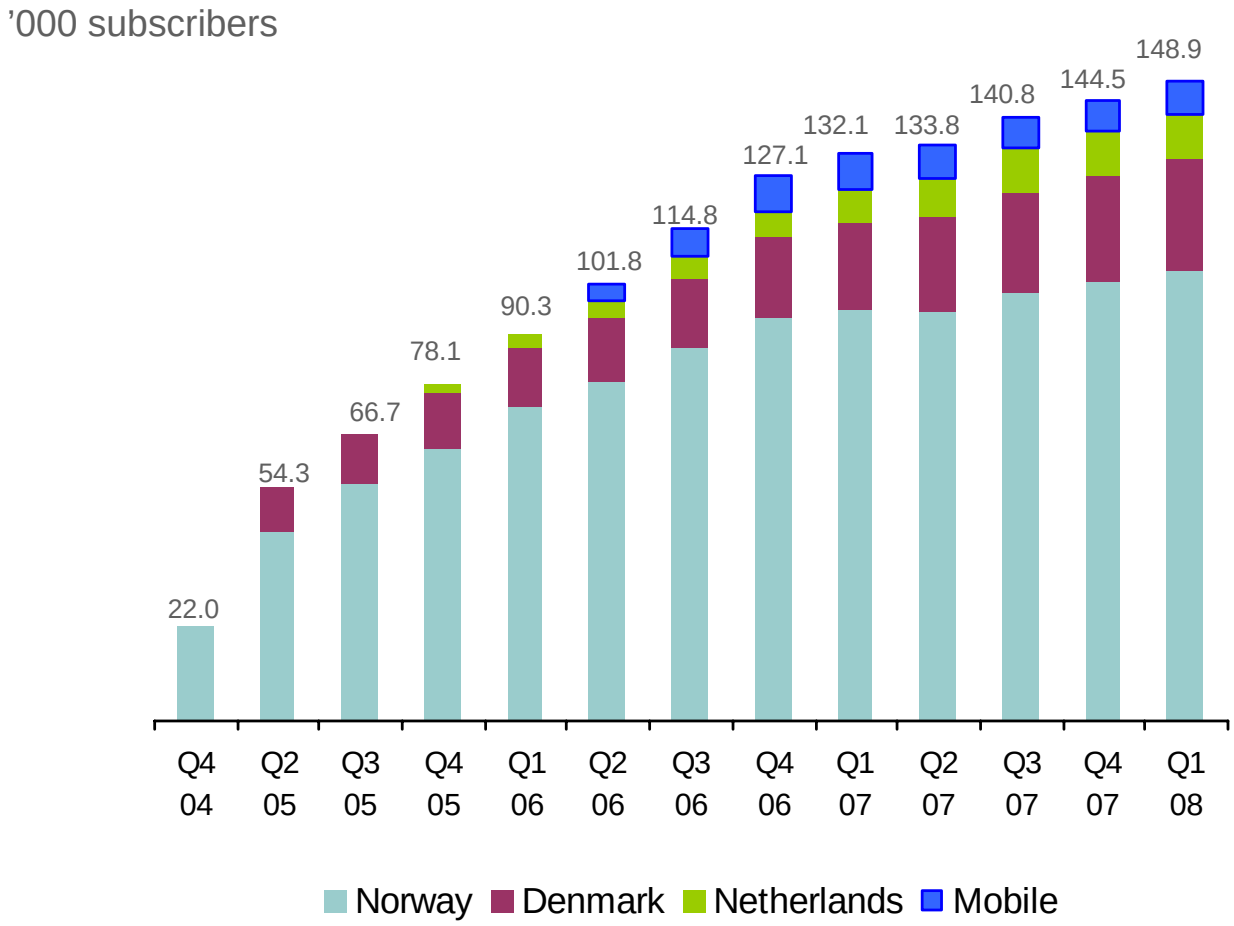
