



TELIO HOLDING ASA

1st HALF YEAR/ 2nd QUARTER REPORT 2009





Telio Holding ASA – 1st Half Year/2nd Quarter Report 2009

Board of Directors' Report 1st Half Year 2009

Summary

The markets in which Telio operates have continued to develop positively in 1st half year 2009. Telio has had continued focus on profitable growth which is reflected in the 1st half year figures.

Products and markets

Telio continues to grow in the markets outside Norway. Denmark shows steady growth and reports a 42% increase in the customer base compared to the same period last year. Through existing wholesale agreements in the Dutch market, Telio has achieved 43% increase in customer base compared to the same period last year.

The implementation project with Pretium Telecom BV was finalized in the quarter and the first sales are expected to take place from August.

During 2nd quarter, Telio has continued to prepare for the launch of video telephony in mid July.

In April 2009, Telio announced that the company will enter the Swiss residential and business market with its services. The company is in a process of setting up an operation in Zurich and expects a market launch during Q4 this year.

Financials 1st half 2009 (2008 figures in brackets)

Revenues for 1st half 2008 were NOK 198.3 million (191), representing a growth of 4%. Total gross profit was NOK 121.3 million - 61% gross margin (116.3 – 61%). EBITDA was NOK 66.3 million – 33.5% (52.8 – 27.6%). Operating profit was NOK 45.5 million (32.2). Profit after tax was NOK 28.4 million (23.1).

Cash flow from operations was NOK 57.9 million in 1st half 2009. Cash and cash equivalents were NOK 100.9 million at 30 June after dividend payment of NOK 57.9 million in May.

Investments

Investments in 1st half 2009 were NOK 21.9 million, including leased equipment (see notes 6 and 7 for details).

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 first six months and these are not expected to change significantly during the remaining six months of the financial year.

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 half 2009 was 19,392,700 (19,392,700 at the end of Q1 09) out of which 86,500 shares were owned by Telio Holding ASA (162,500 shares at the end of Q1 09). The total number of shareholders was 431 (403 at the end of Q1 09) and 37.6% of the shares were registered abroad (36.8% at the end of Q1 09).

Total outstanding options at the end of 1st half 2009 were 1.02 million (1.05 million at the end of Q1 09) with an average strike price of NOK 15.13 (NOK 14.70 at the end of Q1 09). The stock price moved from NOK 16.50 to NOK 20.20 (22.4%) during 1st half 2009.

**Legal matters**

The appeal in 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 is scheduled to take place in Lagmannsretten 29 and 30 October 2009.

Future market developments

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

Oslo, 19 August 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 statement of financial position (unaudited)

(Figures in NOK '000)

	<u>30.06.2009</u>	<u>30.06.2008</u>	<u>31.12.2008</u>
ASSETS			
Non-current assets			
Property, plant and equipment	22,281	19,754	20,957
Intangible assets	29,370	30,440	29,663
Deferred tax assets	4,046	12,371	4,047
	<u>55,697</u>	<u>62,565</u>	<u>54,666</u>
Current assets			
Trade and other receivables	69,726	66,754	73,315
Cash and cash equivalents	100,895	97,388	123,902
	<u>170,621</u>	<u>164,142</u>	<u>197,217</u>
Total assets	<u>226,318</u>	<u>226,707</u>	<u>251,883</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	1,930	1,929	1,929
Other reserves	8,800	32,186	6,015
Retained earnings	79,420	47,684	108,953
Total equity	<u>90,150</u>	<u>81,799</u>	<u>116,897</u>
LIABILITIES			
Non-current liabilities			
Borrowings	3,962	2,169	4,191
Deferred tax liabilities	-	2,006	-
	<u>3,962</u>	<u>4,175</u>	<u>4,191</u>
Current liabilities			
Trade and other payables	61,722	67,031	68,372
Current income tax liabilities	18,040	11,692	6,620
Borrowings	14,253	13,470	13,806
Deferred income	37,455	42,562	41,397
Contingent liabilities	736	5,978	601
	<u>132,206</u>	<u>140,733</u>	<u>130,795</u>
Total liabilities	<u>136,168</u>	<u>144,908</u>	<u>134,986</u>
Total equity and liabilities	<u>226,318</u>	<u>226,707</u>	<u>251,883</u>

Oslo, 19 August 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 income statement (unaudited)

(Figures in NOK '000)

