



Telio Holding ASA

Q2 09 presentation

Eirik Lunde, CEO

Oslo, 20 August 2009



Telio Holding ASA

- Leading European access independent 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”



Agenda

- Q2 09 highlights and key figures
- Q2 09 market development
- Current opportunities and outlook
- Appendix

Q2 09 Highlights

- **Financials**
 - **Revenues: NOK 99.1 million**
 - 62% gross margin
 - 37% EBITDA margin
 - **Operating profit of NOK 26 million, an increase of 29% (Q2 08: NOK 20.2 million)**
 - Cash position: NOK 100.9 million (after dividend payment of NOK 57.9 million in May)
- **Continued customer growth**
 - 1,195 net new customers
- **International**
 - 42% growth in customer base in Denmark from Q2 08
 - 43% growth in customer base in Netherlands from Q2 08
 - Preparing for service launch of Swiss domestic operation

Key figures Q2/1H 2009

(Figures in NOK 1,000)	Q2 09	Q2 08	1H 09	1H 08
Revenues	99,144	96,692	198,272	190,958
Gross profit	61,674	58,959	121,254	116,307
Gross margin	62.2%	61.0%	61.2%	60.9%
EBITDA	36,355	30,040	66,324	52,757
EBIT	26,026	20,192	45,497	32,225

Cash flow

(Figures in NOK 1,000)	Q2 09	Q2 08	1H 09	1H 08
EBITDA	36,355	30,040	66,324	52,757
Capex ¹⁾	(9,501)	(6,817)	(21,630)	(14,109)
Changes in w/c ²⁾	(6,603)	(1,576)	(6,265)	(6,997)
Tax	(1,767)	(442)	(3,369)	(283)
Finance	209	263	288	(436)
Free cash flow	18,693	21,468	35,348	30,932

Notes: ¹⁾ Major intake of adapters in Q2 09, came in Q3 08.

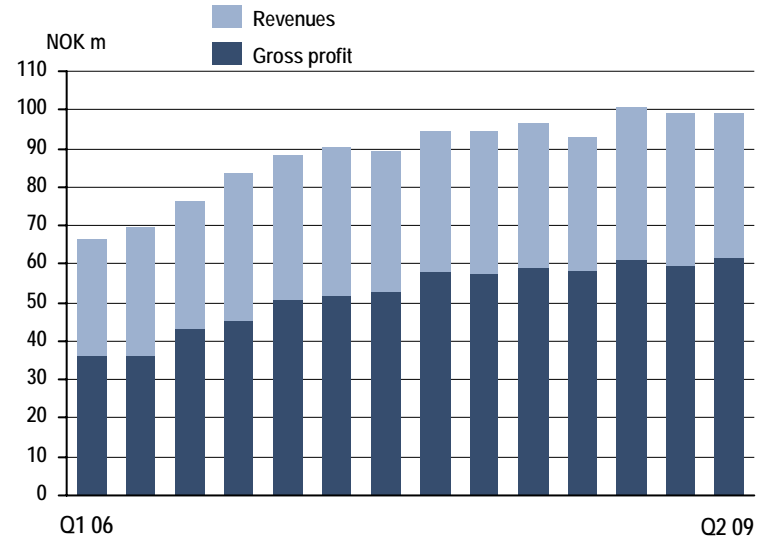
²⁾ Q2 08 atypical (variance between Q1 and Q2 2008)

Telio Group

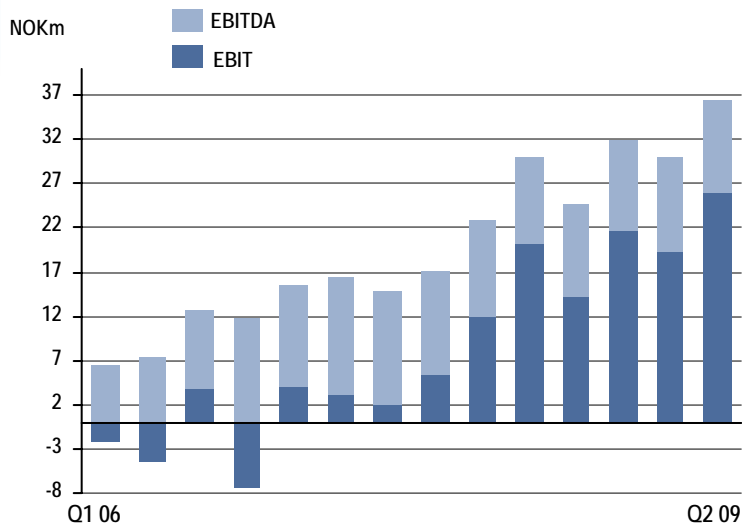
Comments

- Slow-down in customer growth in Norway (residential) due to mature market and no other big players developing the VoIP market
- New services (household appliances/media phones, video telephony) expected to contribute to further growth
- SMB market still in an early stage of development. Limited competition
- A new survey from TeleGeography shows that 24 percent of subscriptions for fixed lines in Europe are based on VoIP (broadband over IP).
- Temporary slowdown in Norway is expected to be compensated by increased growth in countries outside Norway

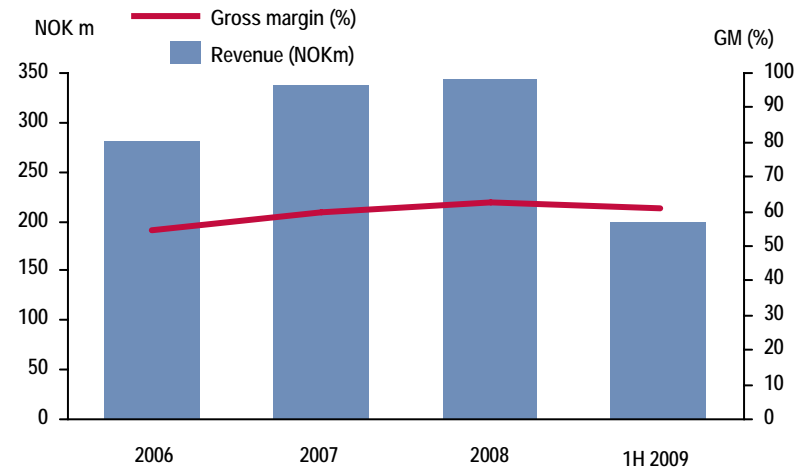
Quarterly revenues and gross profit



Quarterly EBITDA and EBIT



Revenues and gross margin



Agenda

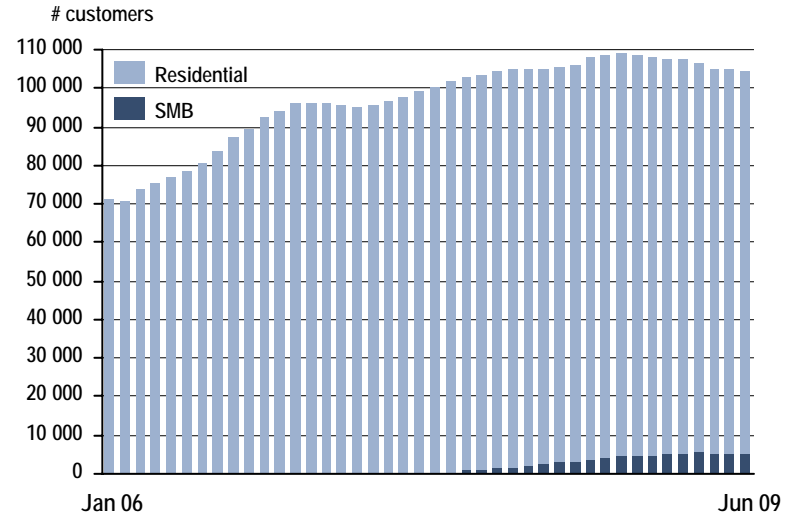
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- **Q2 09 market development**
- Current opportunities and outlook
- Appendix