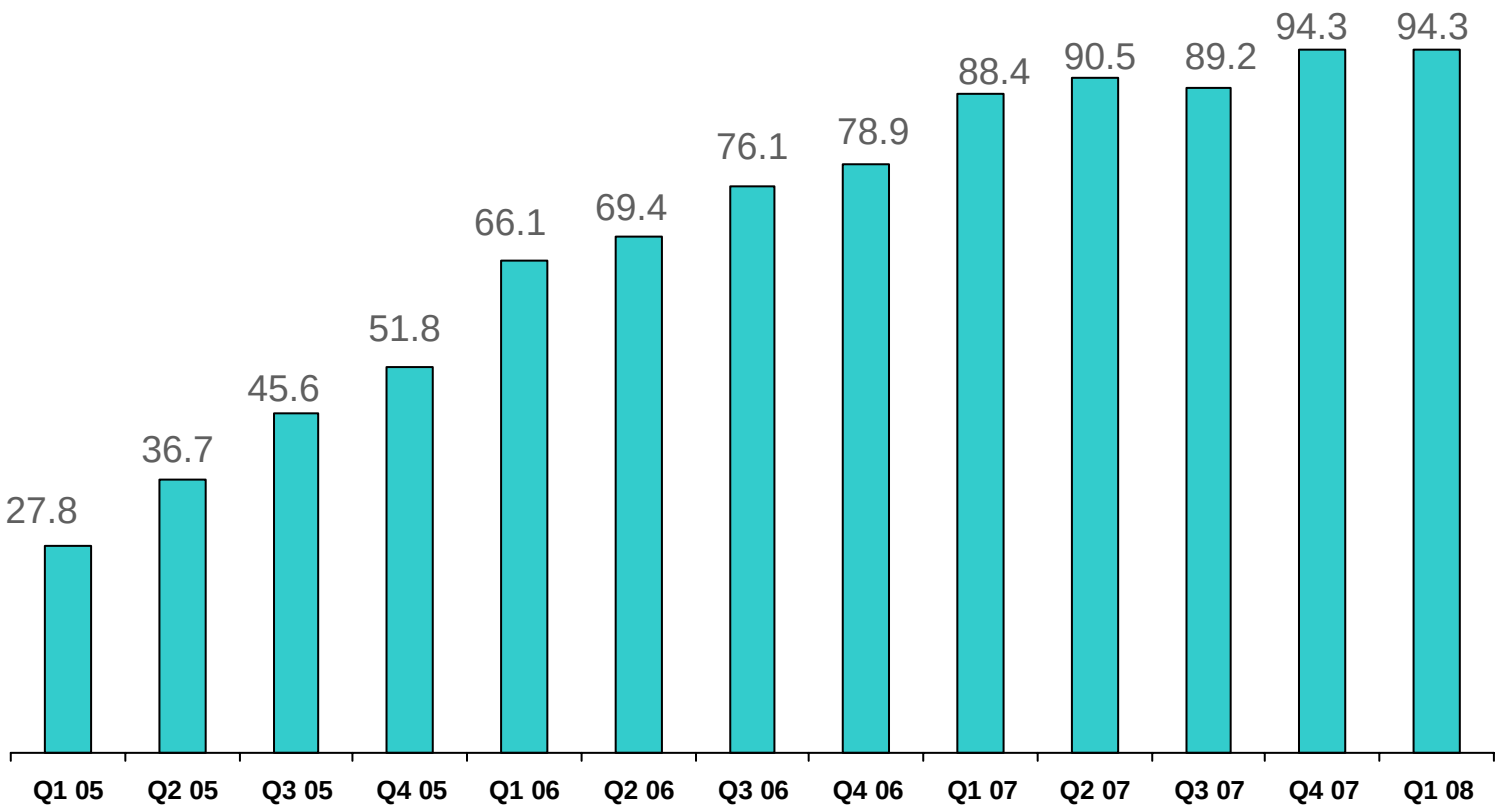
Enclosures

