



Telio Holding ASA

Second Quarter 2010

Eirik Lunde, CEO

Oslo, 19 August 2010

Company facts

- 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"

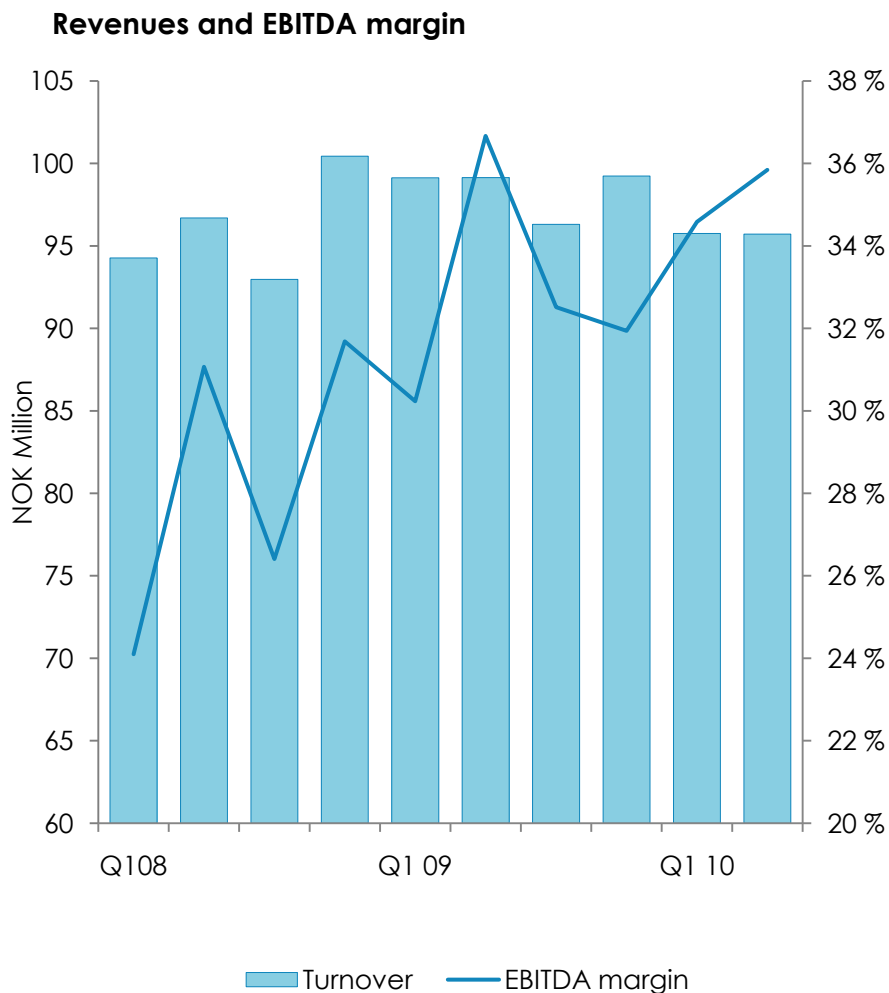


Agenda

- Q2 2010 highlights and key figures
- Customer development
- Segment reporting
- Technology and service update

Q2 2010: Highlights

- Strong net customer growth
 - 10,500 net new VoIP customers
- Strong financial performance
- Positive development in the Netherlands and Switzerland
- Products/services
 - Final preparations for release of Telio Touch
 - Telio application for iPhone/iPad/iPod Touch etc approved by Apple