Norway

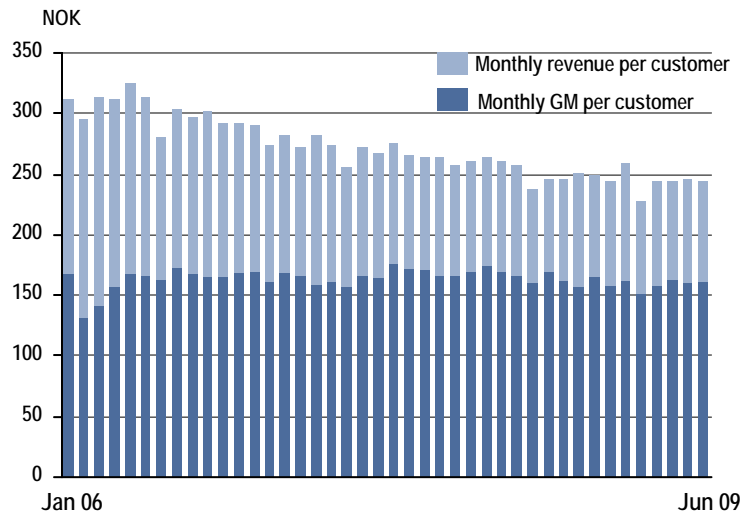
Comments

- Slow-down in customer growth (residential) due to mature market and no other big players developing the VoIP market
- New services and terminals expected to contribute to further growth
 - Soft launch of video 1st of July for residential
 - Increasing marketing activities – film-commercials ready in September
- SMB market still in an early stage of development. Limited VoIP competition
 - GSM for SMB launched end of July
- Competitive GSM offering for residential and SMB

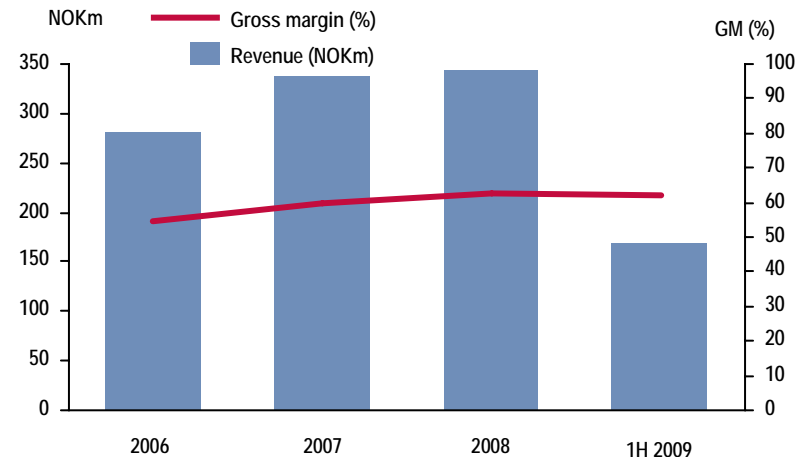
Telio customer development



Monthly financials per customer

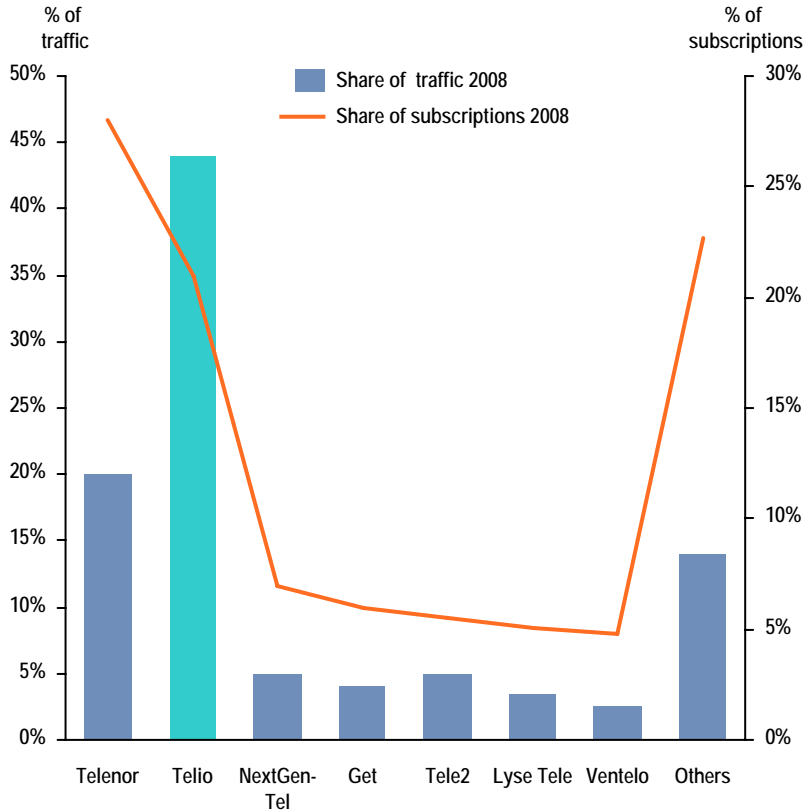


Historic financials



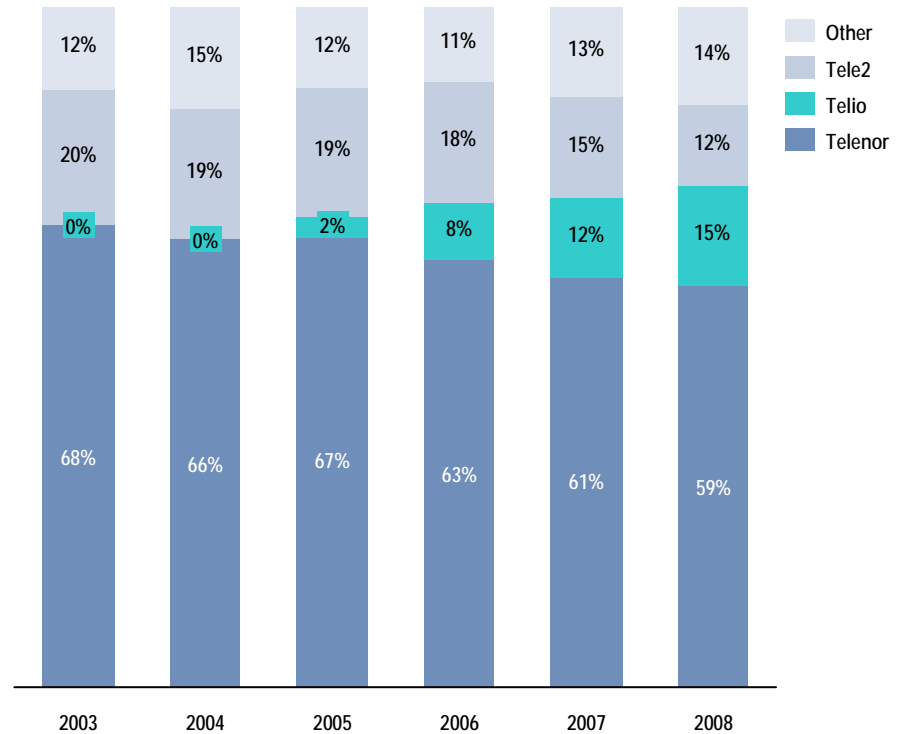
Norway - Telio is the 2nd largest fixed phone operator (residential)

