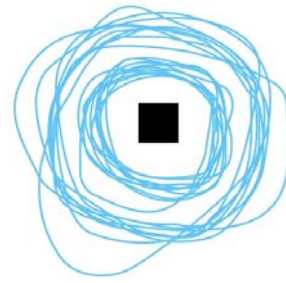


TELIO

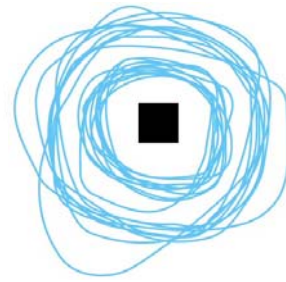


# Telio Holding ASA

---

Q4 06 presentation

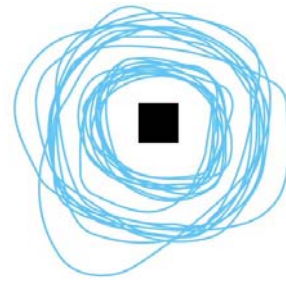
TELIO



## Telio Holding ASA

---

- Leading European 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”

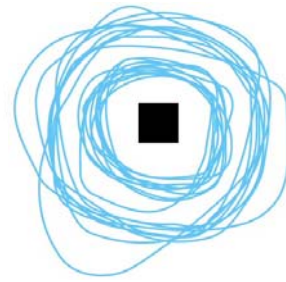


## Q4 06 highlights

---

- Continued Strong Growth
  - Subscribers: 127,100, up 12,300 (11%) in Q4
  - Revenues: NOK 84.0m up 62% yoy and 11% sequentially
  - Recurring revenues: NOK 281.4m 2006 99% yoy from 2005
  
- Operating Losses, Financials In Line
  - Operating losses before tax of 8.3m due to one time events
  - Gross margin stable, OPEX continues to scale
  - Healthy cash position: NOK 110m (incl. bond issue of NOK 60.0m in Q4)
  
- Launched New Products and Channels
  - Telio Mobile VOIP Beta
  - Telio Micro
  - Retail channels (Elkjøp and Expert)
  - Government and EU awarded for projects being done (ca NOK 11m over 3 years)
  
- New CEO to start April 1

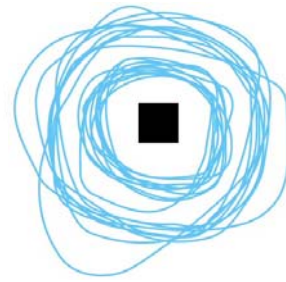
TELIO



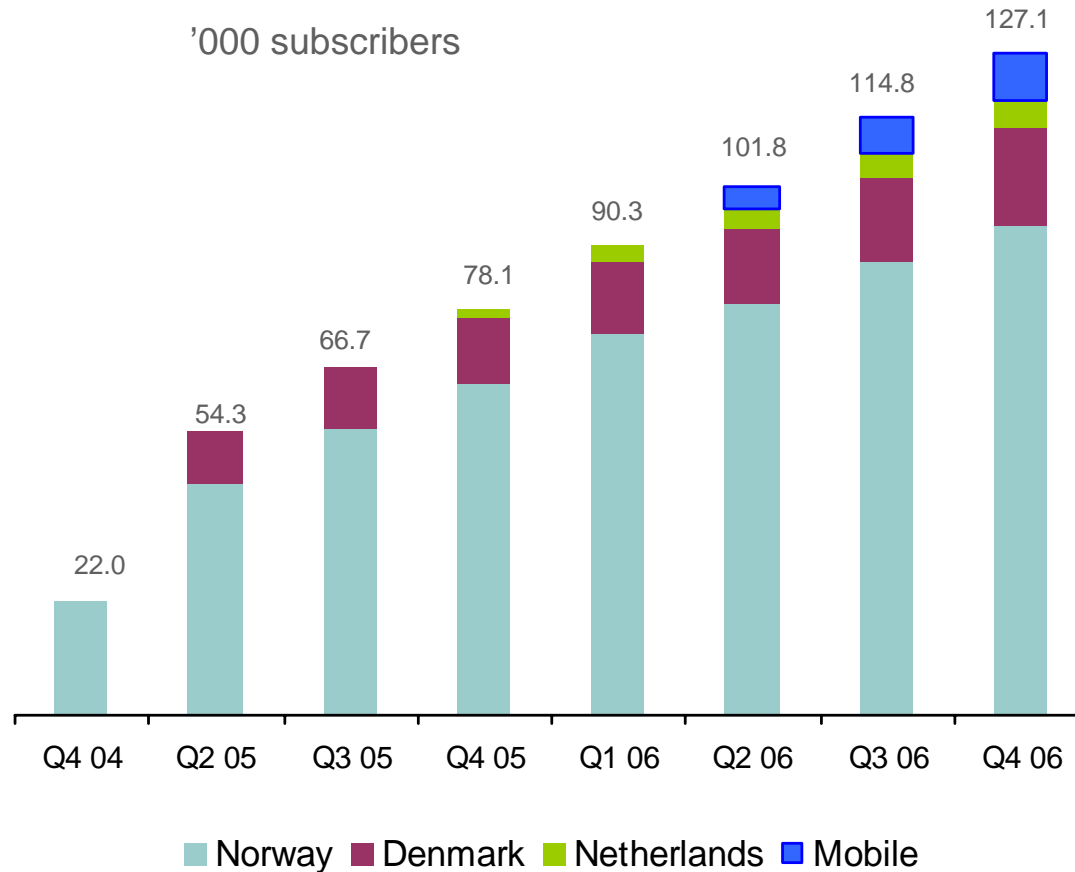
# Contents

---

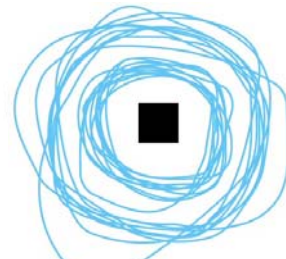
- **Financial results**
- Norway
- Mobile VoIP
- International
- Other events