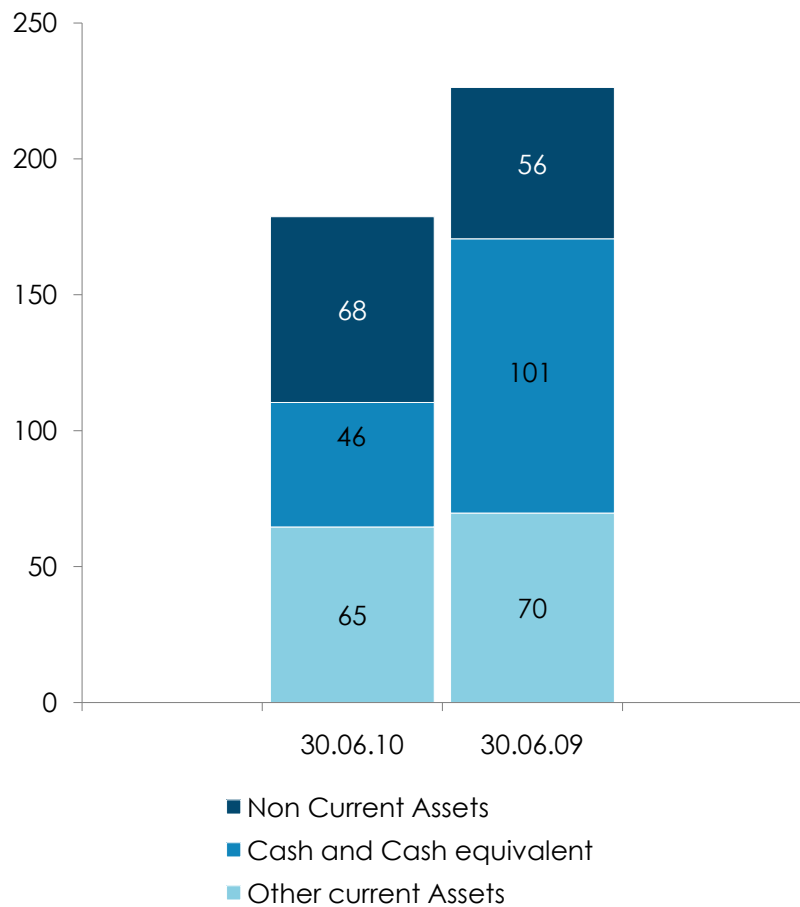
Key figures for the period

- Revenues negatively affected by currency effect and one-time fee in NL of NOK 2.5 million
- Adjusted for the Swiss operation, EBIT is at Q2 09 level
- Continued strong gross margin
- Net cash flow affected by NOK 6 million in tax payment
- Capex includes
 - New terminals (video phone and Telio Touch), NOK 5.8 million
 - Acquisition of Bellit AS, NOK 2 million

