



TELIO HOLDING ASA

1st QUARTER REPORT 2009





Telio Holding ASA – 1st Quarter Report 2009

Summary

The markets in which Telio operates have continued to develop positively in 1st quarter 2009. Telio has had continued focus on profitable growth which is reflected in the 1st quarter figures. A major event in the quarter was the ruling in Tingretten which was in favor of Telio.

Products and markets

Telio continues to grow in the markets outside Norway. Denmark shows steady growth and reports a 57% increase in the customer base compared to the same period last year. Through existing wholesale agreements in the Dutch market, Telio has achieved 31% increase in customer base compared to the same period last year. During 1st quarter, Telio has continued to prepare for the launch of video telephony in 2nd quarter.

Financials Q1 09 (2008 figures in brackets)

Revenues for 1st quarter 2009 were NOK 99.1 million (94.3), representing a growth of 5%. Gross profit was NOK 59.6 million – 60% gross margin (57.3 – 60.8%). EBITDA was NOK 30 million – 30% (22.7 – 24%). Operating profit was NOK 19.5 million (12.0). Profit after tax was NOK 10 million (7.7).

Cash flow from operations was NOK 19.1 million in 1st quarter 2009. Cash and cash equivalents were NOK 135.4 million at 31 March.

Investments

Investments in 1st quarter 2009 were NOK 9.4 million, of which NOK 2.3 million were related to development of the technology platform (see notes 6 and 7).

Related party transactions

There have been no transactions by related parties that have had a material effect on the Group's financial position or results in the period.

Risk

There have been no material changes in the principal risks and uncertainties for the business during the quarter.

Financial market conditions

With a solid financial situation (cash position, no interest-bearing debt except financial lease and cash generating operations), Telio has not been notably affected by the turmoil in the financial markets. The company does not foresee any material impact from this situation on its operations or financial performance.

Shareholder information

The total number of registered shares outstanding at the end of 1st quarter 2009 was 19,392,700 (19,392,700 at the end of Q4 08) out of which 162,500 shares were owned by Telio Holding ASA (92,100 shares at the end of Q4 08). The total number of shareholders was 403 (427 at the end of Q4 08) and 36.8% of the shares were registered abroad (36.6% at the end of Q4 08).

Total outstanding options at the end of Q1 09 were 1.05 million (1.27 million at the end of Q4 08) with an average strike price of NOK 14.70 (NOK 16.40 at the end of Q4 08). The stock price moved from NOK 16.50 to NOK 21.00 (+27%) during Q1 09.

Legal matters

The ruling from the court trial regarding the ecom case between Telio Telecom AS and Telio SA on one hand and the Ministry of Transportation and Communication on the other was issued 3 February 2009. The ruling was in favor of Telio Telecom AS and Telio SA. The ruling concludes that the decision from the Norwegian Post and Telecom Authority to impose a regulatory fee on revenues in Telio SA is invalid. On 3 March, Telio was informed that the Ministry of Transportation and Communication has decided to appeal the ruling.



Future market developments

The board expects no significant short term changes in the markets and business environment in which Telio operates.

Oslo, 28 April 2009
Board of Directors
Telio Holding ASA

Ingrid Simunic
(sign.)

Erik Osmundsen
Chairman of the Board
(sign.)

Richard Kosowsky
(sign.)

Marit Wetterhus
(sign.)

Arl Resen
(sign.)

Eirik Lunde
CEO
(sign.)



