



Telio Holding ASA

Q4 09 presentation

Eirik Lunde, CEO

Oslo, 11 February 2010



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

- Q4 09/2009 highlights and key figures
- International markets
- Technologies and services update
- Court ruling in favour of Telio in the ecom case
- Information regarding extraordinary dividend

Q4 09 Highlights

- **Financials**
 - Revenues: NOK 99.2 million
 - 64% gross margin
 - 32% EBITDA margin
 - **Operating profit of NOK 20.4 million**
 - Includes approx NOK 2 million in costs related to share options (due to increased share price)
 - Cash position: NOK 142.4 million (after dividend payment of NOK 57.9 million and purchase of treasury shares of NOK 5.7 million in 2009)
- **Continued customer growth**
 - 4,300 net new customers
- **International**
 - 31% growth in customer base in Denmark from Q4 08
 - 77% growth in customer base in Netherlands from Q4 08
 - Soft launch of services in Switzerland in December

Key figures Q4/FY

(Figures in NOK 1,000)	Q4 09	Q4 08	2009	2008
Revenues	99,240	100,441	393,818	384,368
Gross profit	63,607	61,235	246,405	235,769
Gross margin	64.1%	61.0%	62.6%	61.3%
EBITDA	31,697	31,824	129,333	109,131
EBIT	20,427	21,701	86,106	68,080

- Revenues in Q4 08 included one-time revenues from Pretium Telecom BV and positive currency effects (DKK and EUR)
- Revenues in Q4 09 affected by negative currency effects (DKK and EUR)
- EBIT in Q4 09 negatively affected by social security costs on share options and legal costs

Cash flow

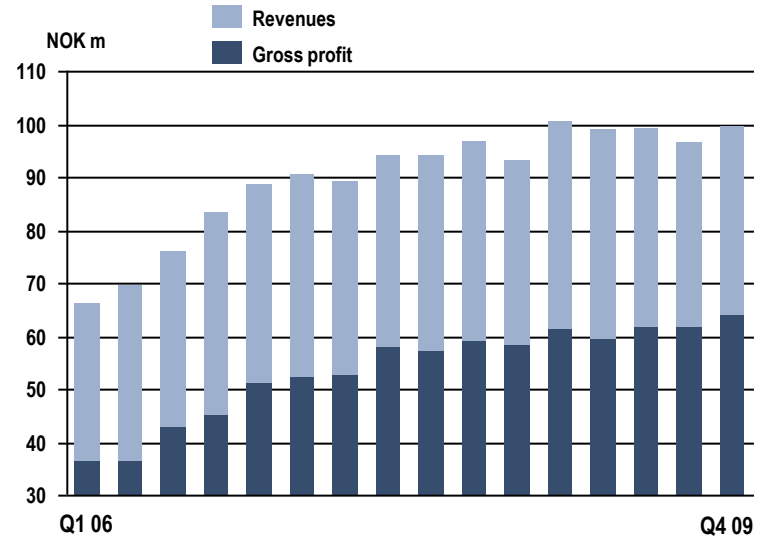
(Figures in NOK 1,000)	Q4 09	Q4 08	2009	2008
EBITDA	31,697	31,824	129,333	109,131
Capex	(9,260)	(12,222)	(40,393)	(33,045)
Changes in w/c	(1,004)	(11,928)	(5,958)	(17,078)
Tax	1,799	(4,059)	(2,308)	(4,372)
Finance	566	1,343	685	2,355
Free cash flow	23,798	4,958	81,359	56,991