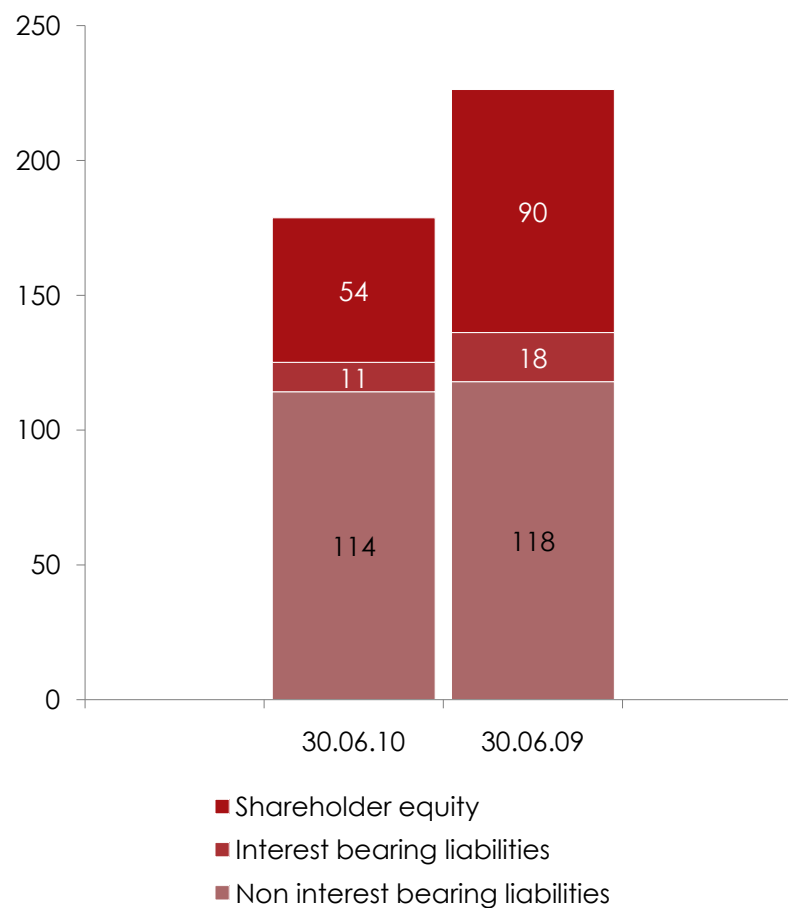
NOK millions	Q2'10	Q2'09	H1'10	H1'09
Total revenues	95.7	99.1	191.5	198.3
Gross profit	60.2	61.7	121.5	121.3
EBITDA *)	34.3	36.4	67.5	66.3
Operating profit (EBIT) *)	24.1	26.0	46.8	45.5
Ordinary profit before tax *)	21.7	24.8	42.3	38.4
Profit for the period *)	16.9	18.3	33.0	28.4
EPS (fully diluted)	1.40	0.94	2.24	1.45
*) Excluding one-time effect from acquisition				
Gross margin	62.9%	62.2%	63.5%	61.2%
EBITDA margin	35.8%	36.7%	35.3%	33.5%
EBIT margin	25.2%	26.3%	24.5%	23.0%
Net cash flow operations	26.6	28.9	50.5	57.9
Change in net WC	-2.4	-6.6	-11.5	-6.3
CAPEX	17.7	9.5	27.7	21.6
Equity ratio	30.0%	39.8%		
Cash and cash equivalents	45.8	100.9		

Balance sheets

Assets (NOK million)



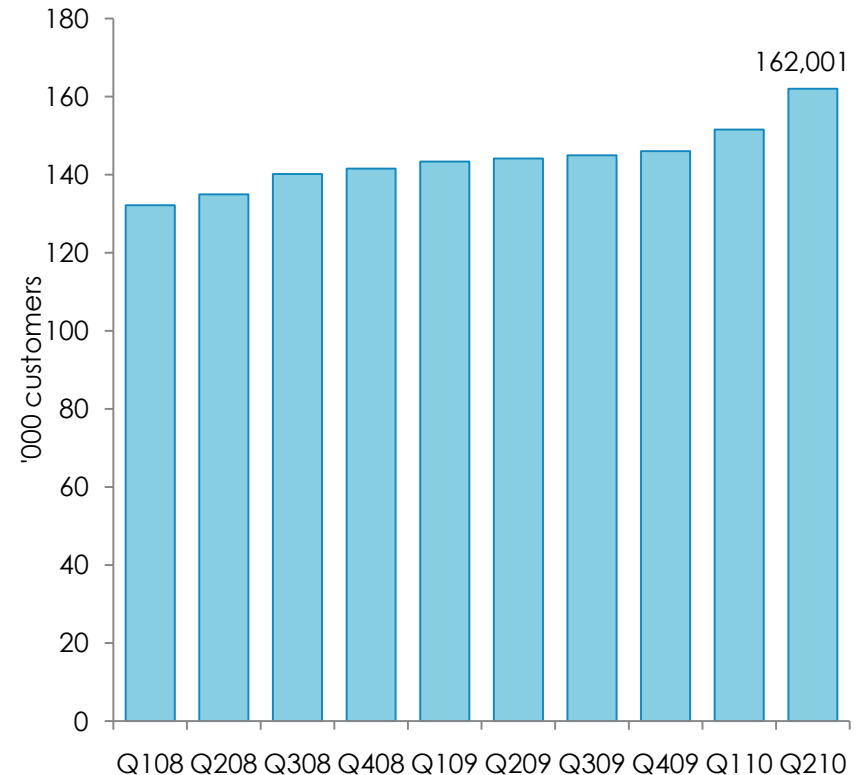
Equity and liability (NOK million)



