

Telio Holding ASA

2nd QUARTER REPORT

2010





Telio Holding ASA –1st Half Year/2nd Quarter Report 2010

Board of Directors' Report 1st Half Year 2010

Summary

The markets in which Telio operates have continued to develop positively in the 1st half of 2010. A major event in first half was the introduction of Telio's services in the Swiss market. In second quarter, Telio acquired Bellit AS, adding new and valuable customers to the customer base in Norway. Telio continues to focus on profitable growth in existing markets as well as developing the newly established operation in Switzerland.

Market development

During first half 2010, Telio has continued to grow in the markets outside Norway. Especially, the Dutch operation achieved a strong growth in customer intake during the first half year. The customer base increased by 112% compared to 1H 2009.

The growth in Denmark has been slower in first half 2010 compared to previous periods. On the other side, new interconnect agreements reducing cost and giving termination revenues result in higher gross margin.

The company launched its services to the Swiss market in January and full operation and first phase distribution was established during the first quarter. The company has seen the customer intake picking up during the second quarter reaching a total of 2,153 customers as of 30 June.

In Norway, Telio reduced prices to international destinations significantly from 1 February. The short-term negative effect on revenues is expected to be off-set by increased volume, more customers and increased customer loyalty.

Acquisition of Bellit AS

Telio Telecom AS acquired Bellit AS. Bellit has been present in the Norwegian telecom market for the last 6 years and provides broadband telephony services and mobile services to residential and business customers. The objective of the acquisition is to acquire the customer base and thereby further strengthen Telio's position in the Norwegian market and offer enhanced services to Bellit customers. The acquisition has effect from 1 May 2010 on the consolidated financial statements for the Group (see note 9 to the financial statements).

Key figures

(Figures in NOK million)	1H 2010
Revenues	191.5
Gross profit	121.5
Gross margin	63.5%
EBITDA	67.5
EBIT	46.8

Financials 1st half 2010 (2009 figures in brackets)

Revenues for 1st half 2010 were NOK 191.5 million (198.3). Gross profit was NOK 121.5 million – 63.5% gross margin (121.2 – 61.1%). EBITDA was NOK 67.5 million – 35.3% (66.3 – 33.5%). Operating profit was NOK 46.8 million (45.5). Profit after tax was NOK 43.8 million (28.4).

Cash flow from operations was NOK 50.5 million in 1st half 2010. Cash and cash equivalents were NOK 45.8 million at 30 June after payment of NOK 116.1 million in dividend and net purchase of treasury shares of NOK 4.2 million.

**Investments**

Investments in 1st half 2010 was NOK 22.3 million, including leased equipment (see notes 6 and 7 for details).

Shareholder information

The total number of registered shares outstanding at the end of 1st half 2010 was 19,392,700 (19,392,700 at the end of 2009) out of which 91,834 shares were owned by Telio Holding ASA (195,867 shares at the end of 2009). The total number of shareholders was 454 (414 at the end of 2009) and 44.7% of the shares were registered abroad (38.5% at the end of 2009).

Total outstanding options at the end of 1st half 2010 was 605,401 (1.04 million at the end 2009) with an average strike price of NOK 14.98 (NOK 15.40 at the end 2009). The stock price moved from NOK 38.50 to NOK 32 (-17%) during 1st half 2010. The share was traded ex dividend of NOK 6 from 16 April.

Risk

Besides the final positive outcome of the ecom case, there have been no material changes in the principal risks and uncertainties for the business during 1st half 2010.

During the first half year, there has been contact between the company and the Norwegian tax authorities, but the company has not yet been presented any report from the tax audit initiated in 2006.

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.

Future market developments

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

Oslo, 18 August 2010
Board of Directors
Telio Holding ASA

Marit Wetterhus
(sign.)

Erik Osmundsen
Chairman of the Board
(sign.)

Aril Resen
(sign.)

Odd Johnny Winge
(sign.)

Liv Bergtorsdottir
(sign.)

Eirik Lunde
CEO
(sign.)