## Overall strong subscription inflow in Q4

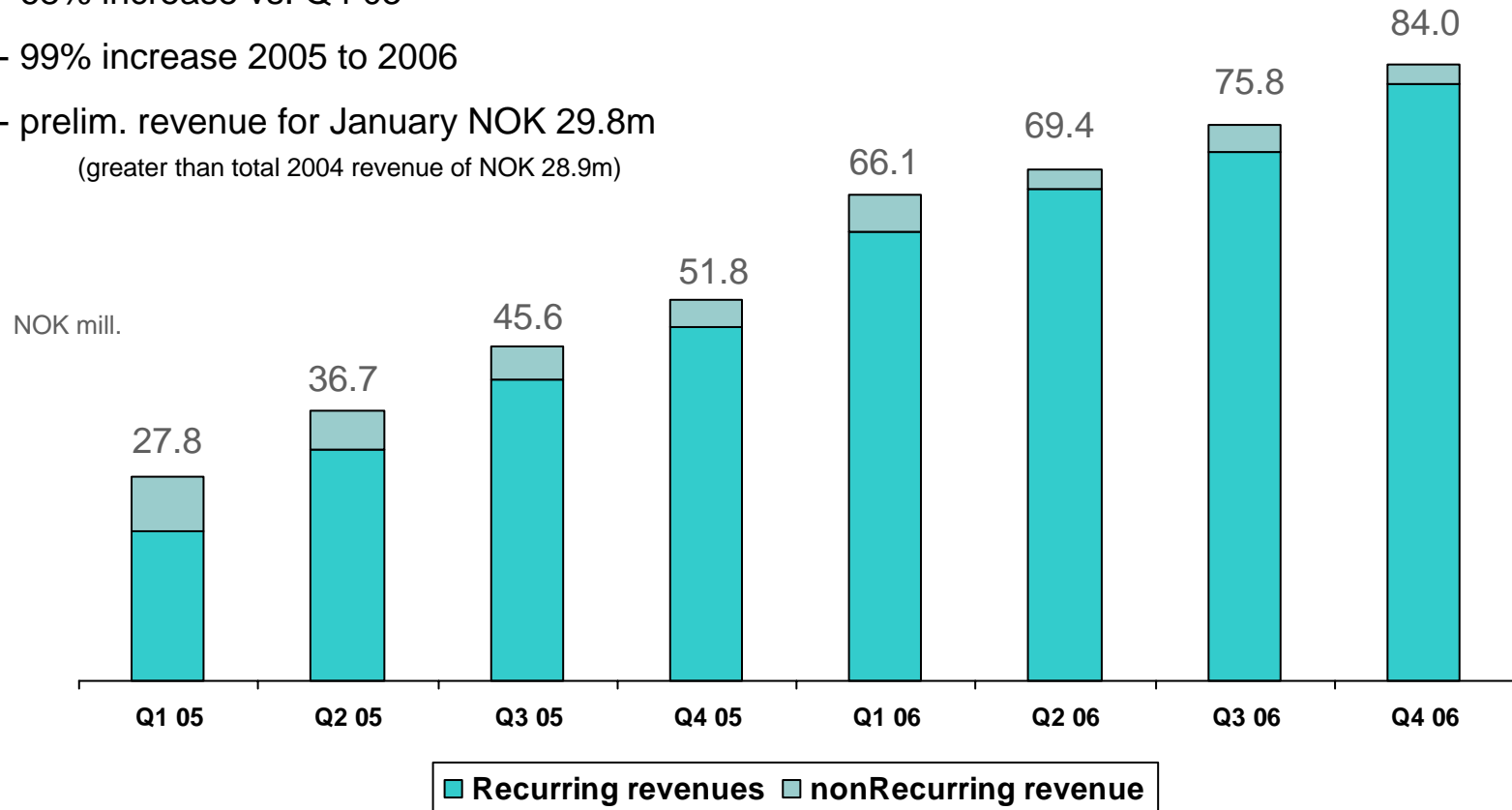


# TELIO



## Recurring revenues\* increased by 13% over Q3 \*\*

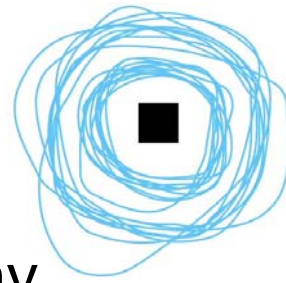
- 68% increase vs. Q4 05
- 99% increase 2005 to 2006
- prelim. revenue for January NOK 29.8m  
(greater than total 2004 revenue of NOK 28.9m)