Customer development

- 9.6% increase in customer base since Q2 09
- Growth mainly driven by success in wholesale segment
- Positive development in Switzerland

Customer development ¹⁾



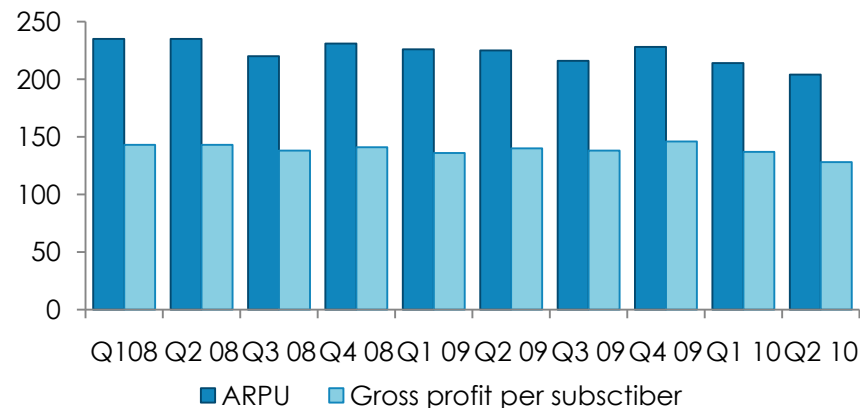
¹⁾ Including VoIP and mobile

■ Total customer base

Key customer development

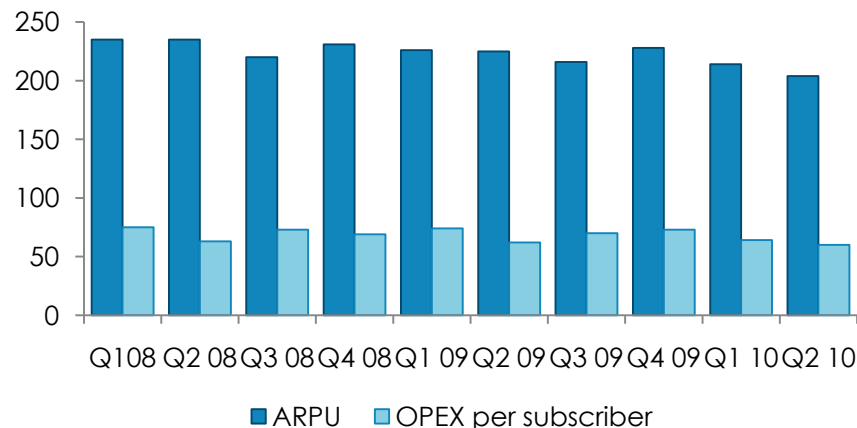
- Strong growth in the wholesale segment impacts ARPU and gross profit

ARPU versus Gross profit per subscriber



- Still strong focus on cost control

ARPU versus OPEX *) per subscriber



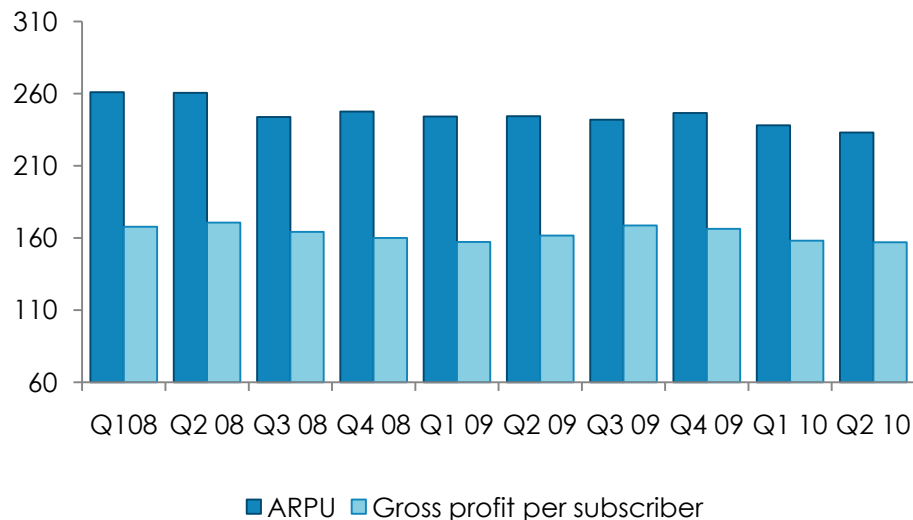
*) Excl sales & marketing, share based and one-off costs