Telio Group

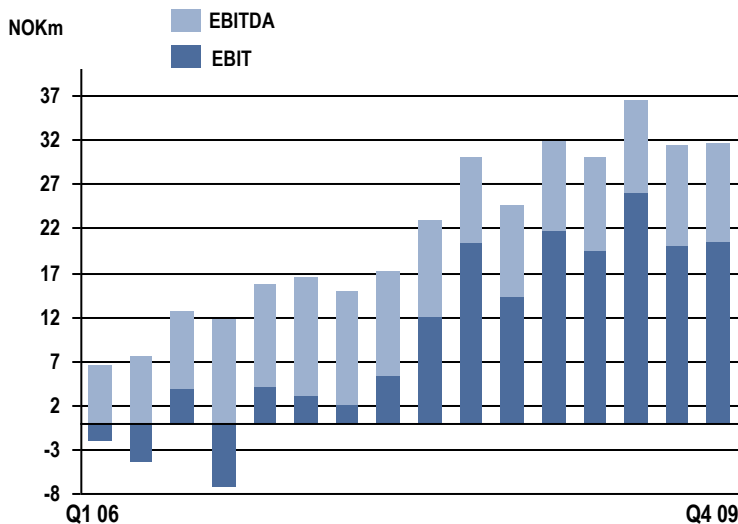
Comments

- Sustained gross margin at 64% in Q4 09
- Direct SIP interconnect with TDC during December will further improve cost structure (COGS) and generate termination revenues
- Partnership with Pretium in the Netherlands develops according to expectations
- Soft launch of services in Switzerland during December
- New services (household appliances/media phones, video telephony) expected to contribute to further growth