\* Revenues excluding connection fees

\*\* Revenues reclassification in Q4 06 reflected retroactively

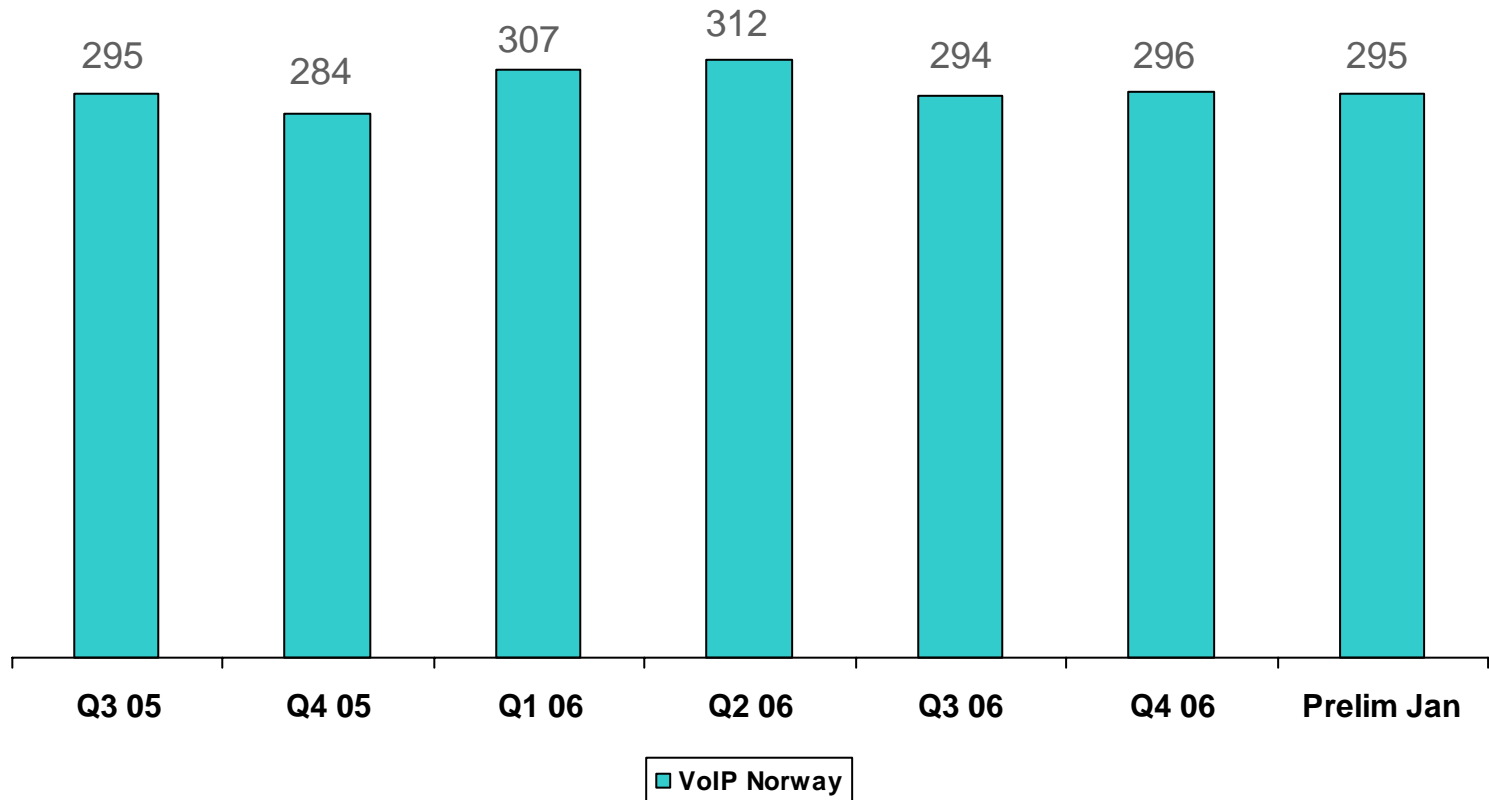
# TELIO

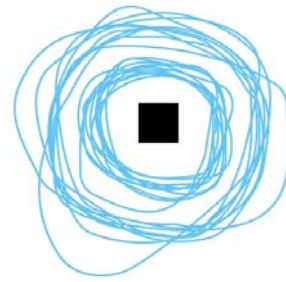


## Stable revenue per subscriber for VoIP Norway

---

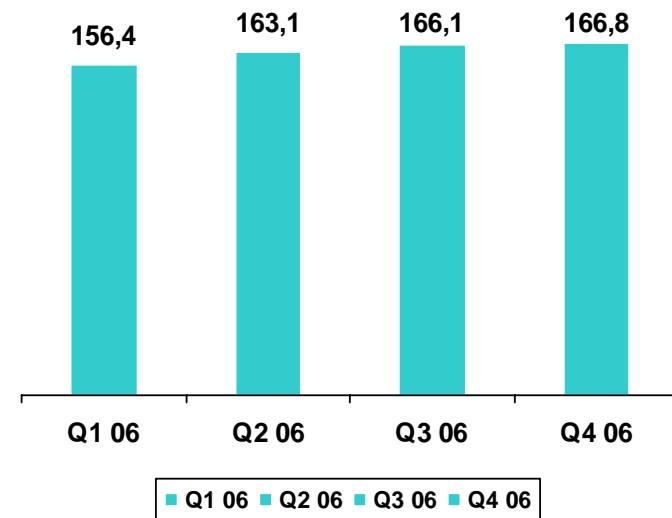
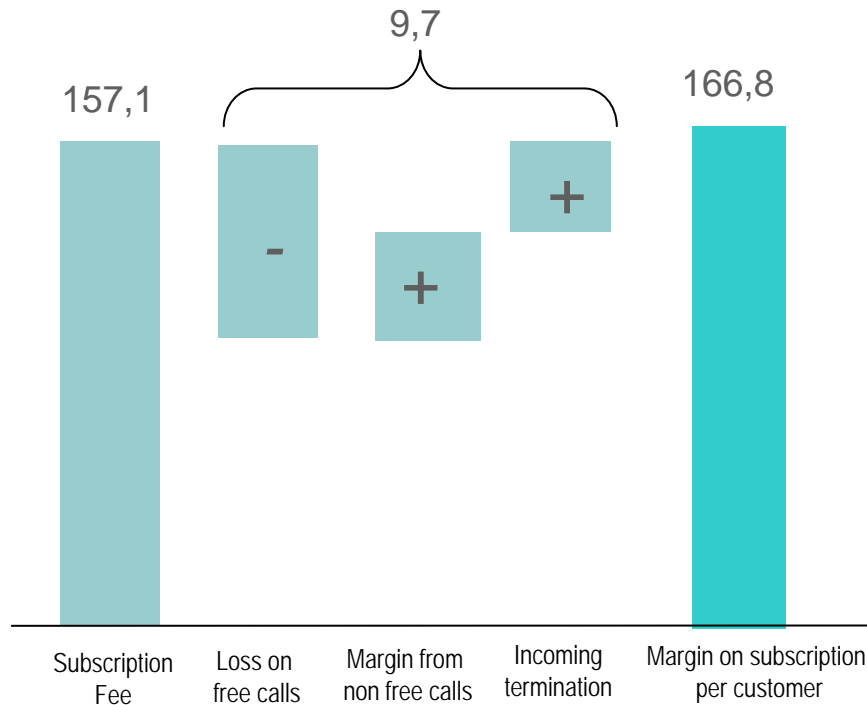