Norway: Market update

- Revenue affected by price reductions introduced from 1 February 2010
- Strong development in gross margin
- ARPU affected by product mix
- Maintaining gross profit per subscriber
- Synergies from Bellit acquisition with effect from July

NOK millions	Q2'10	Q2'09	H1'10	H1'09
Total revenue	76.9	84.1	156.2	168.7
Gross profit	51.2	54.9	104.3	107.7
Gross margin	67%	65%	67%	64%

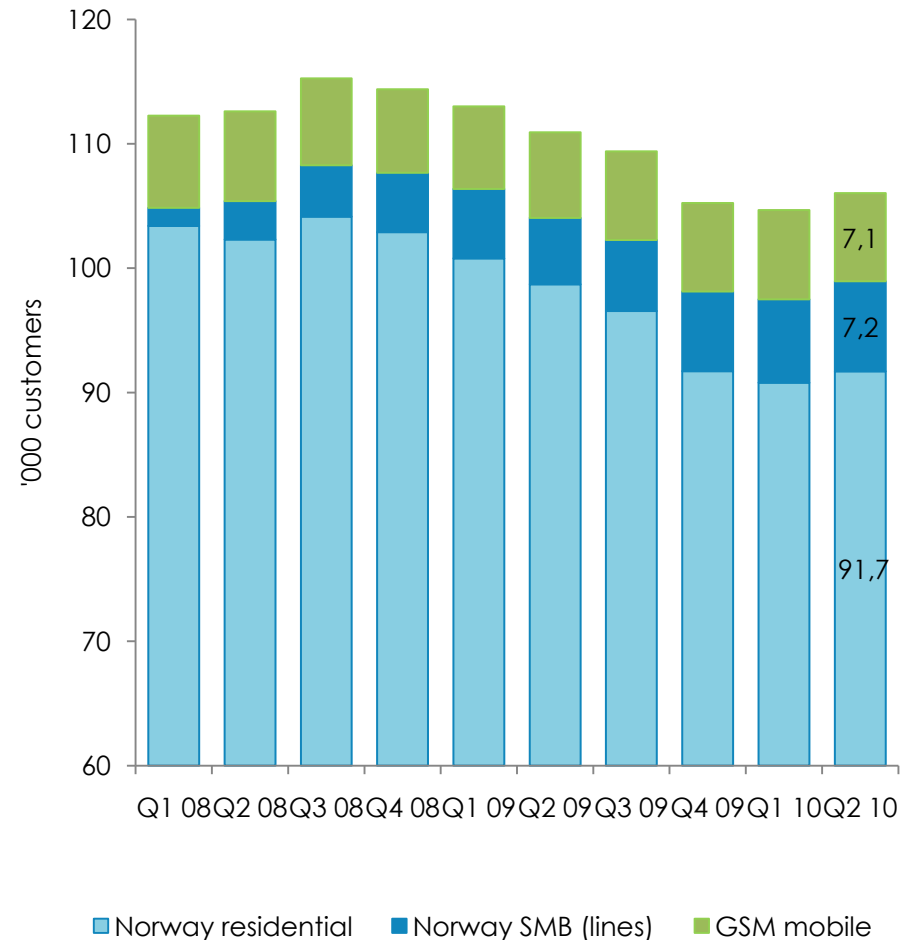
ARPU versus Gross Profit per subscriber



Norway: Customer development

- Price reductions with positive effect on customer development
- Acquisition of Bellit
- New products and services increase customer loyalty