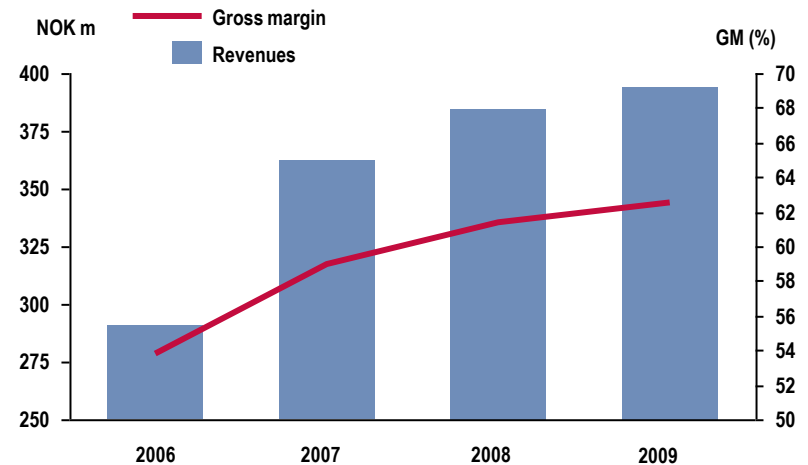
Quarterly revenues and gross profit



Quarterly EBITDA and EBIT



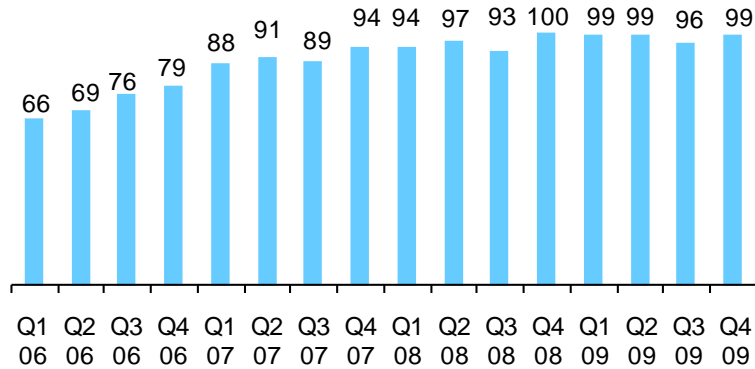
Revenues and gross margin



Quarterly development of key metrics

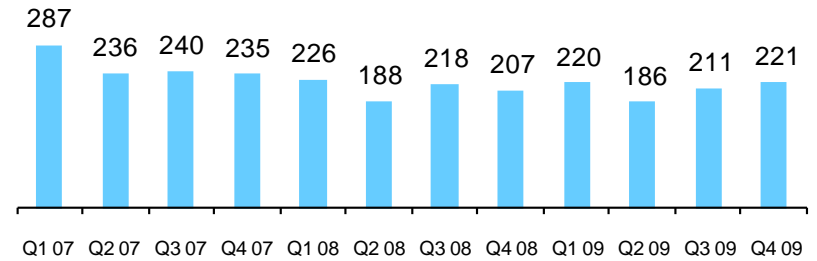
Revenue development for Telio Group

NOK million



Economies of scale – opex* per subscriber** for Telio Group

NOK

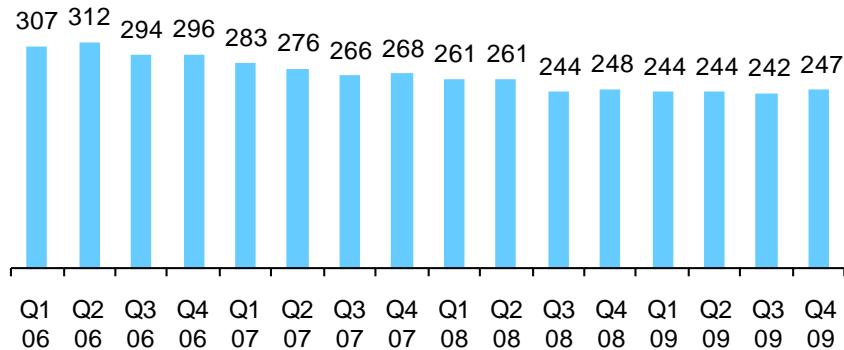


*Opex excl sales & marketing, amort. of CAC, share based and one-off costs

** Billable subscribers

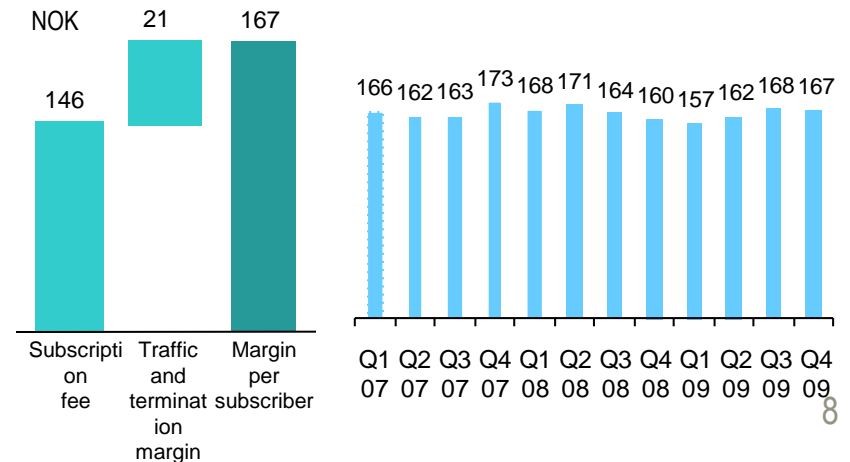
Average monthly revenue per subscriber for VoIP Norway

NOK



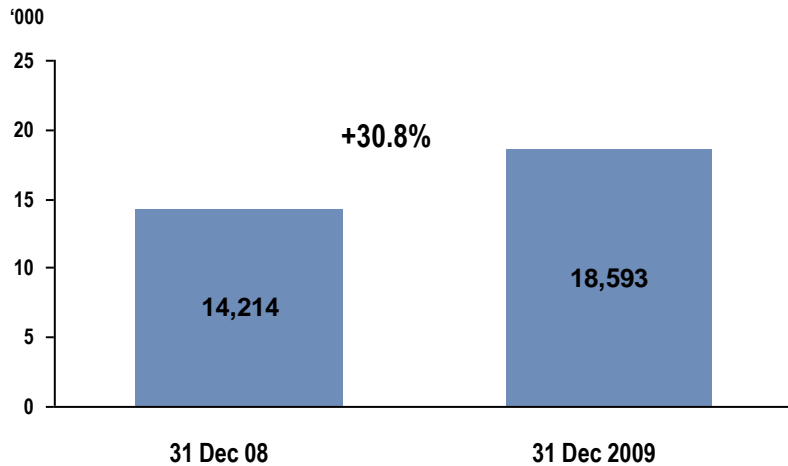
Average monthly gross profit per subscriber for VoIP Norway