Condensed consolidated interim balance sheet (unaudited)

(Figures in NOK 1000)

	Note	30.06.2010	30.06.2009	31.12.2009
ASSETS				
Non-current assets				
Property, plant and equipment	6	24 619	22 281	22 075
Intangible assets	7, 9	28 226	29 370	26 424
Deferred tax assets	9	15 490	4 046	4 628
		<u>68 335</u>	<u>55 697</u>	<u>53 127</u>
Current assets				
Trade and other receivables		64 595	69 726	62 572
Cash and cash equivalents		45 789	100 895	142 398
		<u>110 384</u>	<u>170 621</u>	<u>204 969</u>
Total assets		<u>178 719</u>	<u>226 318</u>	<u>258 096</u>
EQUITY				
Share capital		1 934	1 930	1 920
Other reserves		16 667	3 291	9 215
Retained earnings		34 951	84 929	114 937
Total equity		<u>53 552</u>	<u>90 150</u>	<u>126 072</u>
LIABILITIES				
Non-current liabilities				
Borrowings		1 396	3 962	2 802
Deferred tax liabilities	9	1 285	-	516
		<u>2 681</u>	<u>3 962</u>	<u>3 318</u>
Current liabilities				
Trade and other payables		61 754	61 722	62 778
Current income tax liabilities		23 415	18 040	21 003
Borrowings		9 536	14 253	12 019
Deferred income		24 709	37 455	29 590
Accrued liabilities		3 072	736	3 316
		<u>122 486</u>	<u>132 206</u>	<u>128 706</u>
Total liabilities		<u>125 167</u>	<u>136 168</u>	<u>132 024</u>
Total equity and liabilities		<u>178 719</u>	<u>226 318</u>	<u>258 096</u>

Oslo, 18 August 2010
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CEO
(sign.)

Condensed consolidated interim income statement (unaudited)

(Figures in NOK 1000)

	Note	Q2 2010	Q2 2009	1H 2010	1H 2009	2009
Sales	5	92 294	95 231	185 065	192 040	380 541
Other revenues		3 420	3 913	6 399	6 232	13 277
Total revenues		95 714	99 144	191 464	198 272	393 818
Cost of connection and traffic charges		-35 468	-37 470	-69 955	-77 018	-147 413
Salaries and personnel costs		-10 557	-9 982	-24 471	-23 105	-52 229
Selling and marketing costs		-4 778	-3 507	-8 844	-7 332	-15 448
Other costs		-10 605	-11 830	-20 675	-24 493	-49 395
Depreciation and amortization	6, 7	-10 216	-10 329	-20 705	-20 827	-43 227
Operating profit before acquisition effects		24 090	26 026	46 814	45 497	86 106
Effects from acquisition	9	10 781	-	10 781	-	-
Operating profit		34 870	26 026	57 595	45 497	86 106
Finance	8	-2 351	-1 192	-4 528	-7 049	-10 836
Profit before income tax		32 519	24 834	53 067	38 448	75 270
Income tax		-4 876	-6 512	-9 267	-10 079	-11 739
Profit		27 643	18 322	43 800	28 369	63 531
Attributable to:						
Equity holders of the parent company		27 643	18 322	43 800	28 369	63 531
Other comprehensive income	Note	Q2 2010	Q2 2009	1H 2010	1H 2009	2009
Translation differences		2 083	-116	3 121	2 764	6 112
Other income and expenses during the period (after tax)		2 083	-116	3 121	2 764	6 112
Comprehensive profit for the period		29 726	18 206	46 921	31 133	69 643
Profit attributable to:						
Equity holders of the parent company		29 726	18 206	46 921	31 133	69 643
Earnings per share						
Earnings per share		1.43	0.95	2.28	1.47	3,29
Diluted earnings per share		1.40	0.94	2.24	1.45	3,23

Condensed consolidated interim statement of changes in equity (unaudited)

(Figures in NOK 1000)