Customer development in Norway

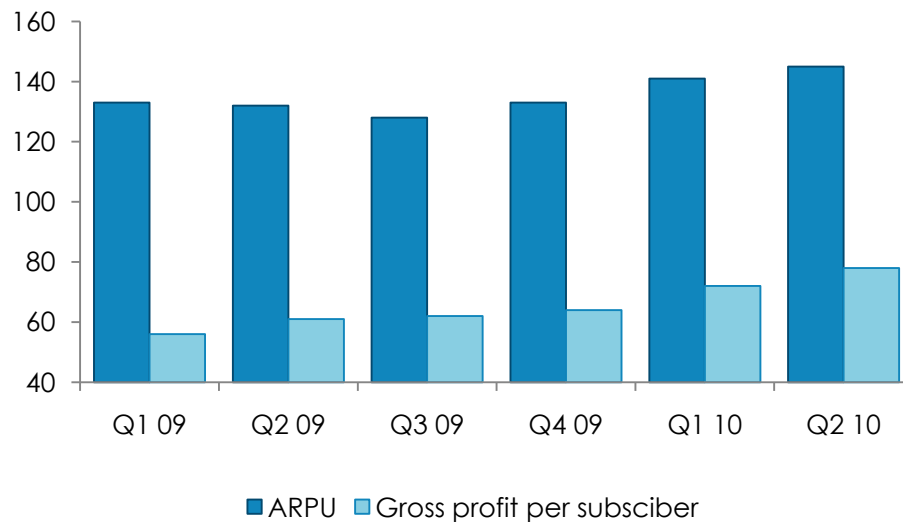


Denmark: Market update

- Revenues negatively affected by currency
- Strong competitive landscape
- Successful initiatives to improve gross margin

NOK millions	Q2'10	Q2'09	H1'10	H1'09
Total revenue	10.7	10.4	20.8	20.2
Gross profit	6.0	5.2	11.6	10.2
Gross margin	56%	50%	56%	50%

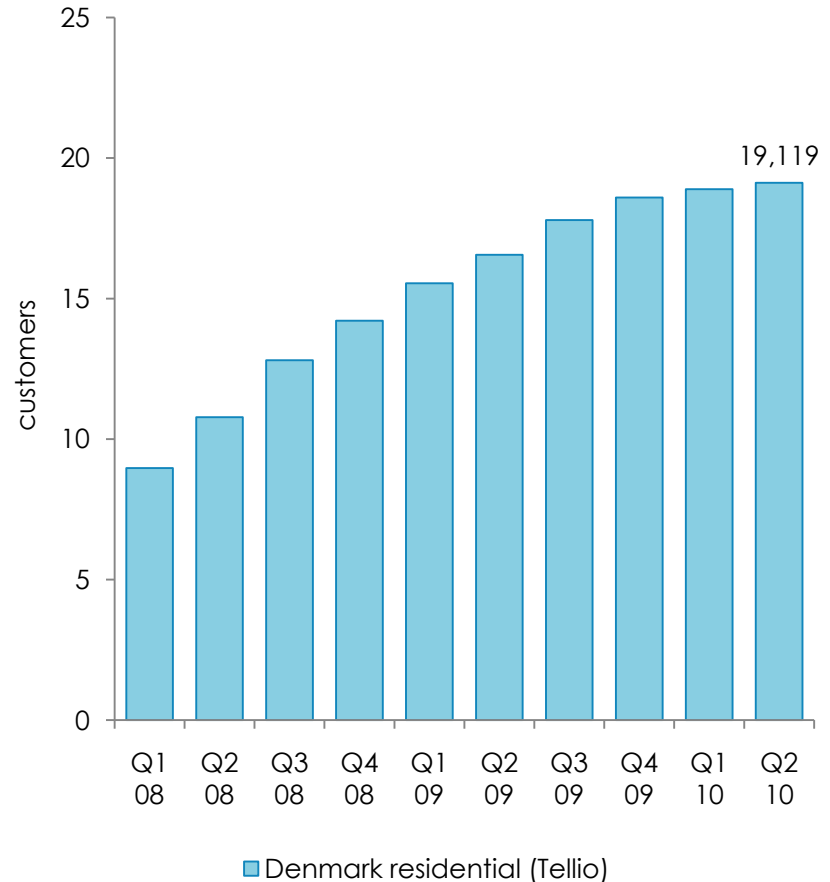
ARPU versus Gross Profit per subscriber (DKK)