	Notes	2 nd quarter		Accumulated 30 June		Full year
		2009	2008	2009	2008	2008
Sales	5	95,231	95,390	192,040	187,462	374,669
Other revenues		3,913	1,302	6,232	3,496	9,699
Total revenue		99,144	96,692	198,272	190,958	384,368
Cost of connections and traffic charges		(37,470)	(37,733)	(77,018)	(74,651)	(148,599)
Salaries and personnel costs		(9,982)	(9,336)	(23,105)	(21,818)	(47,139)
Selling and marketing costs		(3,507)	(8,634)	(7,332)	(19,340)	(34,483)
Other expenses		(11,830)	(10,949)	(24,493)	(22,392)	(45,016)
Depreciation and amortization	6, 7	(10,329)	(9,848)	(20,827)	(20,532)	(41,051)
Operating profit		26,026	20,192	45,497	32,225	68,080
Finance	9	(1,192)	430	(7,049)	(677)	7,491
Profit before income tax		24,834	20,622	38,448	31,548	75,571
Income tax		(6,512)	(5,191)	(10,079)	(8,408)	(13,696)
Profit		18,322	15,431	28,369	23,140	61,875

Attributable to :

Equity holders of the Company	18,322	15,431	28,369	23,140	61,875
-------------------------------	--------	--------	--------	--------	--------

Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in NOK per share)

– basic	0.95	0.80	1.47	1.20	3.21
– diluted	0.94	0.80	1.45	1.20	3.16

Condensed consolidated statement of comprehensive income (unaudited)

(Figures in NOK '000)

	2 nd quarter		Accumulated 30 June		Full year
	2009	2008	2009	2008	2008
Profit	18,322	15,431	28,369	23,140	61,875
Currency translation differences	(116)	4	2,764	(305)	(7,993)
Employee share option scheme:					
– value of employee services	-	-	892	1,062	2,080
Other comprehensive income	(116)	4	3,656	757	(5,913)
Total comprehensive income	18,206	15,435	32,025	23,897	55,962



Telio Holding ASA

Condensed consolidated 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
Total comprehensive income in 1H 08	-	757	23,140	23,897
Employee share option scheme:				
– proceeds from shares issued	-	50	-	50
Balance at 30 June 2008	1,929	32,186	47,684	81,799
Balance at 1 July 2008	1,929	32,186	47,684	81,799
Total comprehensive income July – December 2008	-	(6,670)	38,735	32,065
Previous year adjustment	-	-	2,983	2,983
Write-down of premium reserve		(19,551)	19,551	-
Employee share option scheme:				
– proceeds from shares issued	-	50	-	50
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
Total comprehensive income in 1H 09	-	3,656	28,369	32,025
Purchase of treasury shares	(10)	(1,994)	-	(2,004)
Payment of dividend	-	-	(57,902)	(57,902)
Employee share option scheme:				
– proceeds from shares issued	11	1,123	-	1,134
Balance at 30 June 2009	1,930	8,800	79,420	90,150



Telio Holding ASA
Condensed consolidated statement of cash flows (unaudited)

(Figures in NOK '000)

	2 nd quarter		Accumulated 30 June		Full year
	2009	2008	2009	2008	2008
Cash flows from operating activities					
Profit (loss) before tax	24,834	20,622	38,448	31,548	75,571
Adjustments for:					
- Net finance	1,192	(430)	7,049	677	(7,491)
- Interest paid	(430)	(751)	(720)	(2,388)	(3,371)
- Interest received	639	1,014	1,008	1,952	5,726
- Tax paid	(1,767)	(442)	(3,369)	(283)	(4,372)
- Depreciation	4,813	5,290	10,239	11,063	22,837
- Amortization	5,515	4,559	10,588	9,470	18,214
- Non cash transaction related to cost of share options	726	493	892	1,062	2,080
Changes in working capital (excluding the effects of exchange differences on consolidation):					
- Trade and other receivables	929	7,335	3,589	(176)	(6,737)
- Trade and other payables	(5,959)	(5,948)	(5,977)	(1,994)	(4,284)
- Deferred revenue	(1,573)	(2,963)	(3,877)	(4,827)	(6,057)
Net cash generated from operating activities	28,919	28,779	57,870	46,104	92,116
Cash flows from investing activities					
Purchases of property, plant and equipment (PPE)	(895)	(231)	(2,698)	(1,547)	(2,647)
Purchases of intangible assets	(4,352)	(2,208)	(10,296)	(3,653)	(11,620)
Net cash flow from investing activities	(5,247)	(2,439)	(12,994)	(5,200)	(14,267)
Cash flows from financing activities					
Sale/(purchase) of treasury shares	577	-	(871)	50	100
Repayment of loan	-	-	-	(59,050)	(59,050)
Repayments of borrowings/leasing	(4,254)	(4,378)	(8,636)	(8,909)	(18,778)
Payment of dividend	(57,902)	-	(57,902)	-	-
Net cash flow from financing activities	(61,579)	(4,378)	(67,409)	(67,909)	(77,728)
Net (decrease)/increase in cash, cash equivalents	(37,907)	21,962	(22,533)	(27,005)	121
Cash and cash equivalents at beginning of the period	135,394	72,142	123,902	122,851	122,851
Translation adjustments	3,408	3,284	(474)	1,542	930
Cash and cash equivalents at end of the period	100,895	97,388	100,895	97,388	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 June 2009 condensed consolidated interim financial statements of Telio Holding ASA and its subsidiaries (together “the Group”) are for the six months ended 30 June 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 19 August 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	2nd quarter 2009	2nd quarter 2008	Accumulated 30 June 2009	Accumulated 30 June 2008	Full year 2008
<i>(Figures in NOK '000)</i>					
Norway	44,387	47,885	88,741	95,065	183,857
Switzerland	36,990	39,100	75,534	76,502	154,257
	81,377	86,985	164,275	171,567	338,114
Other Europe	13,854	8,405	27,765	15,895	36,555
Total	95,231	95,390	192,040	187,462	374,669