	Share capital	Treasury shares	Share premium reserve	Other paid-in equity	Translation differences	Retained earnings	Total equity
Equity as at 1 January 2009	1 939	-10	0	6 101	-7 589	116 456	116 897
Comprehensive profit/loss for the period							
Profit/Loss	-	-	-	-	-	28 369	28 369
Other income and expenses							
Translation differences	-	-	-	-	2 764	-	2 764
Total other revenues and expenses	-	-	-	-	2 764	0	2 764
Comprehensive profit/loss for the period	-	-	-	-	2 764	28 369	31 133
Transactions with owners, recorded directly against equity							
Receipts from and distributions to owners							
Purchase of treasury shares	-	-10	-	-	-	-1 994	-2 004
Dividends to owners	-	-	-	-	-	-57 902	-57 902
Share-based payment transactions	-	-	-	892	-	-	892
Share options exercised	-	11	-	1 123	-	-	1 134
Total receipts from and distributions to owners	0	1	0	2 015	0	-59 896	-57 880
Equity as at 30 June 2009	1 939	-9	0	8 116	-4 825	84 929	90 150
Equity as at 1 July 2009	1 939	-9	0	8 116	-4 825	84 929	90 150
Comprehensive profit/loss for the period							
Profit/Loss	-	-	-	-	-	35 162	35 162
Other income and expenses							
Translation differences	-	-	-	-	3 348	-	3 348
Total other revenues and expenses	-	-	-	-	3 348	-	3 348
Comprehensive profit/loss for the period	-	-	-	-	3 348	35 162	38 510
Transactions with owners, recorded directly against equity							
Receipts from and distributions to owners							
Purchase of treasury shares	-	-12	-	-	-	-3 677	-3 688
Dividends to owners	-	-	-	-	-	0	0
Share-based payment transactions	-	-	-	757	-	-	757
Share options exercised	-	1	-	342	-	-	343
Total receipts from and distributions to owners	0	-10	0	1 099	0	-3 676	-2 588
Equity as at 31 December 2009	1 939	-19	0	9 215	-1 477	116 415	126 072
Equity as at 1 January 2010	1 939	-19	0	9 215	-1 477	116 415	126 072
Comprehensive profit/loss for the period							
Profit/Loss	-	-	-	-	-	43 800	43 800
Other income and expenses							
Translation differences	-	-	-	-	3 121	-	3 121
Total other revenues and expenses	-	-	-	-	3 121	0	3 121
Comprehensive profit/loss for the period	-	-	-	-	3 121	43 800	46 921
Transactions with owners, recorded directly against equity							
Receipts from and distributions to owners							
Purchase of treasury shares	-	14	-	-	-	-10 844	-10 830
Dividends to owners	-	-	-	-	-	-116 063	-116 063
Share-based payment transactions	-	-	-	792	-	-	792
Share options exercised	-	-	-	6 660	-	-	6 660
Total receipts from and distributions to owners	0	14	0	7 452	0	-126 907	-119 441
Equity as at 30 June 2010	1 939	-5	0	16 667	1 644	33 307	53 552

Condensed consolidated interim statement of cash flows (unaudited)

(Figures in NOK 1000)