Denmark: Customer development

- Price reductions from competitors affecting customer development
- Telio has introduced price reductions from 1 July
 - Expanding markets and product offering
- Sales force strengthened

Customer development in Denmark

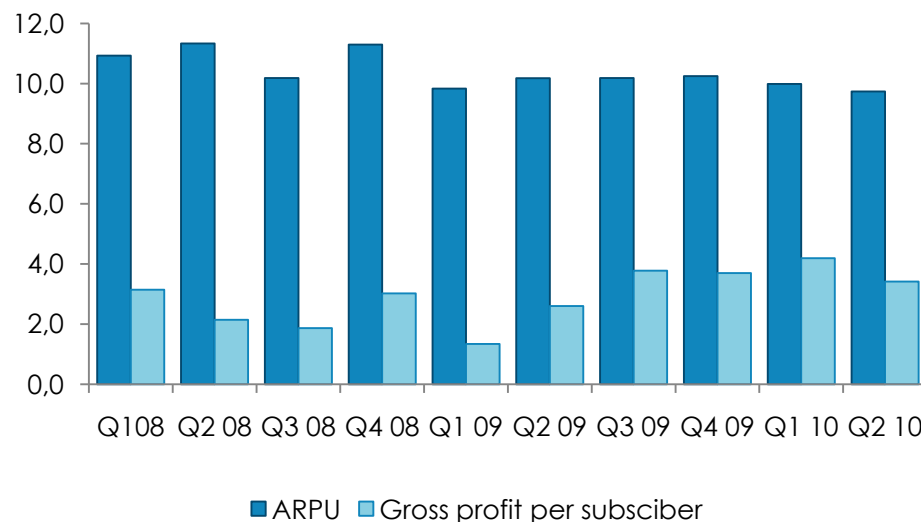


Netherlands: Market update

- Revenues negatively affected by currency
- Significant scalability in business model
 - Telio services improving profitability for the wholesalers

NOK millions	Q2'10	Q2'09	H1'10	H1'09
Total revenue	7.6	4.7	13.9	9.4
Gross profit	2.7	1.6	5.3	3.4
Gross margin	35%	35%	38%	36%

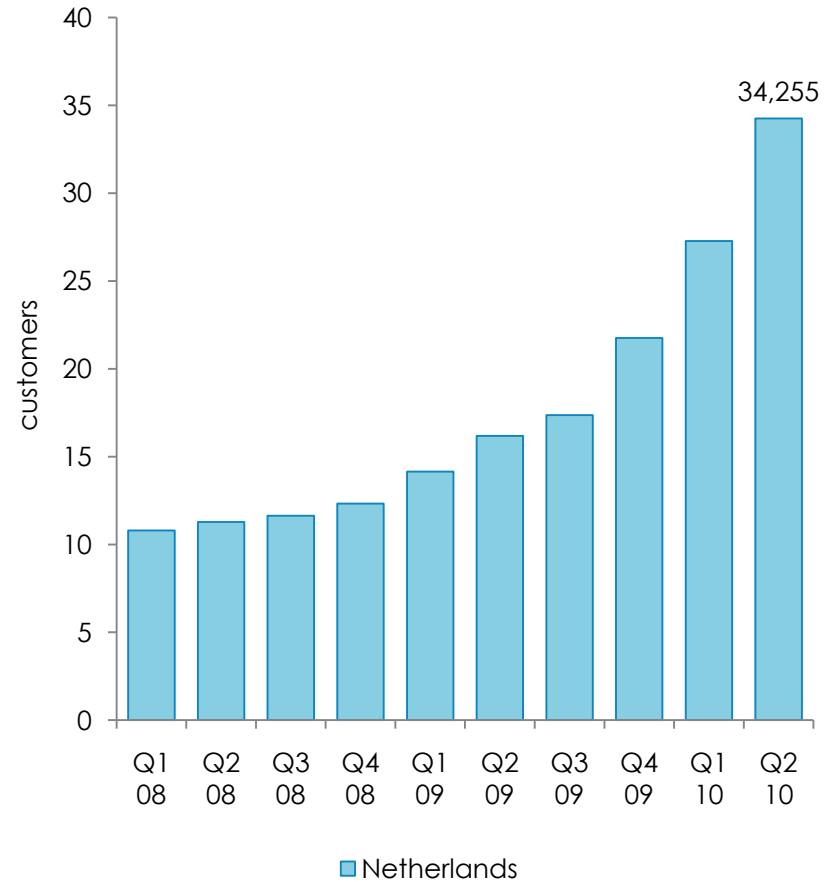
ARPU versus Gross Profit per subscriber (EUR)