NOK





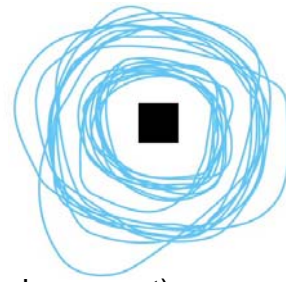
## Continued increase in average monthly gross margin per subscriber for VoIP Norway

NOK



VoIP Norway

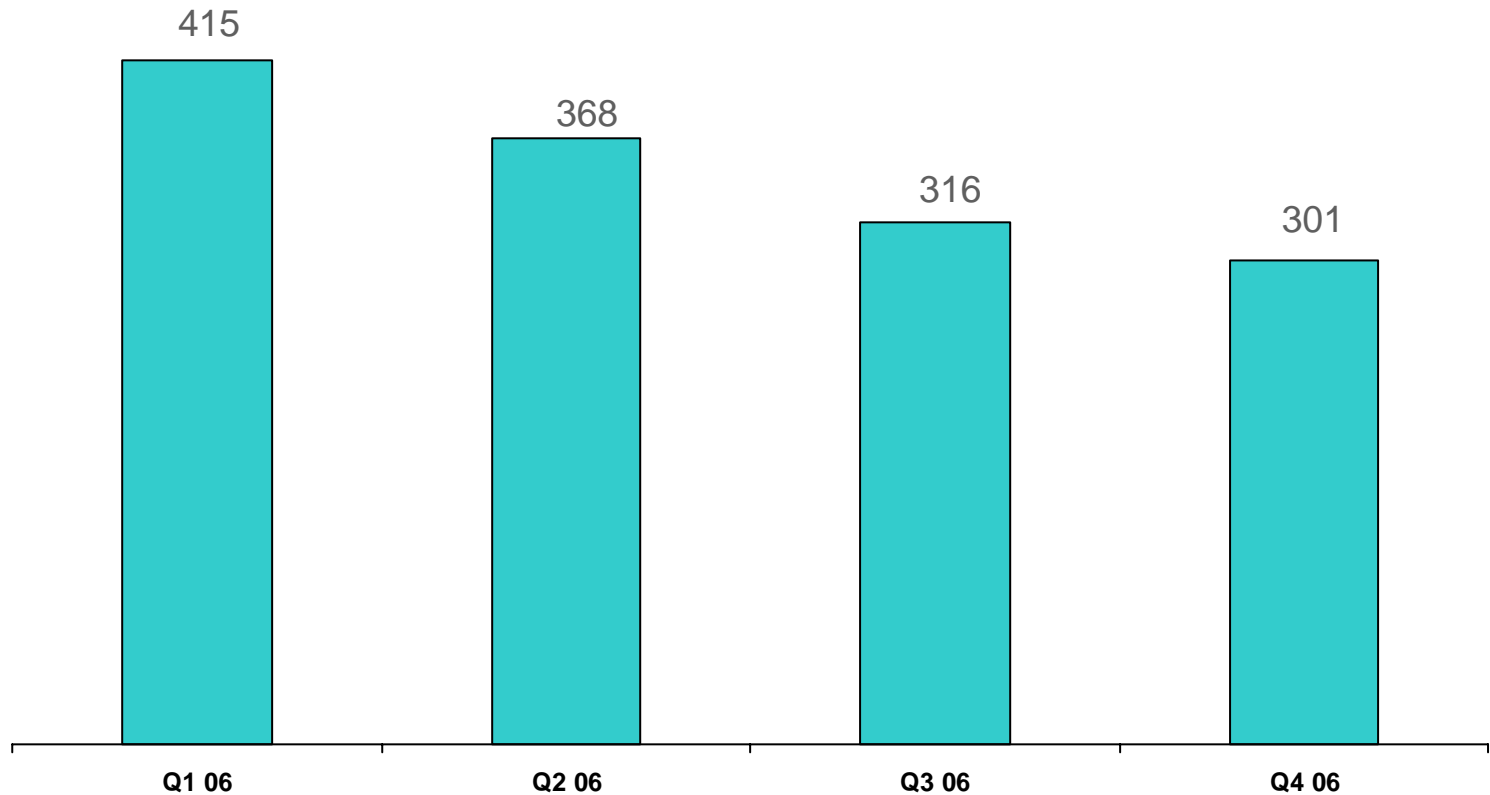
TELIO



## Scaling continues

– improved quarterly opex\* per subscriber\*\* (excl. s&m and share based payment)