NOK

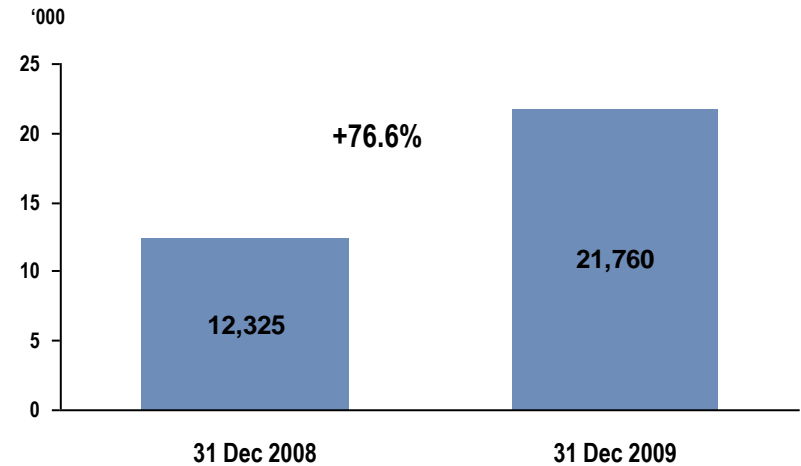


Development in international markets 2009

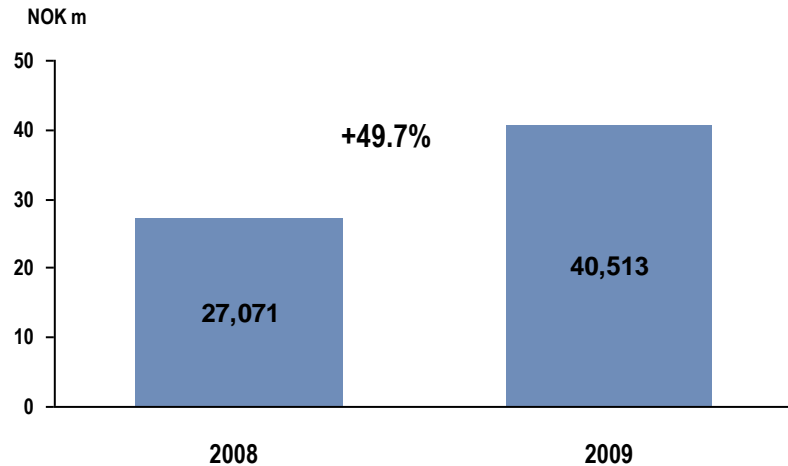
Residential Telio customers Denmark



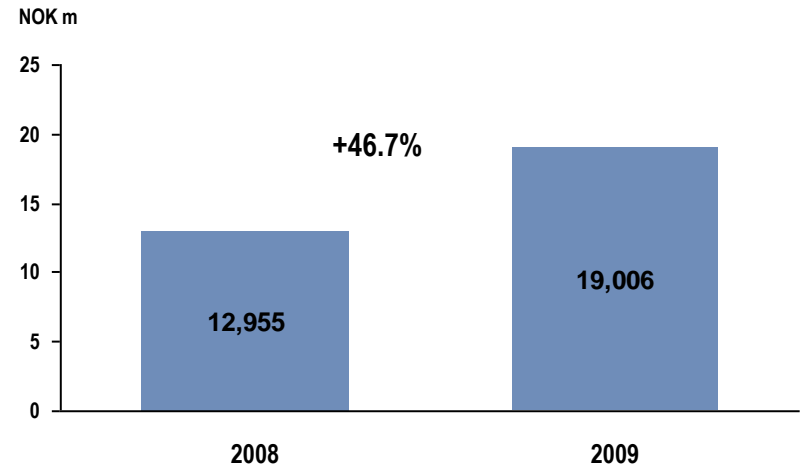
Customers Netherlands



Revenue growth Denmark 2008-2009



Revenue growth Netherlands 2008-2009

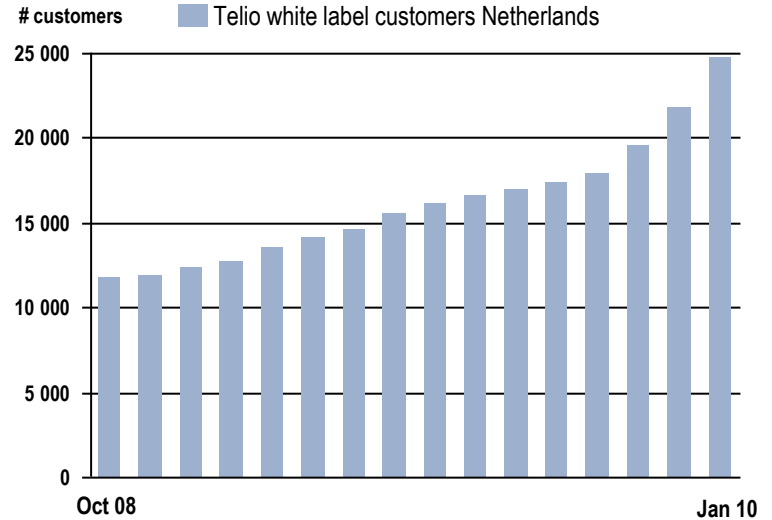


Netherlands – “White label”