Overall subscriptions per Q1 08

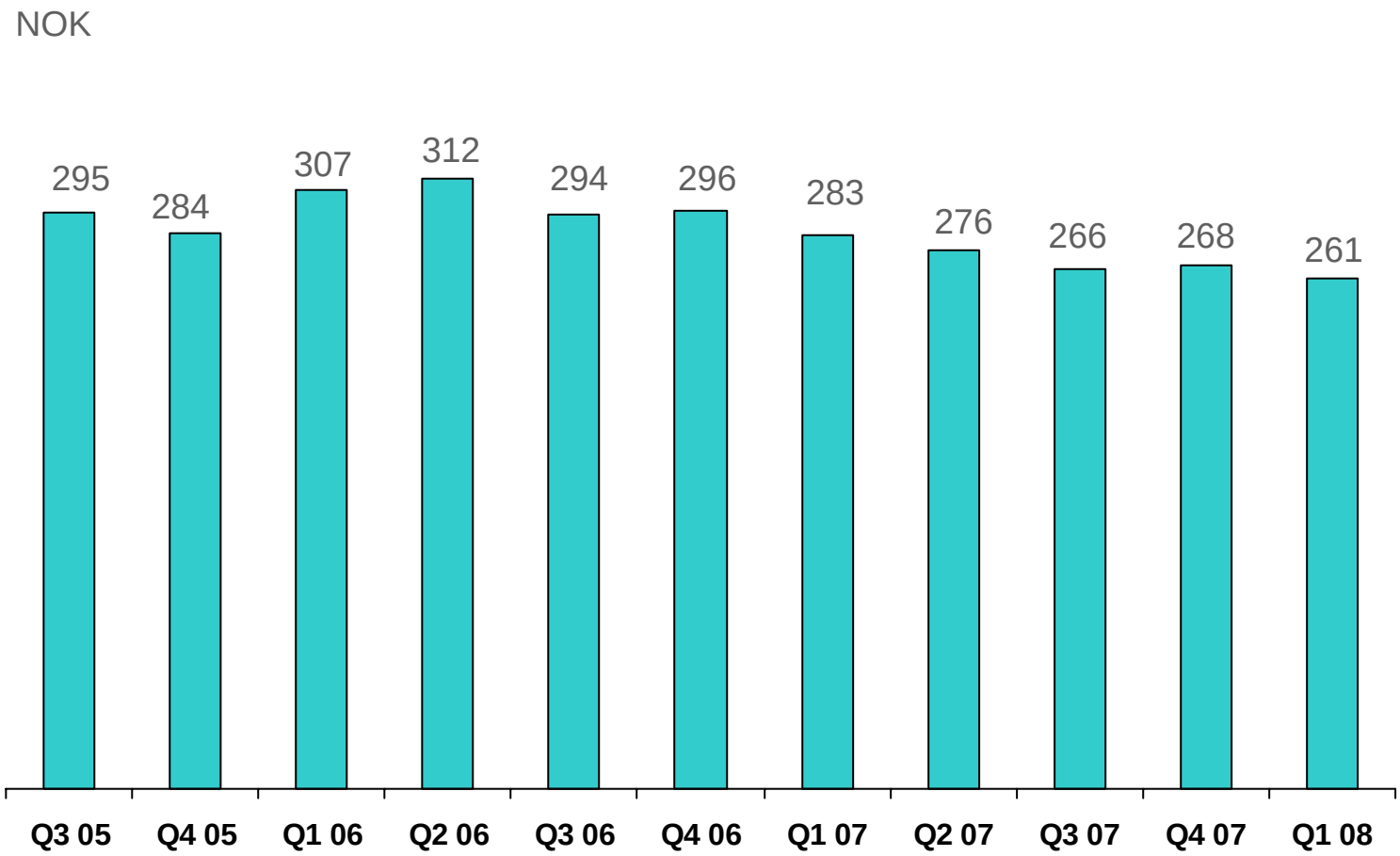


7% revenue growth compared to Q1 07

NOK mill.