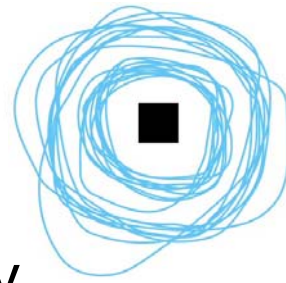
NOK



\* Opex excludes Sales&marketing, amortization of subscriber acquisition cost and Share based payment

\*\* billable subscriber (Musimi includes number of customers that used the account during the quarter)

# TELIO

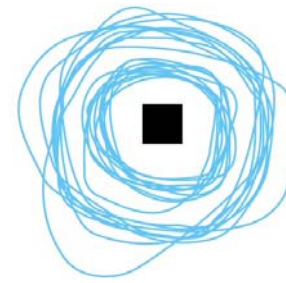


## Goal: Maximize growth with neutral profitability

---

- Operating losses before tax of NOK 8.3m in Q4
- Telemarketing Channel costs got away from us: NOK 2m
- Change in accounting of customer contracts: NOK 2-3m
- Share based payment costs: NOK 1.4m
- Year-end adjustments: NOK 2.7m
- Cash position of NOK 110m, minor effects from Operating losses

# TELIO

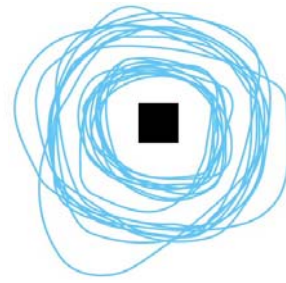


## Profit & Loss statement

NOK '000

	Q4 2006	Q4 2005	var	Ytd Q4-2006	Ytd Q4 2005	var
Sales	83,714	49,216	70%	294,023	152,067	93%
Other revenues	289	2,789	-90%	1,140	10,059	-89%
<b>Total revenue</b>	<b>84,003</b>	<b>52,005</b>	<b>62%</b>	<b>295,163</b>	<b>162,126</b>	<b>82%</b>
Cost of connections and traffic charges	(38,213)	(24,355)	57%	(134,398)	(70,242)	91%
Salaries&Personell costs	(11,287)	(6,535)	73%	(38,698)	(27,896)	39%
Selling&Marketing costs	(14,938)	(6,584)	127%	(41,144)	(15,215)	170%
Other expenses	(13,725)	(10,063)	36%	(56,098)	(33,125)	69%
Depreciation and amortisaition	(11,738)	(3,699)	217%	(34,527)	(11,791)	193%
<b>Operating profit (loss) pre special items</b>	<b>(5,898)</b>	<b>769</b>	<b>-867%</b>	<b>(9,702)</b>	<b>3,857</b>	<b>-352%</b>
Reclassification of finance revenues	(738)					
Write down of adapters	(1,785)			(1,785)		
Additional provision for fraud case	(900)			(900)		
<b>Operating profit (Loss)</b>	<b>(9,321)</b>	<b>769</b>	<b>-1312%</b>	<b>(12,386)</b>	<b>3,857</b>	<b>-421%</b>
Finance costs	974	(915)	-206%	(1,030)	(456)	126%
<b>Profit (loss) before tax</b>	<b>(8,347)</b>	<b>(146)</b>	<b>5617%</b>	<b>(13,416)</b>	<b>3,401</b>	<b>-494%</b>