Market share VoIP residential market



- Telio is the largest operator in Norway measured by traffic (approximately 44%) and the second largest measured by number of subscriptions

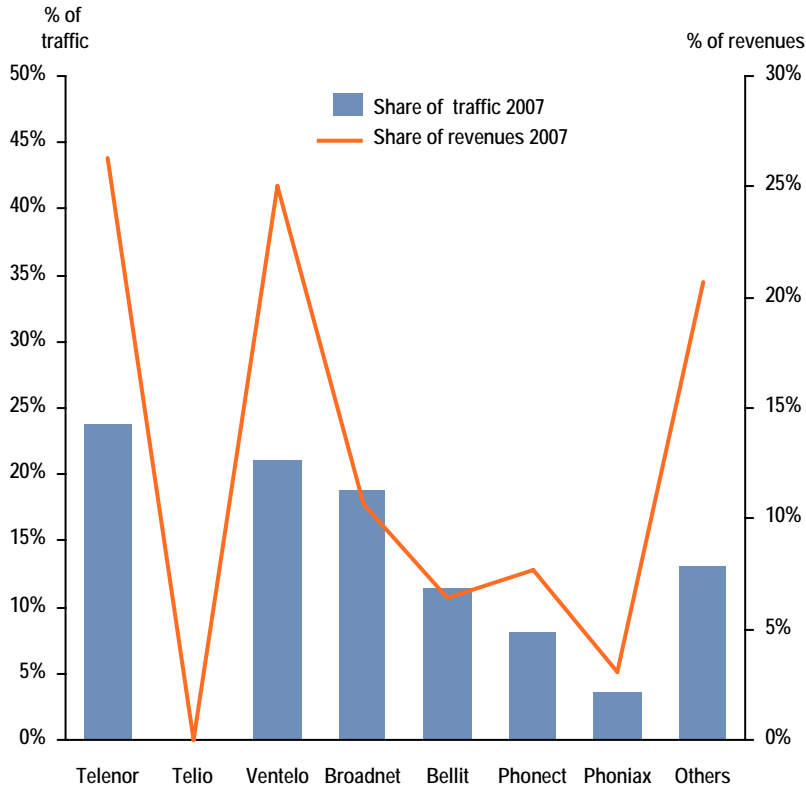
Fixed phone market shares by traffic minutes (H1 2006 – H1 2008)



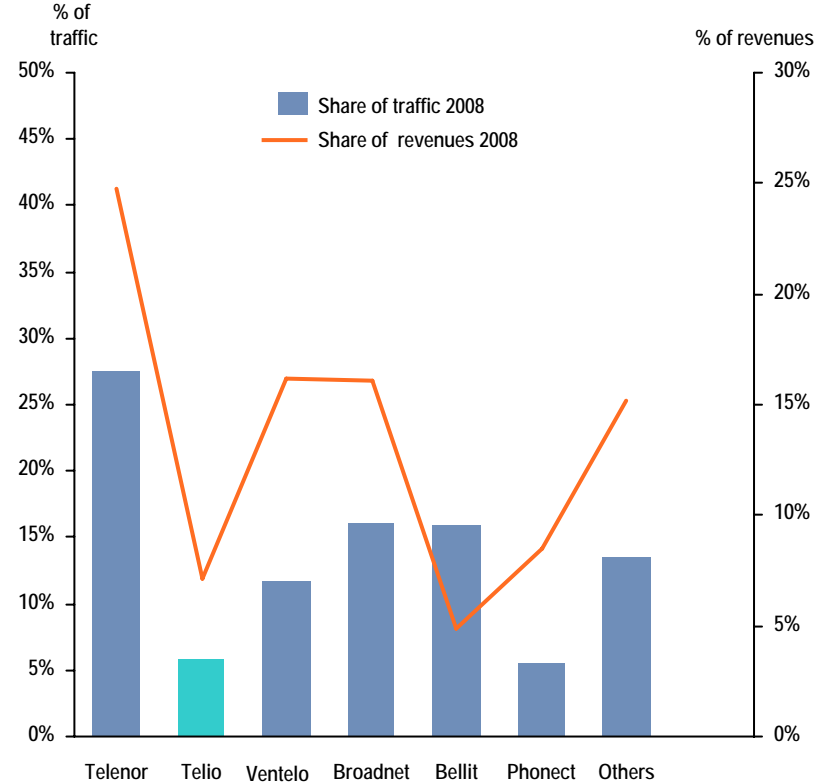
- Telio is the second largest operator in Norway, measured by traffic minutes, with close to 15% market share
- Telio is the largest operator measured by outgoing international traffic minutes with 59% market share

Norway- Telio increase market share in the SMB market

Market share SMB 2007



Market share SMB 2008



- Telio started SMB sales end 2007
- Estimates show that Telio had more than 20% of SMB VoIP lines at the end of 2008

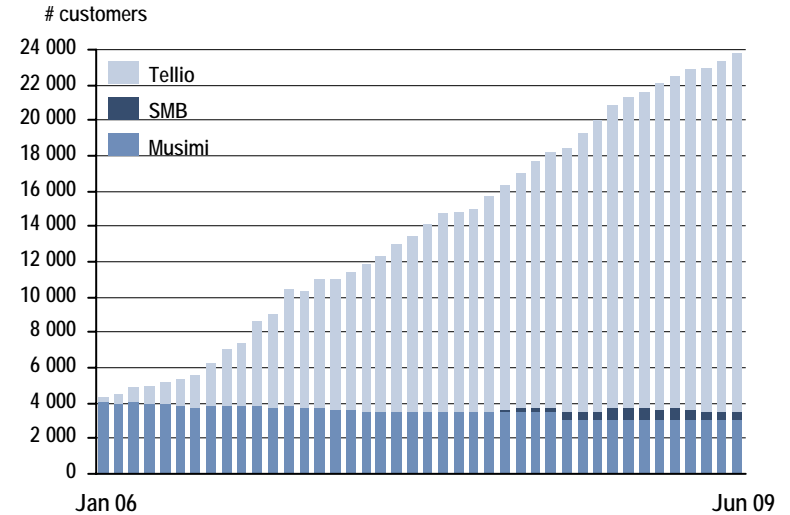
- Telio is well positioned for further growth
 - PABX feature set
 - GSM
 - Video – low –end
- SMB revenues 1H 09 exceeded FY 08