	Q2 2010	Q2 2009	1H 2010	1H 2009	2009
Cash flows from operations					
Profit/loss for the year before tax	32 519	24 834	53 067	38 448	75 270
Adjustment for:					
- Net financial items	2 351	1 192	4 528	7 049	10 836
- Interest paid	-203	-430	-458	-720	-2 432
- Interest received	526	639	1 222	1 008	2 878
- Taxes paid	-6 030	-1 767	-7 028	-3 369	-2 308
- Depreciation	4 733	4 813	9 511	10 239	20 562
- Amortisation	5 483	5 515	11 194	10 588	22 666
- Non-cash transactions related to acquisition	-10 781	-	-10 781	-	-
- Non-cash transactions related to option costs	423	726	792	892	1 650
Changes in trade accounts payable and other liabilities	-68	-5 959	-6 419	-5 977	-4 711
Changes in trade accounts and other receivables	143	929	-201	3 589	10 743
Change in deferred revenue	-2 474	-1 573	-4 881	-3 877	-11 807
Net cash flow from operations **)	26 622	28 919	50 546	57 870	123 347
Cash flows from investment activities					
Purchase of property, plant and equipment (tangible fixed assets)	-6 490	-895	-8 485	-2 698	-3 757
Purchase of other investments (intangible assets) *)	-5 815	-4 352	-10 250	-10 296	-19 428
Investments in subsidiaries	-1 962	-	-1 962	-	-
Acquired cash	262	-	262	-	-
Net cash flows used in investment activities	-14 005	-5 247	-20 435	-12 994	-23 185
Cash flows from financing activities					
(Purchase)/sale of treasury shares	2 343	577	-4 239	-871	-5 671
Proceeds for shares issued to employees	-	-	-	-	1 478
Payment of liabilities related to financial leasing	-3 671	-4 254	-7 279	-8 636	-17 097
Dividends paid	-116 063	-57 902	-116 063	-57 902	-57 902
Net cash flows used in financing activities	-117 391	-61 579	-127 581	-67 409	-79 192
Change in cash and cash equivalents	-104 774	-37 907	-97 470	-22 533	20 970
Cash and cash equivalents and credit facilities utilised as at beginning of period	149 833	135 394	142 398	123 902	123 902
Effect of exchange rate fluctuations on cash and cash equivalents	730	3 408	861	-474	-2 474
Cash and cash equivalents as at end of period	45 789	100 895	45 789	100 895	142 398

*) Includes capitalised expenses related to the development of a proprietary technical platform and capitalised customer acquisition costs

***) Includes net change in working capital from acquisition of negative NOK 1.5 million in Q2/H1 2010.

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 2010 condensed consolidated interim financial statements of Telio Holding ASA and its subsidiaries (together “the Group”) are for the six months ended 30 June 2010.

The consolidated financial statements of the Group as at and for the year ended 31 December 2009 are available upon request from the Company’s registered office at Harbitzalleen 2A, 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 2009.

These condensed consolidated interim financial statements were approved by the Board of Directors on 18 August 2010.

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 2009.

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 2009.

Note 5: Segment information

IFRS 8 requires segment reporting for operative segments. Telio is a niche company that specialises in the development, marketing and sales of IP-based services and communication solutions, and it operates only in this one business segment. The following geographic segments have been defined based on where the customer is domiciled: Norway, Denmark, the Netherlands and Switzerland. The risk and return are influenced by the geographic location of the operations, in addition to the market. Telio's definition of the geographic segment is based on the location and customer segment in these markets. Transactions between the segments are eliminated. The company's highest decision-making body is the company's Board of Directors and management.

(Figures in NOK 1000)

<i>Profit and loss by segment</i>	Q2 2010					Group
	Norway	Denmark	Netherlands	Switzerland	Others *)	
Total revenues	101 450	12 299	7 603	590	2 750	124 692
Intra-group revenues	-24 599	-1 629	0	0	-2 750	-28 978
Net revenues	76 851	10 670	7 603	590	0	95 714
Total costs of sales	-44 966	-8 644	-4 928	-267	0	-58 806
Intra-group cost of sales	19 336	4 002	0	0	0	23 338
Net cost of sales	-25 630	-4 643	-4 928	-267	0	-35 468
Gross profit/loss	51 221	6 028	2 675	323	0	60 246
Gross margin	67 %	56 %	35 %	55 %	0 %	63 %
Total operating expenses	-31 970	-6 346	-373	-2 630	-2 838	-44 156
Intra-group operating expenses	8 000	0	0	0	0	8 000
Net operating expenses	-23 970	-6 346	-373	-2 630	-2 838	-36 156
Operating profit/loss	27 251	-318	2 302	-2 307	-2 838	24 090