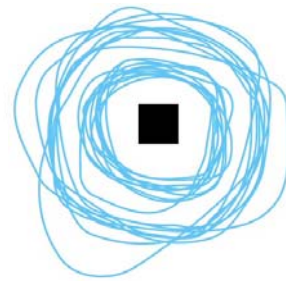
TELIO



# Contents

---

- Financial results
- **Norway**
- Mobile VoIP
- International
- Other events



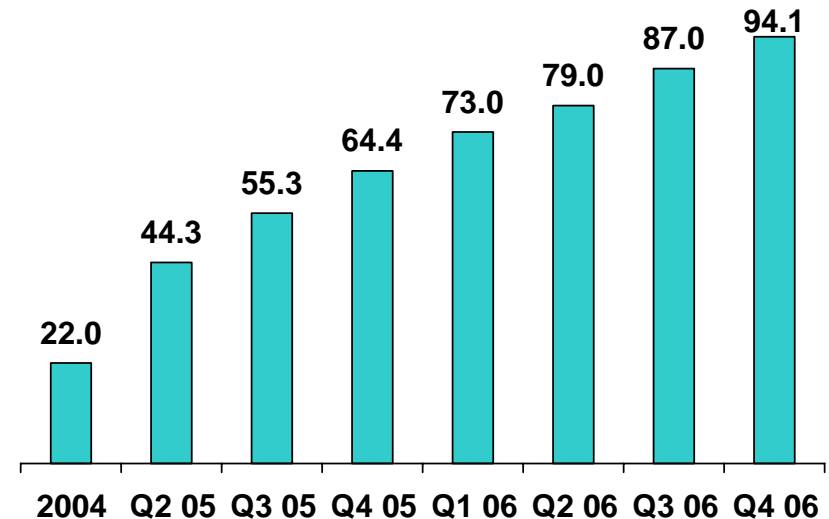
## Continuous growth in Norway

---

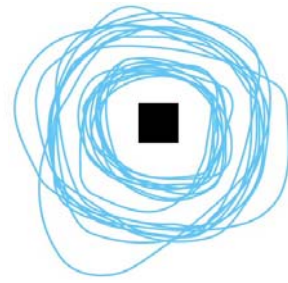
- Increase of approx. 7,200 VoIP subscriptions to total 94,200 subscriptions
- Overall good performance in all channels
- Most new subscribers sold on 12 month contracts
- New product Telio Micro attracts new customer segment
- Started two new major retail channels (Elkj p and Expert)

**VoIP Subscriber growth Norway**

'000 subscribers

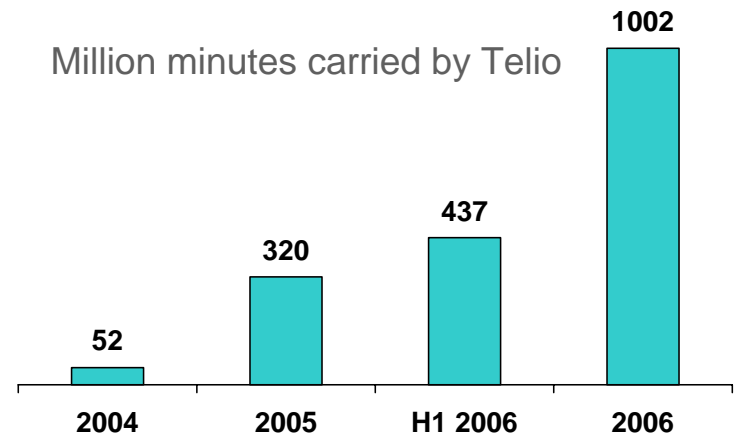


# TELIO

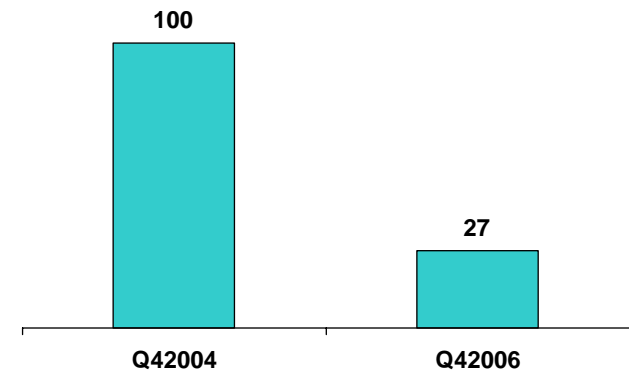


## Telio – a reliable, scalable and gigantic traffic machine

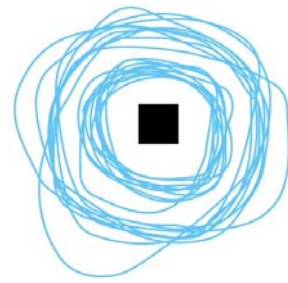
- Core of the platform successfully upgraded and ready to scale for the next few years
- Continuous work being done on reducing international interconnect cost
- 2 new Interconnect partners from January 2007
  - Approximate 70% of international traffic
  - Possible 20-30% further decrease



International IC prices



# TELIO



## New channels and opportunities

- New retail channels
  - Expert shops (consumer electronics chain with the largest number of stores in Norway, 263 stores)
  - Elkjøp (largest Scandinavian retailer of consumer electronics)
- SME Product
  - Technical solutions evaluated and tested
  - Commercial launch planned for May 2007
  - Ramp up of sales efforts in Q3 2007

TELIO Bredbåndstelefon

**Telio har Norges mest fornøyde kunder – bli en av dem!**

- Best talekvalitet og service!
- Umiddelbar levering!
- Enklest oppkobling!
- Flest tilleggstjenester!
- Ring som vanlig med din fasttelefon\*

**50% rabatt på etablering Kun 249,-** Ingen bindingstid!

• Tellerskritt kr 0,-\* for fasttelefon i Norge, Norden, Europa, Nord Amerika, og 111 andre land

• Kun kr 159,- pr måned

\*Gjelder fasttelefon Norge mobil kr 0,89

Kjøp her, og registrer deg på [www.telio.no/shop](http://www.telio.no/shop)

**TELKJØP**

TELIO Bredbåndstelefon

**Telio har Norges mest fornøyde kunder – bli en av dem!**

- Best talekvalitet og service!
- Umiddelbar levering!
- Enklest oppkobling!
- Flest tilleggstjenester!
- Ring som vanlig med din fasttelefon\*

**50% rabatt på etablering Kun 249,-** Ingen bindingstid!

• Tellerskritt kr 0,-\* for fasttelefon i Norge, Norden, Europa, Nord Amerika, og 111 andre land