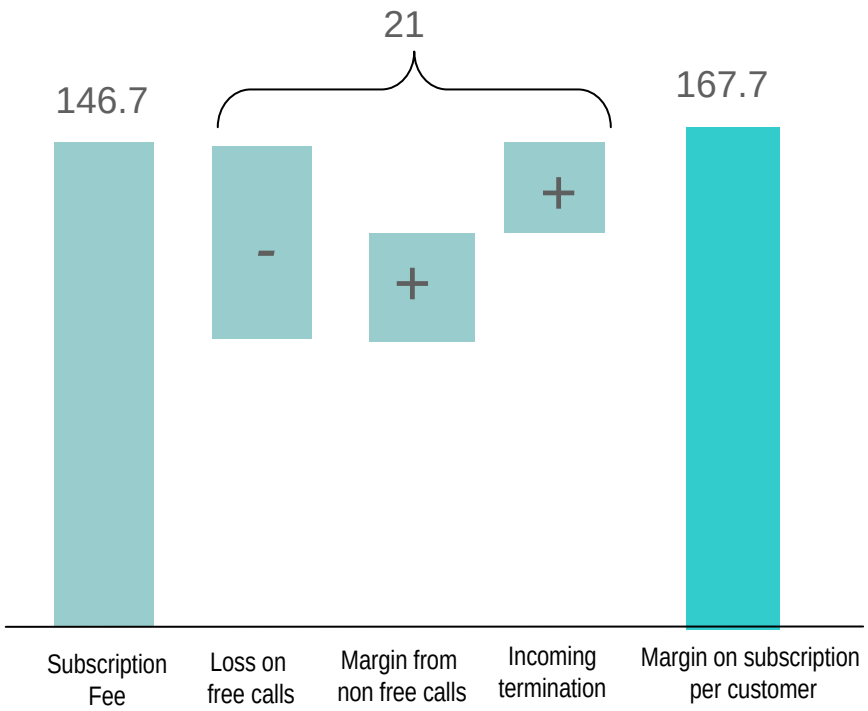


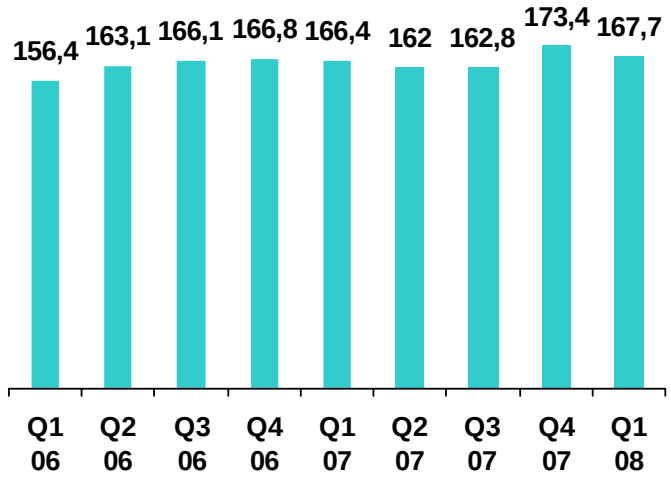
Average monthly revenue per subscriber for VoIP Norway