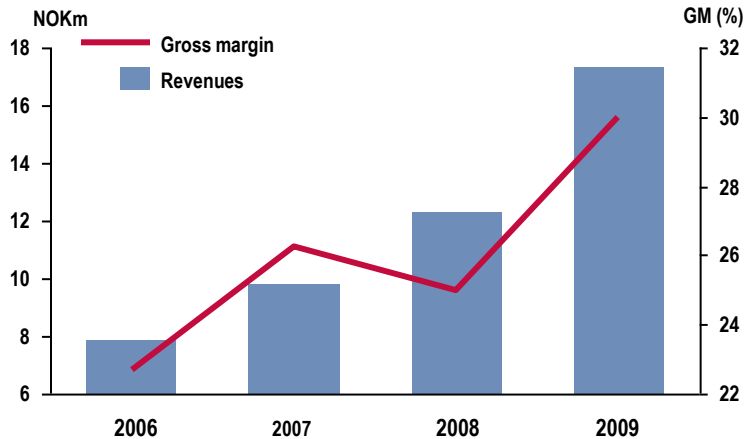
Telio customer development

- **Positive development from existing wholesale partners**
- **Further strong growth is expected from the white label partners in the Netherlands**
 - Accelerated roll-out of fibre to the home
 - Pretium Telecom continues to deliver according to expectations
 - Total customer intake in January 2010 of 3,023 customers
- **Total available market**

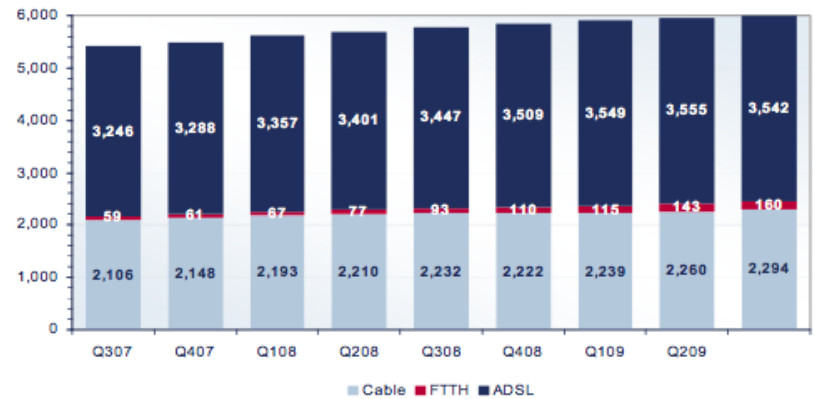
Telio customer development



Historic financials



Total available market in Netherlands



Number of broadband connections in NL (Millions)

Source: Telecompaper, Q3 2009

Telio services in Switzerland

Activities

- Soft launch in December with gradual ramp up in sales during the first months
- Recruited country manager and customer support manager (with strong background and track record from Swiss telecom market)
- Distribution
 - Ethnical communities
 - Web
 - Telesales
 - Organisations

Multi lingual web site with advanced ordering system

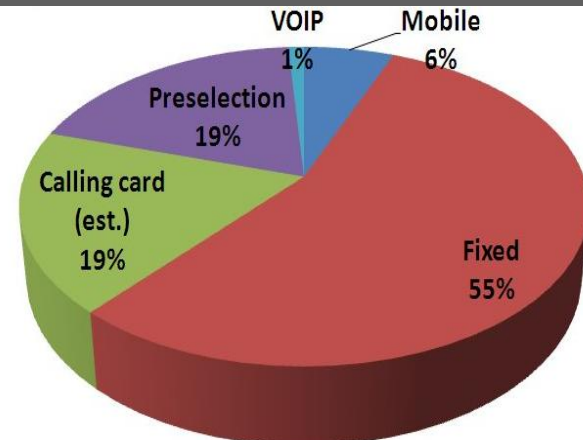
The screenshot shows the Telio website interface. At the top, there's a search bar and navigation links for Home, Preise, Features, Kundenservice, FAQ, and Über Telio. The main content area features a large promotional banner for international calling, stating '0.- Gratis telefonieren in über 30 Länder!' (Free calling in over 30 countries!). Below this, there are two product offerings: 'Telio Mini' for 24.95 and 'Telio Medium' for 29.95, both offering free calling within Switzerland and to many other countries. The website also includes sections for 'Vertrieb & Support', 'Telio News', 'Schicken Sie uns eine E-Mail', 'Häufig gestellte Fragen', and 'My Pages' with login fields.