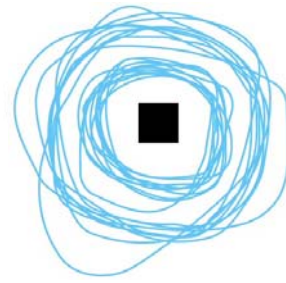
• Kun kr 159,- pr måned

\*Gjelder fasttelefon Norge mobil kr 0,89

Kjøp her, og registrer deg på [www.telio.no/shop](http://www.telio.no/shop)

**expert**

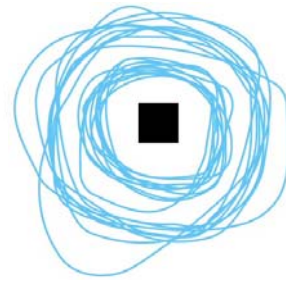
TELIO



# Contents

---

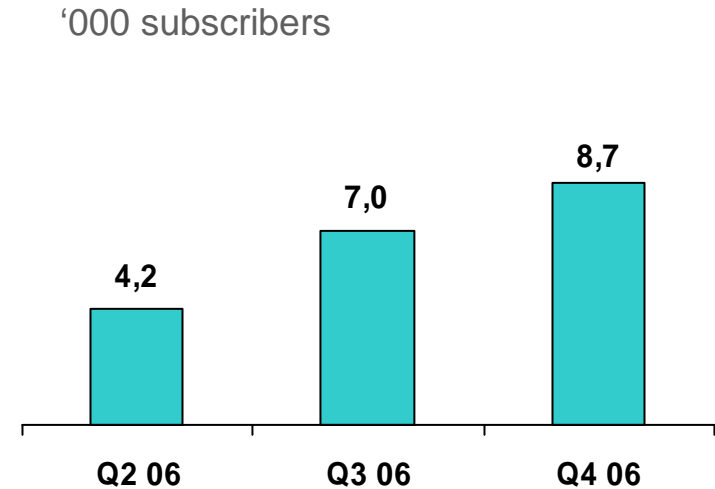
- Financial results
- Norway
- **Mobile VoIP**
- International
- Other events

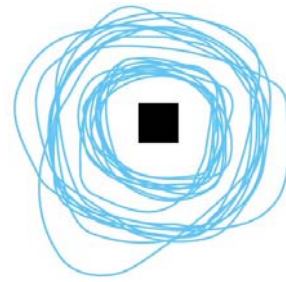


## Continued growth in Telio Mobile

---

- 1,782 net new subscriptions, total of 8,732 subscribers
- No marketing spending, all new additions from existing subscriber base
- Attractive service to be launched during Q2



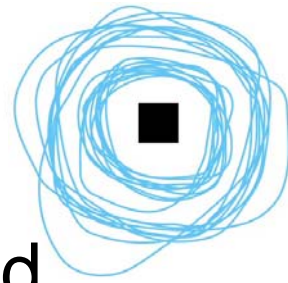


# Mobile VoIP – what is it?

---

- Convergence of fixed and mobile services, will introduce many new services and reduce mobile tariffs significantly
- Phase 1 – 2006/2007 - Move mobile voice
  - Expensive mobile calls handed over to WLAN network when available
  - Significant cost saving potential for end user
- Phase 2 – 2007 -Move supplementary services
  - Expensive mobile supplementary services handed over to WLAN network when available
  - SMS, MMS, Video
  - Further cost saving potential for end user
- Phase 3 – 2010 onwards - Enable alternative wireless networks
  - Alternative wire less network in place increasing coverage (and cost saving potential)
  - WiMax, HSxPA, etc.
  - New services not yet available

# TELIO



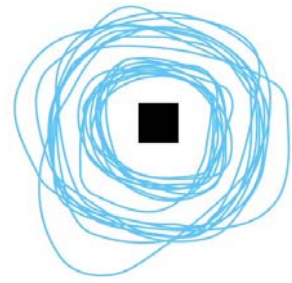
## Mobile VOIP Beta successfully launched

---

- Desired quota of test users quickly reached in ca 2 weeks
- Excellent feedback, followed with a number of improvements and enhancements as result
- Testing of new, low (end) priced dual mode phones started with encouraging results so far
- As a result of novel work in Mobile VOIP (FMC) area and work done so far on VOIP, Telio receives ca NOK 11m (through 3 years) subsidies from Norwegian Government and EU (incl joint project with Fraunhofer institute)