Telio Holding ASA
Condensed consolidated interim balance sheet (unaudited)

(Figures in NOK '000)

	<u>31.03.2009</u>	<u>31.03.2008</u>	<u>31.12.2008</u>
ASSETS			
Non-current assets			
Property, plant and equipment	19,030	23,048	20,957
Intangible assets	30,534	32,791	29,663
Deferred tax assets	4,047	12,371	4,047
	<u>53,611</u>	<u>68,210</u>	<u>54,666</u>
Current assets			
Trade and other receivables	70,654	74,088	73,315
Cash and cash equivalents	135,394	72,142	123,902
	<u>206,048</u>	<u>146,230</u>	<u>197,217</u>
Total assets	<u>259,659</u>	<u>214,440</u>	<u>251,883</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	1,925	1,929	1,929
Other reserves	7,618	31,689	6,015
Retained earnings	119,000	32,252	108,953
Total equity	<u>128,543</u>	<u>65,870</u>	<u>116,897</u>
LIABILITIES			
Non-current liabilities			
Borrowings	2,954	2,025	4,191
Deferred tax liabilities	-	2,006	-
	<u>2,954</u>	<u>4,031</u>	<u>4,191</u>
Current liabilities			
Trade and other payables	67,785	69,773	68,372
Current income tax liabilities	8,876	6,849	6,620
Borrowings	11,839	15,991	13,806
Deferred income	39,028	45,525	41,397
Contingent liabilities	634	6,401	601
	<u>128,162</u>	<u>144,539</u>	<u>130,795</u>
Total liabilities	<u>131,116</u>	<u>148,570</u>	<u>134,986</u>
Total equity and liabilities	<u>259,659</u>	<u>214,440</u>	<u>251,883</u>

Oslo, 28 April 2009

Board of Directors
 Telio Holding ASA

Ingrid Simunic
 (sign.)

Erik Osmundsen
 Chairman of the Board
 (sign.)

Richard Kosowsky
 (sign.)

Marit Wetterhus
 (sign.)

Aril Resen
 (sign.)

Eirik Lunde
 CEO
 (sign.)



Telio Holding ASA
Condensed consolidated interim income statement (unaudited)

(Figures in NOK '000)

	1 st quarter		2008
	2009	2008	
Sales	96,809	92,073	374,669
Other revenues	2,319	2,194	9,699
Total revenue	99,128	94,267	384,368
Cost of connections and traffic charges	(39,548)	(36,918)	(148,599)
Salaries and personnel costs	(13,124)	(12,482)	(47,139)
Selling and marketing costs	(3,824)	(10,706)	(34,483)
Other expenses	(12,662)	(11,444)	(45,016)
Depreciation and amortization	(10,499)	(10,684)	(41,051)
Operating profit (loss)	19,471	12,033	68,080
Finance	(5,857)	(1,108)	7,491
Profit (loss) before income tax	13,614	10,925	75,571
Income tax (expense) income	(3,567)	(3,217)	(13,696)
Profit (loss)	10,047	7,708	61,875
Attributable to :			
Equity holders of the Company	10,047	7,708	61,875
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in NOK per share)			
– basic	0.52	0.40	3.21
– diluted	0.51	0.40	3.16



Telio Holding ASA
Condensed consolidated interim statement of changes in equity (unaudited)

(Figures in NOK '000)

	Attributable to equity holders of the Company			
	Share capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2008	1,929	31,379	24,544	57,852
Currency translation differences	-	(309)	-	(309)
Profit for Q1 08	-	-	7,708	7,708
Total recognized income (loss) in Q1 08	-	(309)	7,708	7,399
Employee share option scheme:				
– value of employee services	-	569	-	569
– proceeds from shares issued	-	50	-	50
	-	619	-	619
Balance at 31 March 2008	1,929	31,689	32,252	65,870
Balance at 1 April 2008	1,929	31,689	32,252	65,870
Currency translation differences	-	(7,684)	-	(7,684)
Profit for April – December 2009	-	-	54,167	54,167
Total recognized income April – December 2008	-	(7,684)	54,167	46,483
Previous year adjustment	-	-	2,983	2,983
Write-down of premium reserve	-	(19,551)	19,551	-
Employee share option scheme:				
– value of employee services	-	1,511	-	1,511
– proceeds from shares issued	-	50	-	50
	-	(17,990)	22,534	4,544
Balance at 31 December 2008	1,929	6,015	108,953	116,897
Balance at 1 January 2009	1,929	6,015	108,953	116,897
Currency translation differences	-	2,880	-	2,880
Profit for Q1 09	-	-	10,047	10,047
Total recognized income Q1 09	-	2,880	10,047	12,927
Purchase of treasury shares	(10)	(1,994)	-	(2,004)
Employee share option scheme:				
– value of employee services	-	166	-	166
– proceeds from shares issued	6	551	-	557
	(4)	(1,277)	-	(1,281)
Balance at 31 March 2009	1,925	7,618	119,000	128,543