Current situation in the residential market – Traffic viewpoint

Estimated international Minutes terminated from CH 2008

Addressable* Market (Residential)

Mobile	200'000'000
Fixed	1'800'000'000
Calling card (est.)	600'000'000
Carrier Pre-Select	625'000'000
VOIP	34'720'000
Total	3'259'720'000



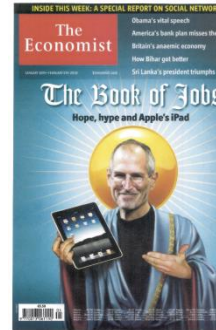
Technologies and services update

Telio Touch and Telio Video



- Telio Touch launch is scheduled for the end of March and Alpha tests continue to show very encouraging results
- Video telephony is starting to take off with more than 2.500 video telephones shipped
- Initial results show great results with respect to usage of those devices with average call duration for video calls being double of Telio's average

Global trends



Computer



Mobile



Tablets/Netbooks



Interactive TV



- Major trend seen lately is that we have “Service convergence and screen divergence”. Telio is well positioned for the changes that are ahead of us.
- 40 pct of business leaders will invest in videoconferencing during the next 6 to 24 months (source: Cisco, Feb 2010)
- 79 percent of American SMBs will by the end of 2013 be on VoIP (source: Instat, Feb 2010)
- 80 pct of revenues from SMS and voice for mobile operators are at risk from new-comers (source: RBS report, Jan 2010)

Court ruling in favour of Telio in the ecom case

- Telio is both a telecom company (ecom) and an Internet service company (not ecom)
- Borgarting Court of Appeal confirms the verdict from Oslo District Court that the Internet services that Telio provides are not ecom services, i.e. Telio's legal structure is confirmed
- The decision by the Ministry of Transportation and Communication to not appeal makes the ruling final and enforceable
- The general rule is that import of services to private consumers in Norway is VAT exempt, except for ecom services. Telio's Internet services are not ecom services.
- The final ruling has therefore removed a great uncertainty for the company and the company can now focus on business instead of legal proceedings

Information regarding extraordinary dividend

- Telio has experienced a phenomenal financial development year on year since inception, culminating in record earnings for 2009
- Three matters will impact the BoD's dividend proposal:
 - The company expects solid profitability and cash flow
 - No trade-off between growth plans and dividend
 - Removed uncertainty due to ecom ruling in favour of Telio
- BoD will propose a significant extraordinary dividend subject to the absence of adverse news prior to the approval of the financial statements for 2009

Q4 09 Summary

○ Financials

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○ Continued customer growth

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○ International

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Appendix

Profit & loss statement

NOK '000

	<u>Q4 09</u>	<u>Q4 08</u>	<u>var</u>	<u>2009</u>	<u>2008</u>	<u>var</u>
Sales	95 472	96 127	-1 %	380 541	374 669	2 %
Other revenues	3 768	4 314	-13 %	13 277	9 699	37 %
Total revenue	99 240	100 441	-1 %	393 818	384 368	2 %
Cost of connections and traffic charges	-35 633	-39 206	-9 %	-147 413	-148 599	-1 %
Salaries & personnel costs	-15 868	-12 788	24 %	-52 229	-47 139	11 %
Selling & marketing costs	-3 109	-5 611	-45 %	-15 448	-34 483	-55 %
Other expenses	-12 933	-11 012	17 %	-49 395	-45 016	10 %
Depreciation and amortisation	-11 270	-10 123	11 %	-43 227	-41 051	5 %
Operating profit	20 427	21 701	-6 %	86 106	68 080	26 %
Finance 1)	-1 144	6 288		-10 836	7 491	
Profit before tax	19 283	27 989	-31 %	75 270	75 571	0 %

¹⁾ Includes net unrealized foreign exchange loss related to inter-company loans (Q4 09: MNOK 0.985, 2009: MNOK 11,100).