Netherlands: Customer development

- More than doubling of customer base since Q2 09
- Partner development
- Increased VoIP focus among partners
- Exploiting new market opportunities

Customer development in Netherlands

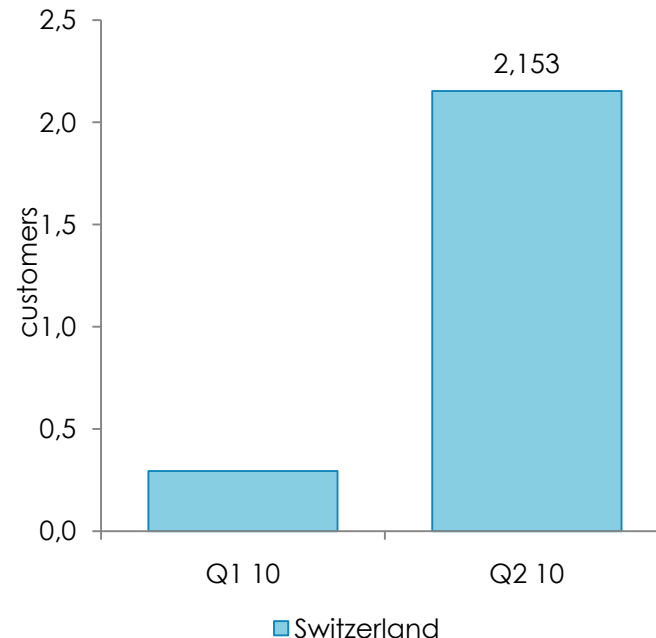


Switzerland: Market update

- Improved distribution through Q2
 - Further improvement potential
- Positive feedback on services and high customer satisfaction

NOK millions	Q2'10	Q2'09	H1'10	H1'09
Total revenue	0.6	-	0.6	-
Gross profit	0.3	-	0.3	-
Gross margin	55%	-	50%	-

Customer development in Switzerland



Technology and service update – TelioTouch

- TelioTouch Beta is being finalized with very positive feedback from Telio's customers
- Limited number of devices was ordered from the web in “record short time” and shown demand was very encouraging
- Strong support from Intel
- TelioTouch will be widely available from September



Technology and service update - Teliophone

- Teliophone – Telio's Video/VoIP client for iPhone/iPad/iPod has been certified by Apple and is currently available in limited beta offering www.telio.no/iphone/
- Teliophone features fantastic video quality (up to 24 fps with H.263) and HD sound
- Teliophone is expected to be used as supplement of the current subscription and also as a "stand alone" - helping Telio to increase stickiness and also tap into a new customer base.
- It will be widely available during the Q4



Summary/outlook

- Strong net customer growth
 - Q3 seasonally weaker in customer intake
- Continued strong financial performance
- Exciting products and services opportunities ahead