Telio Holding ASA

Condensed consolidated interim statement of cash flows (unaudited)

(Figures in NOK '000)

	1 st quarter		2008
	2009	2008	
Cash flows from operating activities			
Profit (loss) for the period	10,047	7,708	61,875
Adjustments for:			
– Tax	2,256	3,058	9,324
– Depreciation	5,426	5,773	22,837
– Amortization	5,073	4,911	18,214
– Non cash transaction related to cost of share options	166	569	2,080
Changes in working capital (excluding the effects of exchange differences on consolidation):			
– Trade and other receivables	2,660	(7,511)	(6,737)
– Trade and other payables	(4,245)	3,954	(3,782)
– Deferred revenue	(2,304)	(1,937)	(6,057)
Net cash generated from operating activities	19,079	16,525	97,754
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)	(1,803)	(1,422)	(2,479)
Purchases of intangible assets	(5,944)	(1,445)	(11,620)
Net cash flow from investing activities	(7,747)	(2,867)	(14,099)
Cash flows from financing activities			
Sale/(purchase) of treasury shares	(1,448)	50	100
Repayment of loan	-	(59,050)	(59,050)
Repayments of borrowings/leasing	(1,274)	(5,378)	(18,789)
Net cash flow from financing activities	(2,722)	(64,378)	(77,739)
Net (decrease)/increase in cash, cash equivalents	8,610	(50,720)	5,916
Cash and cash equivalents at beginning of the period	123,902	122,851	122,851
Translation adjustments	2,882	11	(4,865)
Cash and cash equivalents at end of the period	135,394	72,142	123,902



Telio Holding ASA

Notes to the condensed consolidated interim financial statements (unaudited)

Note 1: Reporting entity

Telio Holding ASA (the “Company”) is a company domiciled in Oslo, Norway. These March 2009 condensed consolidated interim financial statements of Telio Holding ASA and its subsidiaries (together “the Group”) are for the three months ended 31 March 2009.

The consolidated financial statements of the Group as at and for the year ended 31 December 2008 are available upon request from the Company’s registered office at Støperigaten 2, Oslo, or at www.telioholding.no/investor_relations.

Note 2: Statement of compliance

These condensed consolidated interim financial statements of Telio Holding ASA Group have been prepared in accordance with rules and regulations from Oslo Stock Exchange and International Financial Reporting Standard (IFRS) IAS 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2008.

These condensed consolidated interim financial statements were approved by the Board of Directors on 28 April 2009.

Note 3: Significant accounting policies

These condensed consolidated interim financial statements have been prepared under the historical cost convention. They have been prepared under the same accounting principles as those set out in the consolidated financial statements of the Group as at and for the year ended 31 December 2008.

Note 4: Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2008.

Note 5: Segment reporting

Primary reporting format - business segments

IFRS 8 requires segment reporting on both a primary and secondary basis. Business segments are the primary reporting format for Telio, as products and services represent the predominant source and nature of risks and returns. Telio is a niche company specializing in development, marketing and sales of voice over IP telecommunication and operates only in one business segment.

Secondary reporting format - geographical segments

The Group’s operations are defined into three geographical segments; Norway, Switzerland and the rest of Europe. The risks and returns of an entity are influenced both by the geographical *location of its operations* and also by the *location of its markets*. Telio’s definition of geographical segments is based on the location of its markets and customers. Transactions between segments are eliminated.