Denmark

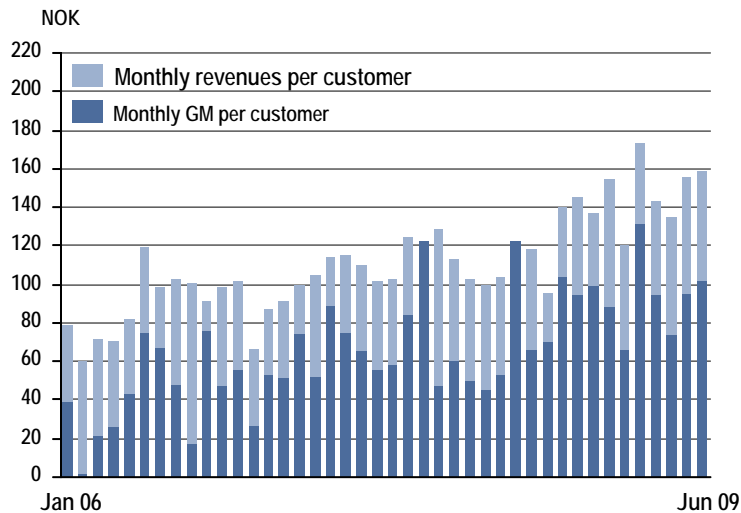
Comments

- Steady customer growth where main channel is online sales
- Change current price plan in order to increase ARPU
- Re-launch of SMB
- Further improvements of cost structure (COGS) and increased revenues following a planned direct SIP interconnect with TDC
- Strong growth in market share (source IT- og Telestyrelsen)
 - Total VoIP traffic
 - 1H 2008 = 6,3% => 2H 2008 = 8,0%
 - International traffic
 - 1H 2008 = 4,6% => 2H 2008 = 8,5%

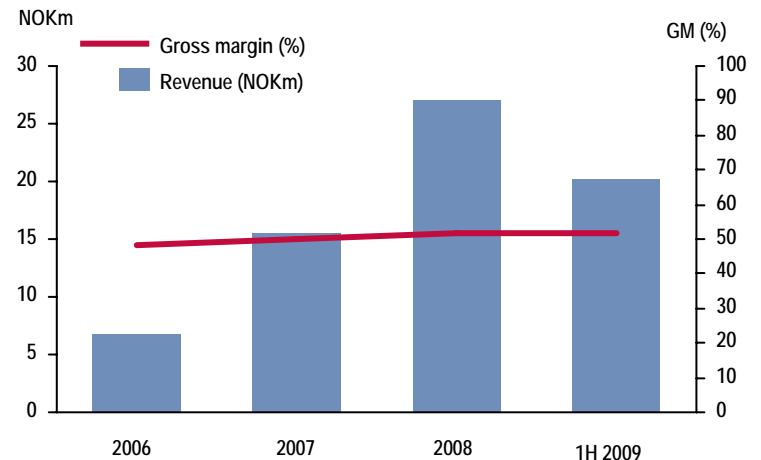
Telio customer development



Monthly financials per customer



Historic financials

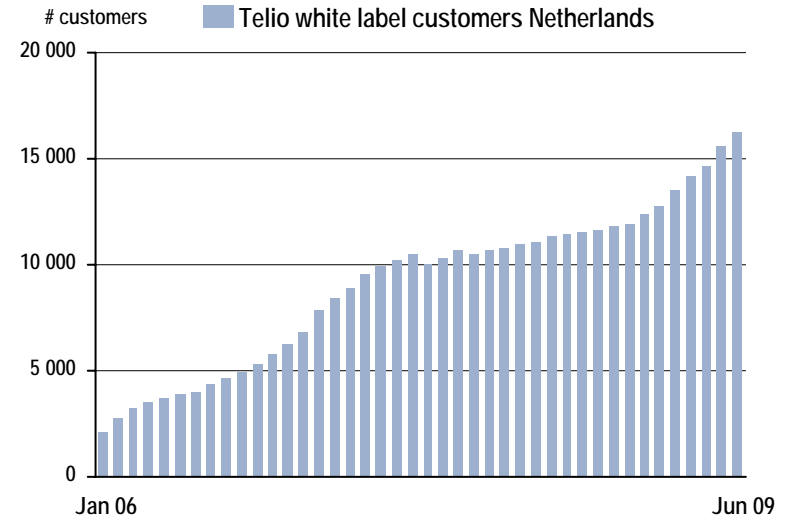


Netherlands – “White label”

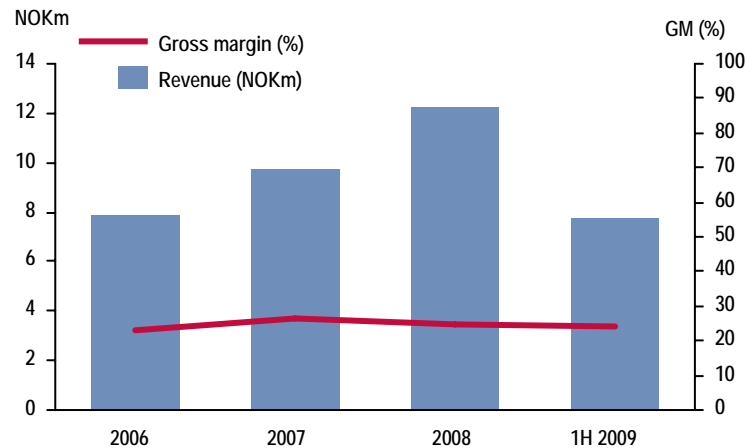
Comments

- Positive development from existing wholesale partners
 - Accelerated roll-out of fibre to the home
- Telio partner won “best in test” quality award for the service
- Further strong growth is expected from new white label partner Pretium Telecom
 - 3rd largest Dutch PSTN provider with above 200,000 customers
 - Soft launch of Telio VoIP in September, kick-off in October
- Wholesale business – more a margin contributor than a great revenues booster

Telio customer development



Historic financials



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Current opportunities – new segments

SMB market



Bildet: Rasmus Hansson, generalsekretær i WWF-Norge anbefaler andre å ringe med Tello

WWF Anbefaler Tello!

WWF (World Wide Fund for Nature) er en av mange bedrifter som har valgt Tello. Organisasjonen har valgt en fleksibel løsning hvor de benytter seg av et IP-adapter og flere trådløse telefonapparater, noe som er ideelt i kontorlandskap. Brukerne kan dermed enkelt forflytte seg i lokalene sine og være tilgjengelige der de til enhver tid befinner seg.

WWF ringer for kr 0,- per minutt i Norge og til utlandet!

– Vi bruker telefonen mye både til innland, utlandsamtaler og til telefonkonferanser. Ved å bytte til IP-telefoni fra Tello har vi spart betydelige summer sier IT-ansvarlig Anne Grefrud.