Capital expenditure

<i>(Figures in NOK '000)</i>					
Norway	4,459	2,439	12,065	5,170	13,626
Switzerland	-	-	-	30	32
Other Europe	788	-	929	-	609
Total	5,247	2,439	12,994	5,200	14,267

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	30.06.2009	30.06.2008	31.12.2008
<i>(Figures in NOK '000)</i>			
Norway	164,571	133,627	166,435
Switzerland	31,663	74,379	31,914
Other Europe	30,084	18,701	53,534
Total	226,318	226,707	251,883

Analysis of sales by category	2nd quarter 2009	2nd quarter 2008	Accumulated 30 June 2009	Accumulated 30 June 2008	Full year 2008
<i>(Figures in NOK '000)</i>					
Connection fees	3,192	3,093	6,591	6,325	12,848
Subscriptions	48,558	48,427	98,138	94,465	192,822
Traffic	35,153	36,957	70,836	73,322	140,744
ASP	4,608	2,899	9,429	5,689	12,998
Mobile	3,720	4,014	7,046	7,661	15,257
Total	95,231	95,390	192,040	187,462	374,669



Note 6: Property, plant and equipment

	2nd quarter 2009	2nd quarter 2008	Accumulated 30 June 2009	Accumulated 30 June 2008	Full year 2008
<u>Adapters</u>					
Book value beg. of period	13,174	14,730	15,613	16,008	16,008
Additions	7,169	1,769	8,865	4,559	16,144
Depreciation	(3,572)	(3,626)	(7,707)	(7,694)	(16,539)
Book value end of period	16,771	12,873	16,771	12,873	15,613
<u>Other equipment</u>					
Book value beg. of period	5,856	8,318	5,344	8,707	8,707
Additions	895	231	2,698	1,547	2,936
Depreciation	(1,241)	(1,668)	(2,532)	(3,373)	(6,299)
Book value end of period	5,510	6,881	5,510	6,881	5,344
Total property, plant and equipment	22,281	19,754	22,281	19,754	20,957

Note 7: Intangible assets

	2nd quarter 2009	2nd quarter 2008	Accumulated 30 June 2009	Accumulated 30 June 2008	Full year 2008
<u>Customer acquisition costs</u>					
Book value beg. of period	20,893	25,976	20,936	27,650	27,650
Additions	2,372	967	6,018	3,035	7,046
Amortization	(4,021)	(3,527)	(7,710)	(7,269)	(13,760)
Book value end of period	19,244	23,416	19,244	23,416	20,936
<u>Technology platform</u>					
Book value beg. of period	8,410	4,303	7,174	5,775	5,775
Additions	1,980	1,241	4,278	618	4,574
Amortization	(1,188)	(712)	(2,250)	(1,561)	(3,175)
Book value end of period	9,202	4,832	9,202	4,832	7,174
<u>Other intangible assets</u>					
Book value beg. of period	1,231	2,512	1,553	2,833	2,833
Additions/(disposals)	-	-	-	-	-
Amortization	(307)	(320)	(629)	(641)	(1,280)
Book value end of period	924	2,192	924	2,192	1,553
Total intangible assets	29,370	30,440	29,370	30,440	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)

	30.06.2009	30.06.2008	31.12.2008
Deferred revenues connection fee	15,678	24,794	20,563
Deferred revenues subscriptions	21,777	17,768	20,834
Total deferred revenues in balance sheet	37,455	42,562	41,397

Note 9: Finance

Net finance loss of NOK 1.192 million in Q2 09 (NOK 7,049 in 1H 09) includes net unrealized foreign exchange loss of NOK 0.968 million related to inter-company loans (NOK 7,446 in 1H 09).