Revenues	1st quarter 2009	1st quarter 2008	Full year 2008
<i>(Figures in NOK '000)</i>			
Norway	44,354	47,180	183,857
Switzerland	38,544	37,402	154,257
	82,898	84,582	338,114
Other Europe	13,911	7,491	36,555
Total	96,809	92,073	374,669

Capital expenditure

(Figures in NOK '000)

Norway	7,606	2,837	14,215
Switzerland	-	30	32
Other Europe	141	-	609
Total	7,747	2,867	14,856

Capital expenditure includes both property, plant and equipment (not equipment on financial lease) and intangible assets. Geographical allocation is based on where the assets are located.

Total assets	31.03.2009	31.03.2008	31.12.2008
<i>(Figures in NOK '000)</i>			
Norway	152,521	133,033	166,435
Switzerland	25,690	64,026	31,914
Other Europe	81,448	17,381	53,534
Total	259,659	214,440	251,883

Analysis of sales by category	1st quarter 2009	1st quarter 2008	Full year 2008
<i>(Figures in NOK '000)</i>			
Connection fees	3,399	3,233	12,848
Subscriptions	49,580	46,038	192,822
Traffic	35,683	36,365	140,744
ASP	4,821	2,790	12,998
Mobile	3,326	3,647	15,257
Total	96,809	92,073	374,669



Note 6: Property, plant and equipment

	1 st quarter 2009	1 st quarter 2008	Full year 2008
<u>Adapters</u>			
Book value beg. of period	15,613	16,008	16,008
Additions	1,697	2,790	16,144
Depreciation	(4,136)	(4,068)	(16,539)
Book value end of period	13,174	14,730	15,613
<u>Other equipment</u>			
Book value beg. of period	5,344	8,707	8,707
Additions	1,803	1,316	2,936
Depreciation	(1,291)	(1,705)	(6,299)
Book value end of period	5,856	8,318	5,344
Total property, plant and equipment	19,030	23,048	20,957

Note 7: Intangible assets

	1 st quarter 2009	1 st quarter 2008	Full year 2008
<u>Customer acquisition costs</u>			
Book value beg. of period	20,936	27,650	27,650
Additions	3,646	2,068	7,046
Amortization	(3,689)	(3,742)	(13,760)
Book value end of period	20,893	25,976	20,936
<u>Technology platform</u>			
Book value beg. of period	7,174	5,775	5,775
Additions	2,298	(623)	4,574
Amortization	(1,062)	(849)	(3,175)
Book value end of period	8,410	4,303	7,174
<u>Other intangible assets</u>			
Book value beg. of period	1,553	2,832	2,833
Additions/(disposals)	-	-	-
Amortization	(322)	(320)	(1,280)
Book value end of period	1,231	2,512	1,553
Total intangible assets	30,534	32,791	29,663

Note 8: Deferred revenues

Deferred revenues include revenues generated from connection fees, subscriptions and software lease agreements (ASP). These are recognized as follows (as stated in section 2.15 in the annual report for 2008):

Connection fee

Connection fee revenues are recognized over a 5 year period, which represents the expected average duration of a customer relationship. Revenues are being recognized when the customer has entered into a subscription agreement, has paid the connection fee and has been connected to the network. The connection fee includes the initial connection service, adapter delivery and porting (to technically transfer the unique telephone number from another telephone operator to the Company). The connection fee is non-refundable and the subscription agreement has no



lock-in period. Revenues generated from porting services (transfer of a telephone number from Telio to another telecom operator) are being recognized when the porting service has been delivered.

Subscriptions

Revenues from subscriptions are recognized on an accruals basis over the subscription period in accordance with the substance of the subscription agreement, starting as at the date of the activation of the subscription.

Software lease agreements (ASP)

Revenues from software lease agreements (ASP) are recognized on an accrual basis over the contract period in accordance with the substance of the lease agreement.