Average monthly gross profit per subscriber for VoIP Norway

NOK

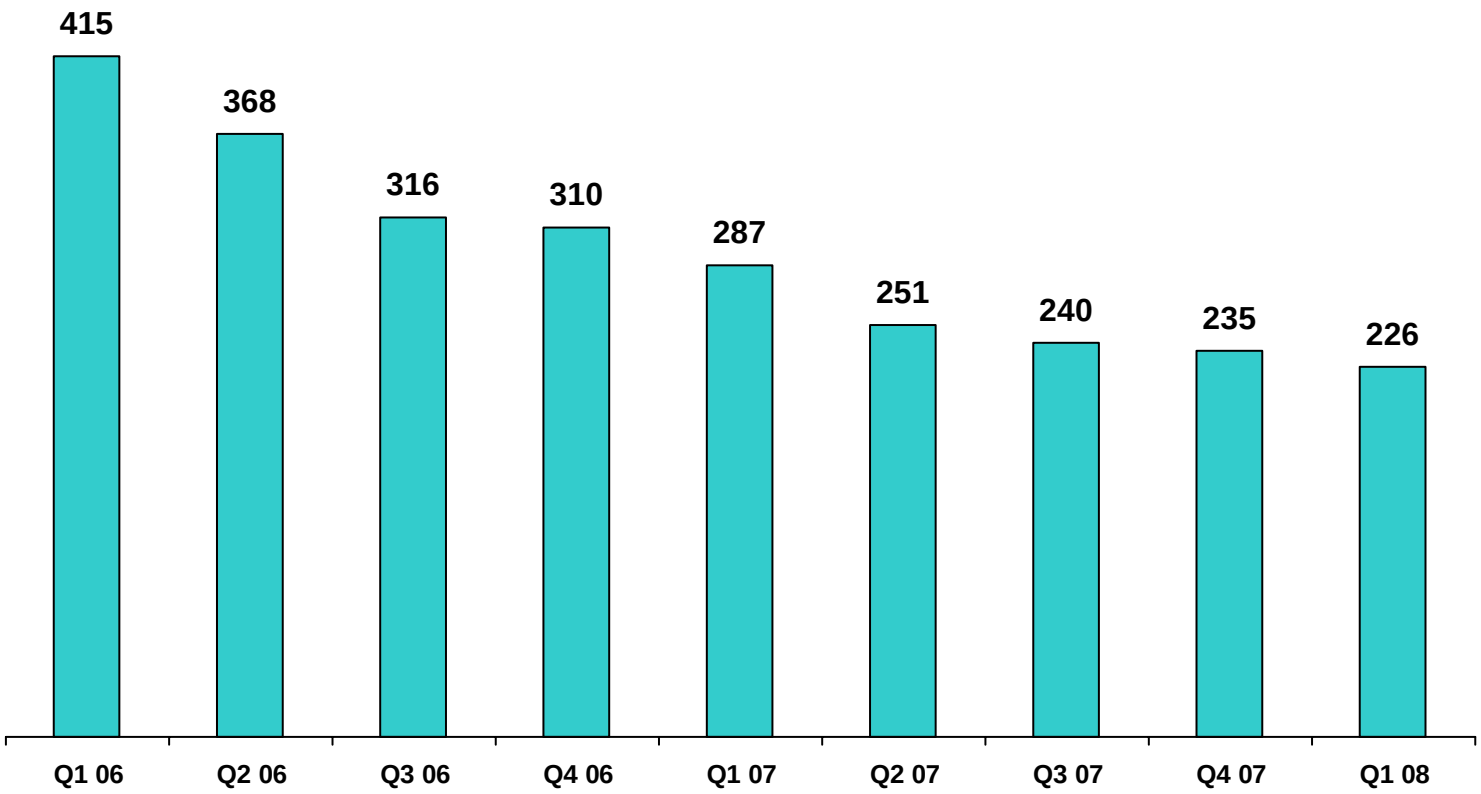




Scaling continues

– 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

	Q1 08	Q1 07	var	FY 2007
Sales	92 073	87 163	6 %	356 900
Other revenues	2 194	1 215	81 %	5 402
Total revenue	**94 267**	**88 378**	**20 %**	**362 302**
Cost of connections and traffic charges	(36 918)	(37 408)	-1 %	(148 470)
Salaries & personnel costs	(12 482)	(10 155)	23 %	(43 543)
Selling & marketing costs	(10 706)	(12 191)	-12 %	(58 809)
Other expenses	(11 444)	(13 155)	-13 %	(47 792)
Depreciation and amortisation	(10 684)	(11 394)	-6 %	(49 441)
Operating profit (loss)	**12 033**	**4 075**		**14 247**
Finance costs	(1 108)	(432)	156 %	(2 949)
Profit (loss) before tax	**10 925**	**3 643**		**11 298**