TELIO

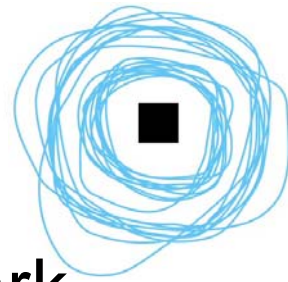


# Contents

---

- Financial results
- Norway
- Mobile VoIP
- **International**
- Other events

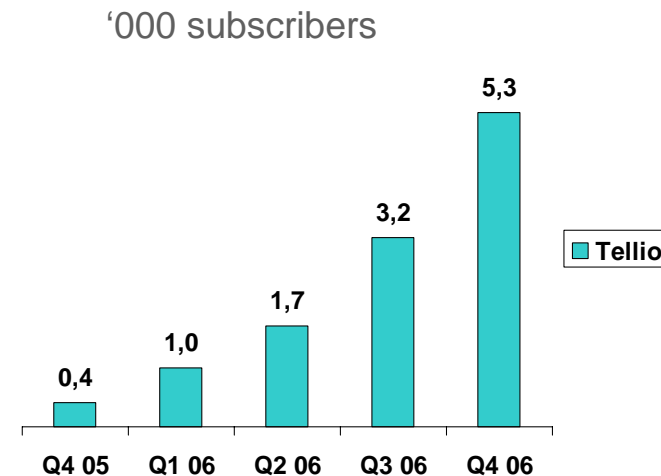
# TELIO

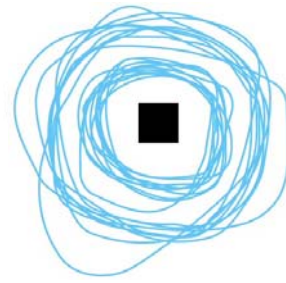


## Subscriber traction continues in Denmark

---

- Strong online growth with low CAC
- Good growth in ITS and OTS
- Retail shows somewhat lower growth and higher CAC than expected
- Fona – new distributor. One of the largest computer, IT, phones retailers in DK. No volume effect in Q4
- All channels in place, expected to grow and be optimised
- Musimi Stable at 13,100 accounts

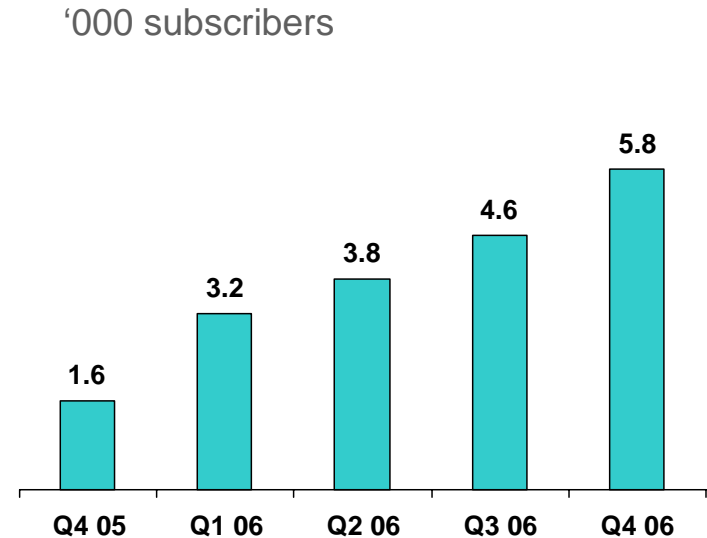




## Clearer visibility in Netherlands

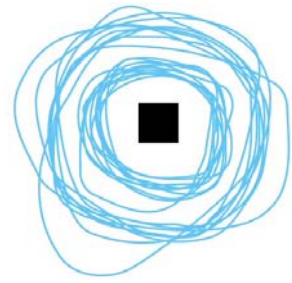
---

- Net add of 1,174 new subscribers, in total 5,753 subscribers
- 52% increase of net customer growth in Q4 compared to Q3
- XMS build out according to plan, around 60,000 households passed by the end of 2007



Total revenues from International Operations have grown 36% in Q4 compared to Q3

TELIO

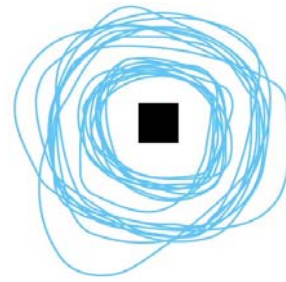


# Contents

---

- Financial results
- Norway
- Mobile VoIP
- International
- **Other events**

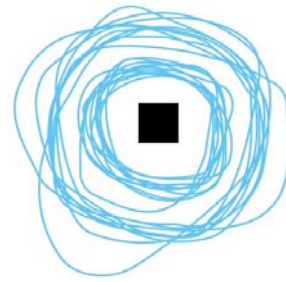
TELIO



## Legal/financial issues

---

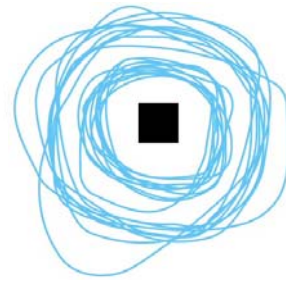
- Updated legal evaluation on VAT positive
  - Telio has a strong case
  - Telio will not include VAT effects in Q4 accounts
  - Status on VAT will be re-evaluated each quarter
  
- NPT announcement effects on Telio
  - NPT concludes that presented documentation from Telio does not justify a higher termination rate than Telenor on fixed telephony. Telio maintains its position that accounts justifies the current level and will appeal
  - Reduced mobile termination charges will additionally fuel growth of Mobile VoIP



# Outlook

---

- Eirik Lunde named new CEO
  - Starts on April 1
  - Extensive experience and proven leadership track record from the IT-and Telecom industry
- Further strengthening of the sales organization
- Revised contracts with TM agencies to ensure better quality of customer intake
- Growth in existing markets and new market segments
- New products and services to be launched in Q2



## Q4 06 highlights

---

- Continued Strong Growth
  - Subscribers: 127,100, up 12,300 (11%) in Q4
  - Revenues: NOK 84.0m up 62% yoy and 11% sequentially
  - Recurring revenues: NOK 281.4m 2006 99% yoy from 2005
  
- Operating Losses, Financials In Line
  - Operating losses before tax 8.3m due to one time events
  - Gross margin stable, OPEX continues to scale
  - Healthy cash position: NOK 110m (incl. bond issue of NOK 60m in Q4)
  
- Launched New Products and Channels
  - Telio Mobile VOIP Beta
  - Telio Micro
  - Retail channels (Elkjøp and Expert)
  - Government and EU R&D for projects being done (ca NOK 11m over 3 years)
  
- New CEO to start April 1