<i>Profit and loss by segment</i>	Q2 2009					Group
	Norway	Denmark	Netherlands	Switzerland	Others *)	
Total revenues	103 102	10 654	4 656	0	2 972	121 384
Intra-group revenues	-19 009	-259	0	0	-2 972	-22 240
Net revenues	84 093	10 395	4 656	0	0	99 144
Total costs of sales	-39 591	-6 527	-3 891	0	0	-50 009
Intra-group cost of sales	10 353	1 315	871	0	0	12 540
Net cost of sales	-29 237	-5 212	-3 020	0	0	-37 470
Gross profit/loss	54 855	5 183	1 636	0	0	61 674
Gross margin	65 %	50 %	35 %	0 %	0 %	62 %
Total operating expenses	-32 714	-5 059	-386	0	-5 165	-43 324
Intra-group operating expenses	7 661	15	0	0	0	7 676
Net operating expenses	-25 053	-5 044	-386	0	-5 165	-35 648
Operating profit/loss	29 802	139	1 250	0	-5 165	26 026

<i>Profit and loss by segment</i>	1H 2010					
	<u>Norway</u>	<u>Denmark</u>	<u>Netherlands</u>	<u>Switzerland</u>	<u>Others *)</u>	<u>Group</u>
Total revenues	205 385	23 940	13 933	605	5 500	249 363
Intra-group revenues	-49 218	-3 181	0	0	-5 500	-57 899
Net revenues	156 167	20 759	13 933	605	0	191 464
Total costs of sales	-86 184	-17 024	-8 632	-302	0	-112 143
Intra-group cost of sales	34 276	7 911	0	0	0	42 187
Net cost of sales	-51 908	-9 113	-8 632	-302	0	-69 955
Gross profit/loss	104 259	11 646	5 301	303	0	121 509
Gross margin	67 %	56 %	38 %	50 %	0 %	63 %
Total operating expenses	-69 612	-12 192	-738	-3 903	-4 251	-90 695
Intra-group operating expenses	16 000	0	0	0	0	16 000
Net operating expenses	-53 612	-12 192	-738	-3 903	-4 251	-74 695
Operating profit/loss	50 647	-546	4 563	-3 600	-4 251	46 814

<i>Profit and loss by segment</i>	1H 2009					
	<u>Norway</u>	<u>Denmark</u>	<u>Netherlands</u>	<u>Switzerland</u>	<u>Others *)</u>	<u>Group</u>
Total revenues	215 501	20 716	9 421	0	5 093	250 732
Intra-group revenues	-46 827	-540	0	0	-5 093	-52 460
Net revenues	168 674	20 177	9 421	0	0	198 272
Total costs of sales	-87 276	-12 982	-7 772	0	0	-108 030
Intra-group cost of sales	26 267	2 980	1 764	0	0	31 011
Net cost of sales	-61 008	-10 002	-6 008	0	0	-77 018
Gross profit/loss	107 666	10 175	3 413	0	0	121 254
Gross margin	64 %	50 %	36 %	0 %	0 %	61 %
Total operating expenses	-72 424	-11 038	-960	0	-9 171	-93 594
Intra-group operating expenses	17 693	144	0	0	0	17 837
Net operating expenses	-54 731	-10 894	-960	0	-9 171	-75 756
Operating profit/loss	52 935	-719	2 453	0	-9 171	45 497

<i>Balance sheet</i>	30.06.2010						
	<u>Norway</u>	<u>Denmark</u>	<u>Netherlands</u>	<u>Switzerland</u>	<u>Others *)</u>	<u>Eliminations</u>	<u>Group</u>
Assets	215 222	23 310	9 643	3 012	38 639	-124 657	165 169
Liabilities	138 680	60 974	7 692	8 021	17 316	-113 162	119 521
Equity capital	76 542	-37 664	1 951	-5 009	21 323	-11 495	45 648
Investments	15 444	11	0	1 052	0	0	16 507

<i>Balance sheet</i>	30.06.2009						
	<u>Norway</u>	<u>Denmark</u>	<u>Netherlands</u>	<u>Switzerland</u>	<u>Others *)</u>	<u>Eliminations</u>	<u>Group</u>
Assets	268 240	18 164	11 520	0	119 810	-191 416	226 318
Liabilities	192 105	44 341	12 499	0	46 794	-159 571	136 168
Equity capital	76 135	-26 177	-978	0	73 016	-31 846	90 150
Investments	6 012	0	141	0	3 513	0	9 666

The figures for Norway include the activities in Telio SA that serve the Norwegian market.