Gjør som andre smarte små- og mellomstore bedrifter, prøv Tello i dag!

Ring oss på 02101 og hør hva vi kan gjøre for din bedrift.

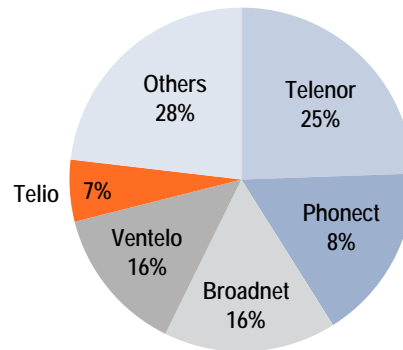


Det koster ingenting å si det



- Introduced to SMB clients late 2007
- Complete offering for the lower end of the SMB segment
 - Full call attendant functionality
 - Additional Centrex functions (group numbers, advanced call hunting etc.)

- Steady growth through direct sales, web and ITS
- More than 5,000 active lines
- Offering is being improved to attract larger SMB accounts
 - GSM for SMB
- Telio has shown the largest growth of all players during 2008
- Market shares in Norway:



- According to results of Canalsys' 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
- Currently Telio work focus on:
 - Functionality that enables Telio to target larger SMBs, beyond 10 lines (ongoing several UC-SIP trunking trials in cooperation with Cisco)
 - Improving user efficiency and experience (other advanced IP services)

SMB trends: Economic downturn drives 2009 VoIP surge

Current opportunities – new terminals and services

Media Phone – new Broadband Household appliance



- Broadband Household Appliance/Media Phone with Integrated VoIP (and video in phase II) redefines the notion of “home phone”. Some of the features are:
 - Easy access to essential information like news, local weather, traffic information, calendar, contacts etc.
 - TV channels and radio channels on device
 - Possible integration with WLAN cameras for bell door surveillance etc.

Market outlook

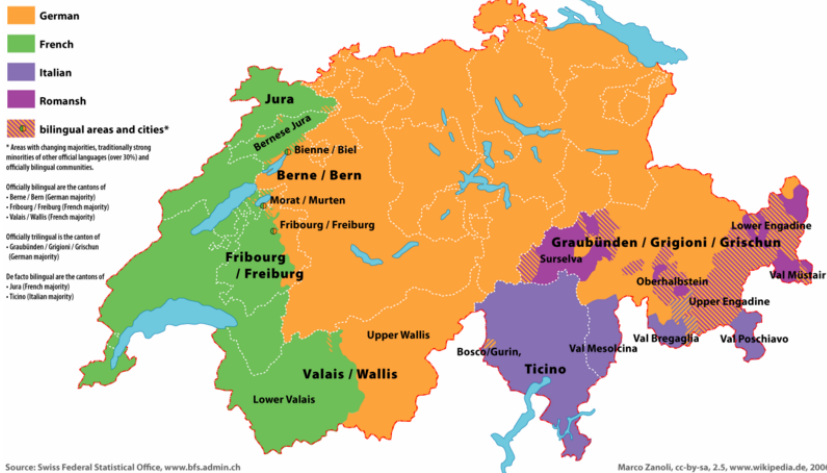


- “North American shipments of broadband-connected residential media phones could hit almost 14.3 million units in 2013, up from zero in 2008”
 - Source: In-Stat, April 2009
- “New Media Phone opens billion dollar revenue stream for Telecommunication Industry”
 - Source: Intel, 2009

Current opportunities – Switzerland and Netherlands

Switzerland has 7.6m inhabitants => 1.5m foreigners

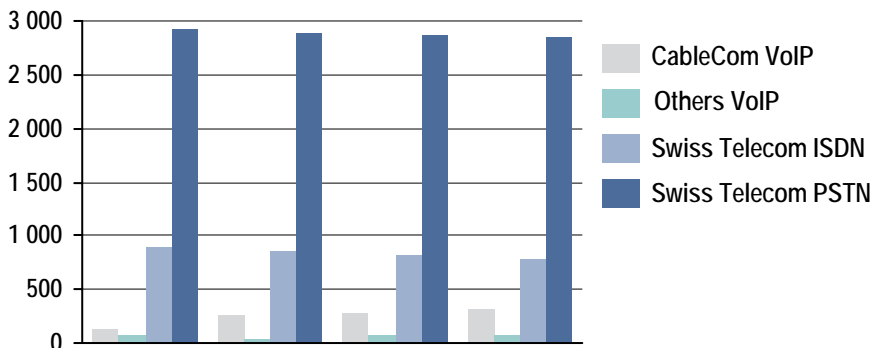
Geographical distribution of languages in Switzerland



Why Swiss VoIP market

- The incumbent is using hard-bundling of DSL together with either fixed landline or mobile
- Incumbent is still focusing on PSTN/ISDN
- Current fixed line ARPU is high
- No strong/main competitor has introduced a "Telio flat-rate" in the Swiss market. The other VoIP offerings are regarded as normal price plans positioned a bit lower than Swisscom's PSTN
- 1.5 m foreigners
- Quality and size of operator