Responsibility statement

Today, the board of directors and the chief executive officer reviewed and approved the half-yearly board of directors' report and the condensed consolidated half-yearly financial statements for Telio Holding ASA as of 30 June 2009 and for the six-month period ended 30 June 2009.

The half-yearly financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed by the EU, and the Norwegian additional requirements in the Securities Trading Act.

To the best of our knowledge, the half-yearly financial statements for 2009 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit as a whole as of 30 June 2009. To the best of our knowledge, the half-yearly board of directors' report includes a fair review of important events that have occurred during the first six months of the financial year, and their impact on the half-yearly financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year, and the description of major related party transactions.

Oslo, 19 August 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.)



Financial information Q2 09

Telio reports revenues of NOK 99.1 million in 2nd quarter 2009. EBITDA was NOK 36.4 million (EBITDA margin of 36.7%) and EBIT was NOK 26 million.

EBIT was NOK 26 million compared to NOK 20.2 million in Q2 08. Profit before tax was NOK 24.8 million compared to NOK 20.6 million in Q2 08.

Total gross profit in Q2 09 was NOK 61.7 million (62.2% margin) compared to NOK 59 million (61% margin) in Q2 08.

Average monthly revenue per customer (VoIP Norway) during Q2 09 was NOK 244, the same as in the previous quarter. Average monthly gross profit per customer for Norwegian VoIP customers was NOK 161 during the quarter compared to NOK 157 in the previous quarter.

Salaries and personnel costs were NOK 10 million in Q2 09 (10% of revenues). Salaries and personnel costs for the quarter are positively affected by the vacation payment regime in Norway. In addition, the company capitalized NOK 1.8 million in development costs during the quarter. Selling and marketing costs were NOK 3.5 million in Q2 09 (3.5% of revenues). The company capitalized customer acquisition costs of NOK 2.4 million during the quarter.

Cash flow from operations was NOK 28.9 million in the quarter. Cash and cash equivalents were NOK 100.9 million at 30 June after dividend payment of NOK 57.9 million in May. Consolidated equity was NOK 90.2 million (equity ratio of 39.8%) compared to NOK 81.8 million (36%) at the end of Q2 08.

Deferred revenues (current liabilities) decreased by NOK 1.6 million during the quarter. Deferred income at the end of Q2 09 was NOK 37.5 million of which NOK 15.7 million has been collected and is non-refundable. Total financial lease debt was NOK 18.2 million at the end of the quarter which is NOK 3.4 million above the end of the previous quarter (NOK 14.8 million). Of the total financial lease debt, NOK 14.3 million was classified as current liabilities (payable within one year from the balance sheet date).

The Telio Group had 103 employees (FTE) at 30 June 2009.

<i>(Figures in NOK '000)</i>	2nd quarter 2009	1st quarter 2009	4th quarter 2008	3rd quarter 2008	2nd quarter 2008	1st quarter 2008
Total revenue	99,144	99,128	100,441	92,969	96,692	94,267
Revenue growth (year-on-year) (%)	3%	5%	7%	4%	7%	7%
Gross margin (%)	62%	60%	61%	63%	61%	61%
Operating profit	26,026	19,471	21,701	14,154	20,192	12,033
Operating margin (%)	26%	20%	22%	15%	21%	13%
EBITDA	36,355	29,970	31,824	24,550	30,040	22,717
EBITDA margin (%)	37%	30%	32%	26%	31%	24%
EPS (NOK)	0.95	0.52	1.32	0.62	0.80	0.40
EPS (NOK) fully diluted	0.94	0.51	1.32	0.62	0.80	0.40



Company Facts

Telio Holding ASA
Støperigt. 2
Postboks 1203 Vika
0110 Oslo

Telephone: +47 2167 3500
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

Tom Nøttveit, Chief Financial Officer
Telephone: +47 4153 9714
Email address: tom.nottveit@telio.no

Financial Calendar

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

Equity Research Coverage

Company	Contact	Phone
Carnegie	Espen Torgersen	+47 22 00 93 00
SEB Enskilda	Ole Petter Kjerkreit	+47 21 00 85 00
SEB Enskilda	Peder Strand	+47 21 00 85 00
Orion Securities	Tomas Skeivys	+370 52 46 19 62