*) Other items consists primarily of the parent company Telio Holding ASA in addition to the subsidiary in Sweden (no activity).

Note 6: Tangible fixed assets

(Figures in NOK 1000)

	Q2 2010	Q2 2009	1H 2010	1H 2009	FY 2009
Adapters					
Book value beg. of period	15 420	13 174	17 940	15 613	15 613
Additions	9 317	7 169	10 690	8 865	17 922
Depreciation	-3 818	-3 572	-7 711	-7 707	-15 595
Book value end of period	20 919	16 771	20 919	16 771	17 940
Other equipment					
Book value beg. of period	3 559	5 856	4 135	5 344	5 344
Additions	1 056	895	1 365	2 698	3 757
Depreciation	-915	-1 241	-1 800	-2 532	-4 966
Book value end of period	3 700	5 510	3 700	5 510	4 135
Total tangible fixed assets	24 619	22 281	24 619	22 281	22 075

Note 7: Intangible assets

(Figures in NOK 1000)

	Q2 2010	Q2 2009	1H 2010	1H 2009	FY 2009
Customer acquisition costs					
Book value beg. of period	13 441	20 893	15 288	20 936	20 936
Additions	3 753	2 372	6 084	6 018	10 994
Depreciation	-3 923	-4 021	-8 101	-7 710	-16 642
Book value end of period	13 271	19 244	13 271	19 244	15 288
Technology platform					
Book value beg. of period	11 321	8 410	10 682	7 174	7 174
Additions	2 061	1 980	4 165	4 278	8 434
Depreciation	-1 542	-1 188	-3 007	-2 250	-4 926
Book value end of period	11 840	9 202	11 840	9 202	10 682
Other intangible assets					
Book value beg. of period	385	1 231	454	1 553	1 553
Additions	2 747	-	2 747	-	-
Depreciation	-17	-307	-86	-629	-1 099
Book value end of period	3 115	924	3 115	924	454
Total intangible assets	28 226	29 370	28 226	29 370	26 424

Note 8: Finance

Net finance loss of NOK 2.3 million in Q2 10 (NOK 4.5 million in 1H 10) includes net unrealized foreign exchange loss of NOK 2 million (NOK 4.6 million in 1H 10) related to inter-company loans.

Note 9: Effects from the acquisition of Bellit AS

Telio Telecom AS, Norway, acquired Bellit AS in Q2 2010. The objective of the acquisition is to acquire the customer base and thereby further strengthen Telio's position in the Norwegian market. The acquisition has effect for accounting purposes from 1 May 2010. The following income statement for Bellit AS is included in the accounts for the Group for Q2 2010:

	Q2 2010
Sales	365
Other revenues	57
Total revenues	<u>422</u>
Cost of connection and traffic charges	-150
Salaries and personnel costs	-323
Selling and marketing costs	-
Other costs	-313
Depreciation and amortization	-
Operating profit	<u>-364</u>
Finance	-22
Profit before income tax	<u>-386</u>
Income tax	-
Profit	<u>-386</u>

Allocation of purchase price:

Purchase price	2 000
Negative equity	747
Intangible asset - customer base	<u>2 747</u>
Deferred tax on intangible asset (28%)	769
Tax loss carry-forward	38 582
Deferred tax asset (28%)	10 803

P&L effect from acquisition:

Intangible asset less deferred tax	1 978
Tax loss carry-forward	10 803
Purchase price	-2 000
Profit and loss effect from acquisition	<u>10 781</u>

Balance sheet of Bellit AS at time of acquisition:

ASSETS	
Current assets	
Trade and other receivables	1 874
Cash and cash equivalents	262
Total assets	<u>2 137</u>
EQUITY	
Share capital	901
Other reserves	7 687
Retained earnings	-9 335
Total equity	<u>-747</u>
LIABILITIES	
Current liabilities	
Trade and other payables	2 023
Accrued liabilities	860
Total liabilities	<u>2 884</u>
Total equity and liabilities	<u>2 137</u>

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 2010 and for the six-month period ended 30 June 2010.