Market overview

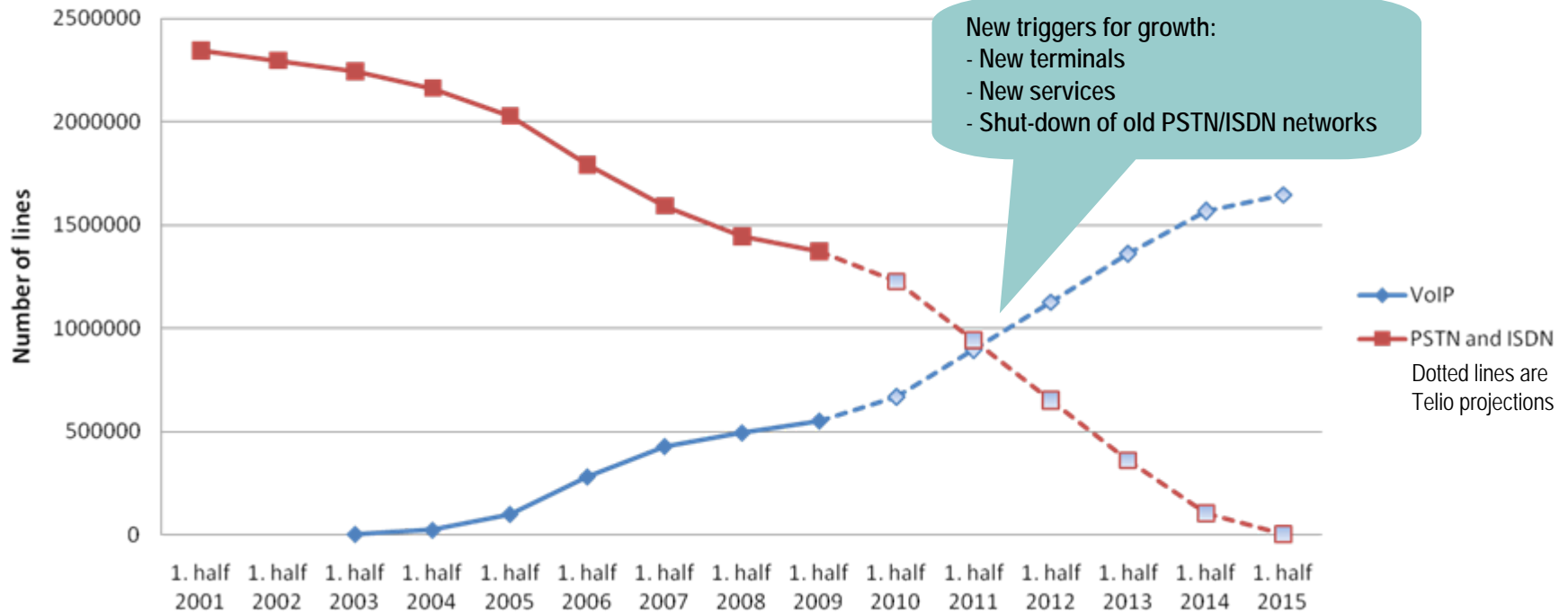


Netherlands – growth opportunities

- Pretium has proven track record in large customer base acquisition and operations, with subscriber base of +200k customers on PSTN. Growth of VoIP customer base is expected by:
 - New customers (dual play etc.)
 - Conversion of own PSTN subscribers (margin increase)
- Expected growth of VoIP subscriber base with current customers XMS and NLnet (BBned)

Fixed line market projections

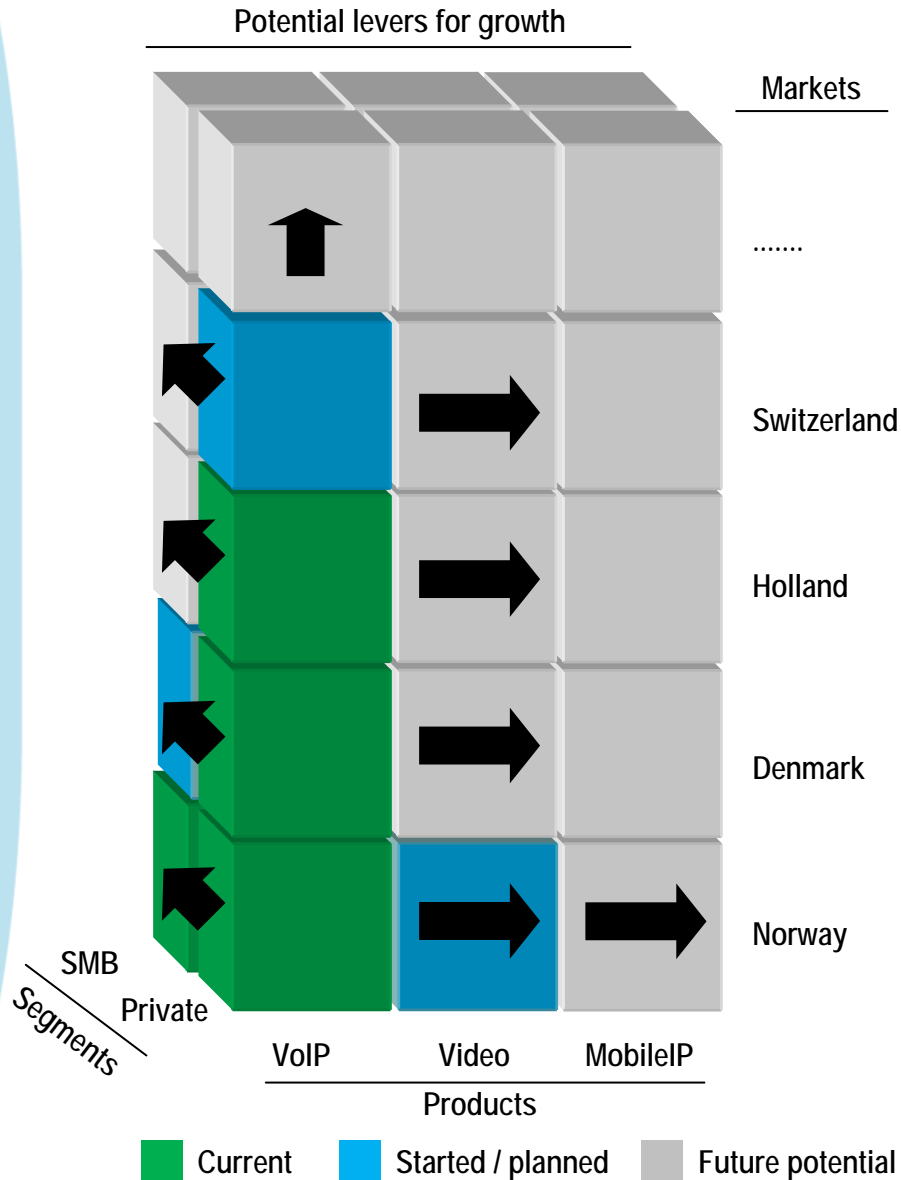
Fixed lines - residential and business



...laying the foundation for new growth

Future opportunities

Telio expands along three dimensions: Products, Segments and Markets



- Expand into SMB market segment
- Add video, HD audio, ComInfoTainment services to offering
- Expand into other EU countries as regulatory regimes mature and open market window (with existing and new coming services and into SMB market)
- Over time, eliminate distinction between mobile and fixed