(Figures in NOK '000)

	31.03.2009	31.03.2008	31.12.2008
Deferred revenues connection fee	18,373	27,037	20,563
Deferred revenues subscriptions	20,655	18,488	20,834
Total deferred revenues in balance sheet	39,028	45,525	41,397

Note 9: Finance

Net finance loss of NOK 5.857 million in Q1 09 includes net unrealized foreign exchange loss of NOK 6.478 million related to inter-company loans.



Financial information Q1 09

Telio reports revenues of NOK 99.1 million in 1st quarter 2009. EBITDA was NOK 30 million (EBITDA margin of 30%) and EBIT was NOK 19.5 million.

EBIT was NOK 19.5 million compared to NOK 12 million in Q1 08. Profit before tax was NOK 13.6 million compared to NOK 10.9 million in Q1 08.

At the end of Q1 09, Telio had 107,000 active VoIP customers in Norway, 23,000 in Denmark and 14,000 in the Netherlands.

Financials

Total gross profit in Q1 09 was NOK 59.6 million (60% margin) compared to NOK 57.3 million (61% margin) in Q1 08.

Average monthly revenue per customer (VoIP Norway) during Q1 09 was NOK 244 compared to NOK 248 in the previous quarter. Average monthly gross profit per customer for Norwegian VoIP customers was NOK 157 during the quarter compared to NOK 160 in the previous quarter.

Salaries and personnel costs were NOK 13.1 million in Q1 09 (13.2% of revenues). Salaries and personnel costs are affected by capitalization of NOK 1.7 million in development costs during the quarter. Selling and marketing costs were NOK 3.8 million in Q1 09 (3.9% of revenues). The company capitalized customer acquisition costs of NOK 3.6 million during the quarter.

Cash flow from operations was NOK 19.1 million in the quarter. Cash and cash equivalents were NOK 135.4 million at 31 March. Consolidated equity was NOK 128.5 million (equity ratio of 49.5%) compared to NOK 116.9 million (44%) at the end of 2008.

Deferred revenues (current liabilities) decreased by NOK 2.4 million during the quarter. Deferred income at the end of Q1 09 was NOK 39 million of which NOK 18.4 million has been collected and is non-refundable. Total financial lease debt was NOK 14.8 million at the end of the quarter which is NOK 3.2 million below the end of the previous quarter (NOK 18 million). Of the total financial lease debt, NOK 11.8 million was classified as current liabilities (payable within one year from the balance sheet date).

The Telio Group had 113 employees (FTE) at 31 March 2009.

<i>(Figures in NOK '000)</i>	1st quarter 2009	4th quarter 2008	3rd quarter 2008	2nd quarter 2008	1st quarter 2008
Total revenue	99,128	100,441	92,969	96,692	94,267
Revenue growth (year-on-year) (%)	5%	7%	4%	7%	7%
Gross margin (%)	60%	61%	63%	61%	61%
Operating profit	19,471	21,701	14,154	20,192	12,033
Operating margin (%)	20%	22%	15%	21%	13%
EBITDA	29,970	31,824	24,550	30,040	22,717
EBITDA margin (%)	30%	32%	26%	31%	24%
EPS (NOK)	0.52	1.32	0.62	0.80	0.40
EPS (NOK) fully diluted	0.51	1.32	0.62	0.80	0.40



Company Facts

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0110 Oslo

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Homepage: www.telioholding.no

Company reg. number: 985 968 098
Founded: 12 August 2003

Board of Directors

Erik Osmundsen (Chairman)
Richard Philip Kosowsky
Aril Resen
Ingrid Simunic
Marit Wetterhus

Group Management

Eirik Lunde, Chief Executive Officer
Tom Nøttveit, Chief Financial Officer
Alan Duric, co-founder and Chief Technology Officer
Jens Hetland, Commercial & Product Director
Nina Forsberg Mathiesen, Director Customer Services

Investor Relations

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Financial Calendar

1st quarter 2009: 29 April
2nd quarter 2009: 20 August
3rd quarter 2009: 28 October

Equity Research Coverage

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