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 2010 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 2010. 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, 18 August 2010

Board of Directors
Telio Holding ASA

Marit Wetterhus
(sign.)

Erik Osmundsen
Chairman of the Board
(sign.)

Aril Resen
(sign.)

Odd Johnny Winge
(sign.)

Liv Bergtorsdottir
(sign.)

Eirik Lunde
CEO
(sign.)



Financial information Q2 2010

Telio reports revenues of NOK 95.7 million in 2nd quarter 2010. EBITDA was NOK 34.3 million (EBITDA margin of 36%) and EBIT was NOK 24.1 million (exclusive of acquisition effects).

EBIT was NOK 24.1 million compared to NOK 26.0 million in Q2 09. Profit before tax was NOK 21.7 million compared to NOK 24.8 million in Q2 09.

Total gross profit in Q2 10 was NOK 60.2 million (63% margin) compared to NOK 61.7 million (62% margin) in Q2 09.

Average monthly revenue per customer (VoIP Norway) during Q2 10 was NOK 233, compared to NOK 238 in the previous quarter. Average monthly gross profit per customer for Norwegian VoIP customers was NOK 157 during the quarter compared to NOK 158 in the previous quarter.

Salaries and personnel costs were NOK 10.6 million in Q2 10 (11% 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 1.9 million in development costs during the quarter. Selling and marketing costs were NOK 4.8 million in Q2 10 (5% of revenues). The company capitalized customer acquisition costs of NOK 3.8 million during the quarter.

Cash flow from operations was NOK 26.6 million in the quarter. Cash and cash equivalents were NOK 45.8 million at 30 June after payment of NOK 116.1 million in dividend and net purchase of treasury shares of NOK 4.2 million.. Consolidated equity was NOK 53.6 million (equity ratio of 30%) compared to NOK 90.2 million (39.8%) at the end of Q2 09.

Deferred revenues (current liabilities) decreased by NOK 2.5 million during the quarter. Deferred revenues at the end of Q2 10 were NOK 24.7 million of which NOK 7.2 million has been collected and is non-refundable. Total financial lease debt was NOK 10.9 million at the end of the quarter which is NOK 0.4 million below the end of the previous quarter (NOK 11.3 million). Of the total financial lease debt, NOK 9.5 million was classified as current liabilities (payable within one year from the balance sheet date).

The Telio Group had 129 employees (FTE) at 30 June 2010.

<i>(Figures in NOK '000)</i>	2nd quarter 2010	1st quarter 2010	4th quarter 2009	3rd quarter 2009	2nd quarter 2009	1st quarter 2009
Total revenue	95,714	95,751	99,240	96,306	99,144	99,128
Gross margin (%)	63%	64%	64%	64%	62%	60%
Operating profit *)	24,090	22,725	20,427	20,181	26,026	19,471
Operating margin (%)	25%	24%	21%	21%	26%	20%
EBITDA *)	34,306	33,213	31,697	31,311	36,355	29,970
EBITDA margin (%)	36%	35%	32%	33%	37%	30%
EPS (NOK)	1.43	0.85	0.89	0.68	0.95	0.52
EPS (NOK) fully diluted	1.40	0.83	0.87	0.67	0.94	0.51

*) Exclusive of acquisition effect



Company Facts

Telio Holding ASA
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P.O. Box 54 Skøyen
0212 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)
Aril Resen
Marit Wetterhus
Liv Bergtorskottir
Odd Johnny Winge

Group Management

Eirik Lunde, Chief Executive Officer
Tom Nøttveit, Chief Financial Officer
Alan Duric, co-founder and Chief Technology Officer
Jens Hetland, Sales & Marketing 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 2010: 29 April at 9:00
2nd quarter 2010: 19 August at 9:00
3rd quarter 2010: 28 October at 9:00

Extraordinary General Meeting: 1 March 2010
Annual General Meeting: 15 April at 09:00

Equity Research Coverage

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