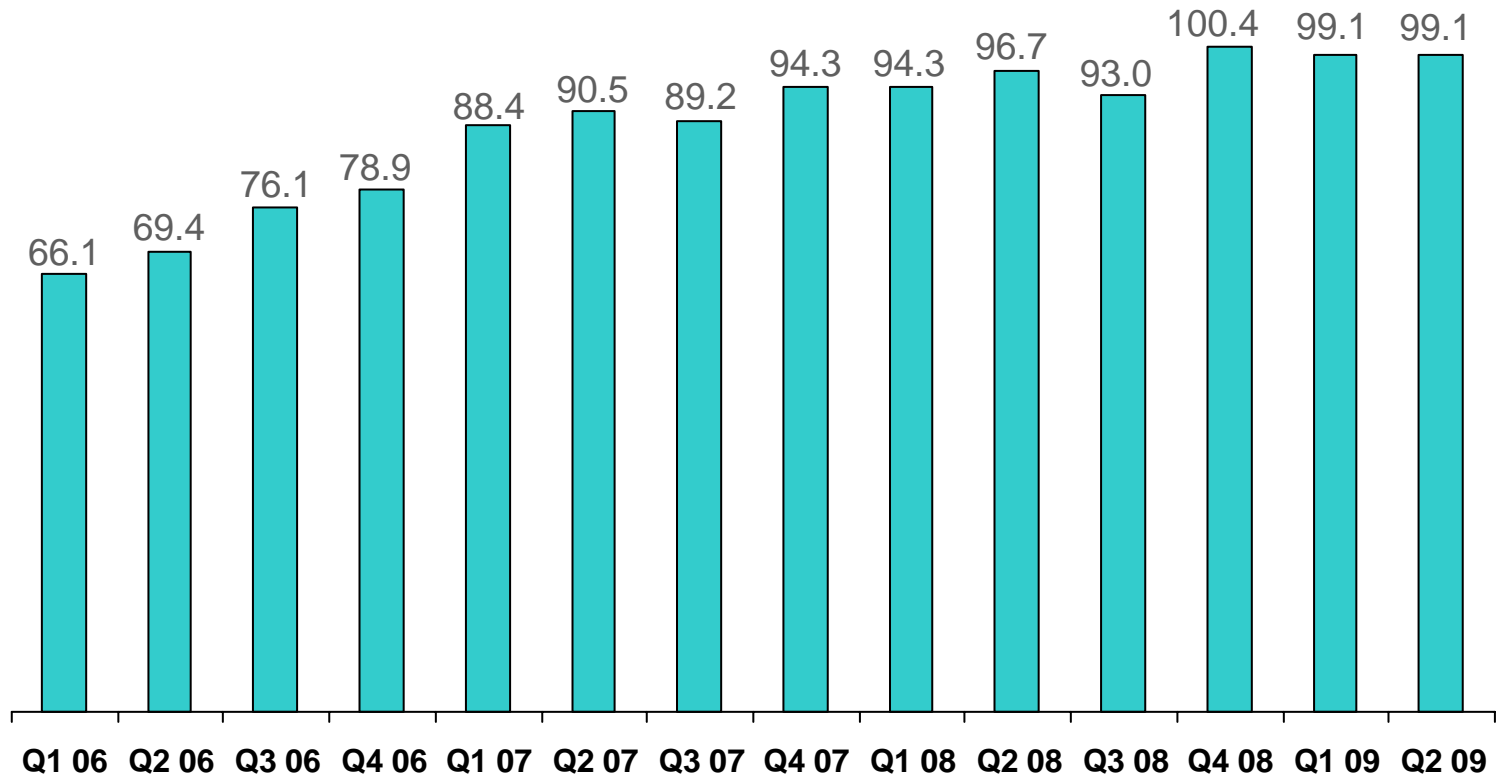
Q2 09 Summary

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Appendix

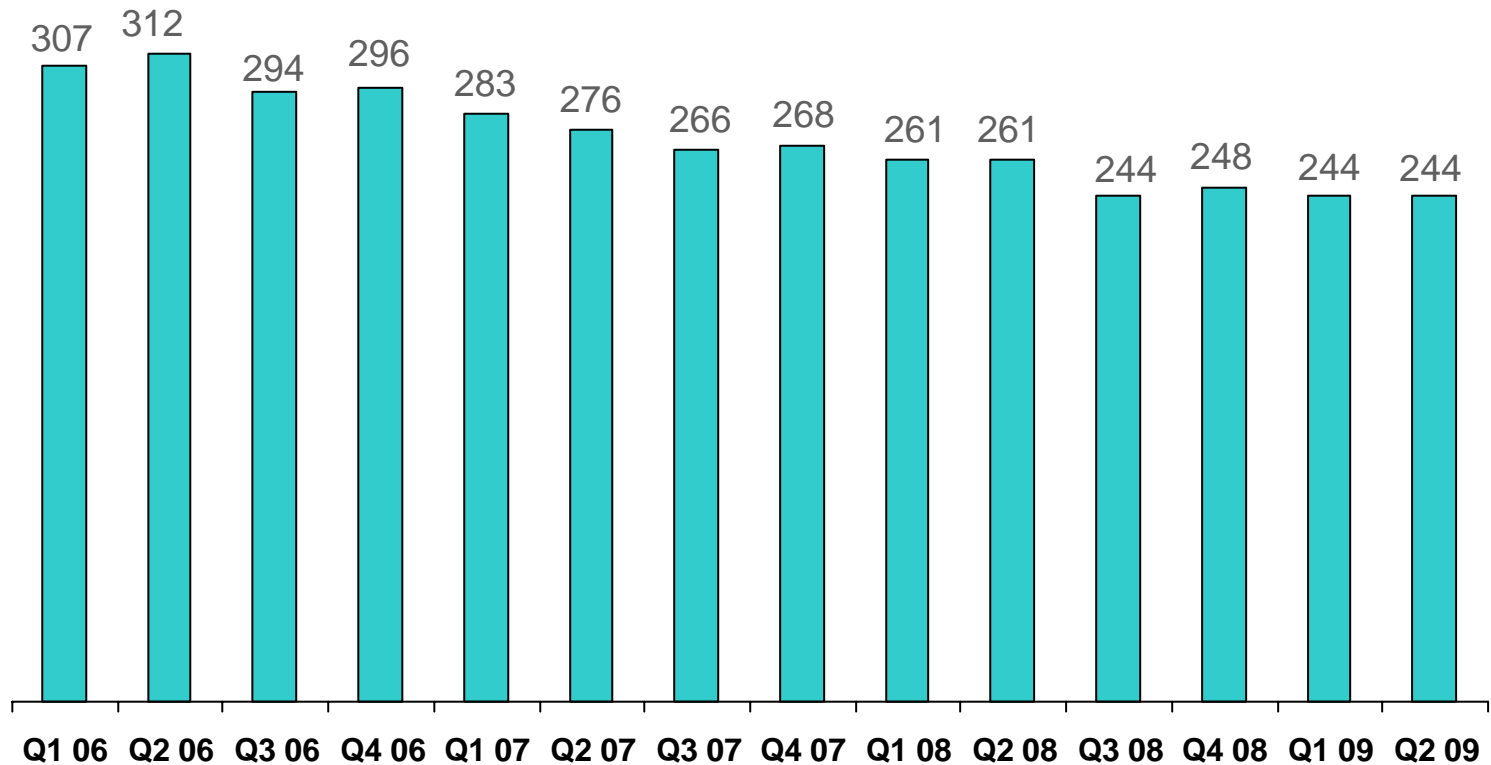
Revenue development

NOK mill.



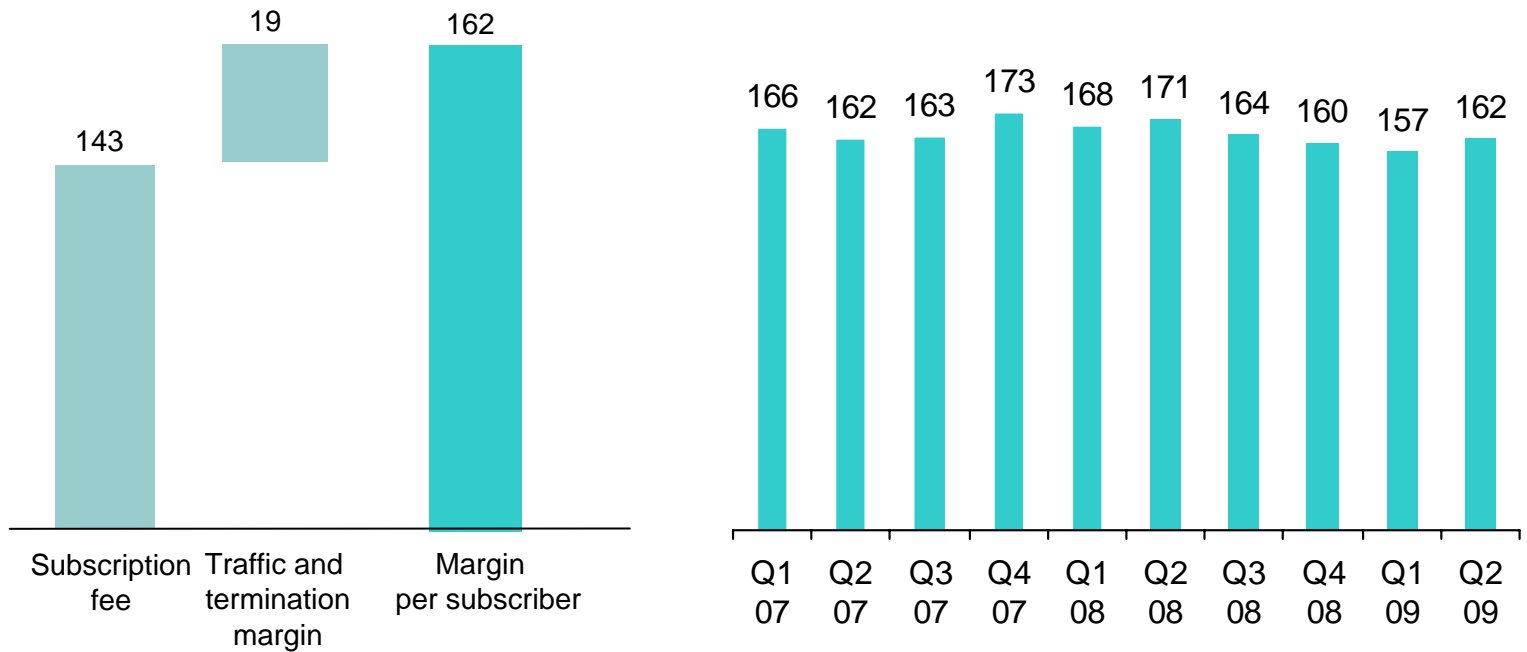
Average monthly revenue per subscriber for VoIP Norway

NOK



Average monthly gross profit per subscriber for VoIP Norway

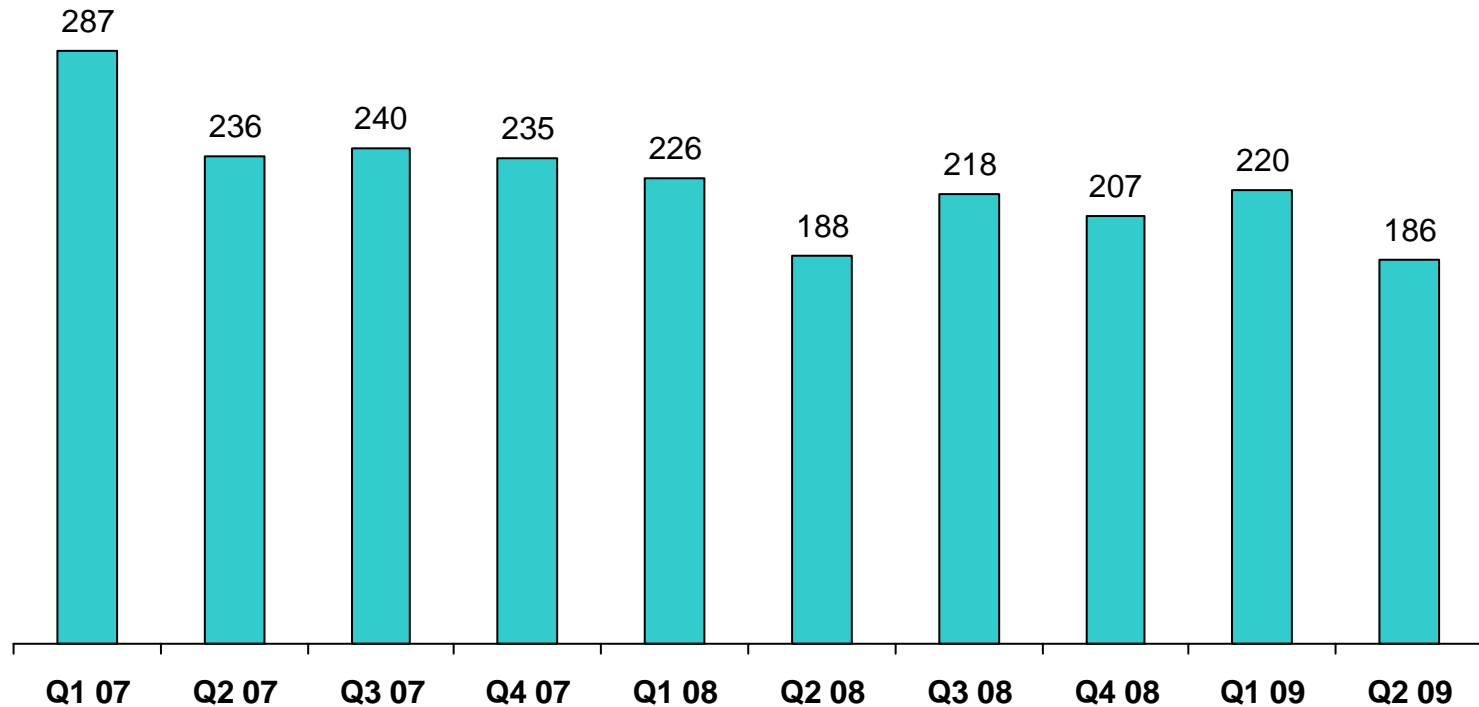
NOK



Economies of scale

– quarterly opex* per subscriber**

NOK



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

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

Profit & loss statement

NOK '000

	<u>Q2 09</u>	<u>Q2 08</u>	<u>var</u>	<u>1H 09</u>	<u>1H 08</u>	<u>var</u>
Sales	95 231	95 390	0 %	192 040	187 462	2 %
Other revenues	3 913	1 302	201 %	6 232	3 496	78 %
Total revenue	99 144	96 692	3 %	198 272	190 958	4 %
Cost of connections and traffic charges	(37 470)	(37 733)	-1 %	(77 018)	(74 651)	3 %
Salaries & personnel costs	(9 982)	(9 336)	7 %	(23 105)	(21 818)	6 %
Selling & marketing costs	(3 507)	(8 634)	-59 %	(7 332)	(19 340)	-62 %
Other expenses	(11 830)	(10 949)	8 %	(24 493)	(22 392)	9 %
Depreciation and amortisation	(10 329)	(9 848)	5 %	(20 827)	(20 532)	1 %
Operating profit	26 026	20 192	29 %	45 497	32 225	41 %
Finance ¹⁾	(1 192)	430		(7 049)	(677)	
Profit before tax	24 834	20 622	20 %	38 448	31 548	22 %

¹⁾ Includes net unrealized foreign exchange loss related to inter-company loans (Q2 09: MNOK 0.968, 1H 09: MNOK 7,446).