



## **TELIO HOLDING ASA**

### **1<sup>st</sup> HALF YEAR/ 2<sup>nd</sup> QUARTER REPORT 2008**





## Telio Holding ASA – 1<sup>st</sup> Half Year/2<sup>nd</sup> Quarter Report 2008

### Board of Directors' Report 1<sup>st</sup> Half Year 2008

#### Summary

The markets in which Telio operates have continued to develop positively in 1<sup>st</sup> half year 2008. The company has had continued focus on profitable growth. Following planned reduced activities in telemarketing sales in the Norwegian residential market, Telio has managed to improve profitability significantly. It is the company's aim to continue along this path and at the same time focus on building a strong position in the business market.

#### Products and markets

Telio has established a successful distribution model for the SMB market in Norway during 1<sup>st</sup> half year 2008. The company has also entered the business market in Denmark and is now reusing the distribution model from Norway in the Danish market. Denmark has also developed positively in the residential market in 1<sup>st</sup> half 2008.

#### Financials 1<sup>st</sup> half 2008 (2007 figures in brackets)

Revenues for 1<sup>st</sup> half 2008 were NOK 191 million (178.8), representing a growth of 6.8%. Total gross profit was NOK 116.3 million - 61% gross margin (103.1 – 57.6%). EBITDA was NOK 52.8 million – 27.6% (31.8 – 17.8%). Operating profit was NOK 32.2 million (7.1). Profit after tax was NOK 23.1 million (3.1).

Cash flow from operations was NOK 46.1 million in 1<sup>st</sup> half 2008. Cash and cash equivalents were NOK 97.4 million at 30 June.

#### Investments and financing

Investments in 1<sup>st</sup> half 2008 were NOK 6.1 million in IT equipment (including financial lease) and NOK 3.7 million in intangible assets.

The bond loan of NOK 60 million was repaid to bondholders 27 March and except for financial lease the company does not have any long-term interest bearing debt.

#### Risk

There have been no material changes in the principal risks and uncertainties for the business during the first six months and these are not expected to change significantly during the remaining six months of the financial year.

#### 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.

#### Legal matters

The court trial regarding the ecom case between Telio Telecom AS and Telio SA on one hand and the Ministry of Communication and Transportation on the other was supposed to commence 16 June 2008. Based on recent developments and a proposal from the judge to postpone the case, an agreement was reached between the parties where the court trial is put on hold for 6 months. In Telio's opinion, the recent developments are in favor of Telio Telecom AS and Telio SA and the companies are looking forward to have the issue settled before year-end.

The legal dispute between Telio Holding ASA ('Telio') and Labs2 Norge ASA ('Labs2') was heard in Lagmannsretten in mid April. On 26 June, Telio received the judgment from Lagmannsretten. Lagmannsretten has upheld the judgment from Oslo Tingrett in February 2007. Thus, Telio's appeal was rejected and Telio is held liable to pay an amount of NOK 5.415 million plus interest. The appeals courts also rejected Labs2's appeal of a part of Oslo Tingrett's judgment and Telio was therefore acquitted for a claim of NOK 2 million plus interest. Telio has accounted for the cost related to this case in the 2006 annual accounts in addition to accrued interest in the periods after. After thorough consideration, Telio has decided to appeal the case to Høyesterett (the Supreme Court).



### Shareholder information

The total number of registered shares outstanding at the end of 1<sup>st</sup> half 2008 was 19,392,700 (19,392,700 at the end of Q1 08) out of which 97,100 shares were owned by Telio Holding ASA (97,100 shares at the end of Q1 08). The total number of shareholders was 489 (513 at the end of Q1 08) and 31.7% of the shares were registered abroad (27% at the end of Q1 08).

Total outstanding options at the end of 1<sup>st</sup> half 2008 were 1.3 million (1.8 million at the end of Q1 08) with an average strike price of NOK 15.60 (NOK 16.06 at the end of Q1 08). The stock price moved from NOK 12.10 to NOK 14.00 (+16%) during 1<sup>st</sup> half 2008.

### Future market developments

The board expects no significant changes in the markets and business environment in which Telio operates for the remaining six months of the financial year.

Oslo, 13 August 2008  
Board of Directors  
Telio Holding ASA

Ingrid Simunic  
(sign.)

Erik Osmundsen  
Chairman of the Board  
(sign.)

Richard Kosowsky  
(sign.)

Marit Wetterhus  
(sign.)

Aril Resen  
(sign.)

Eirik Lunde  
CEO  
(sign.)



**Telio Holding ASA**  
**Condensed consolidated interim balance sheet (unaudited)**

(Figures in NOK '000)

|   | <u>30.06.2008</u>     | <u>30.06.2007</u>     | <u>31.12.2007</u>     |
|---|-----------------------|-----------------------|-----------------------|
| <b>ASSETS</b>   |                       |                       |                       |
| <b>Non-current assets</b>   |                       |                       |                       |
| Property, plant and equipment   | 19,754                | 34,483                | 24,715                |
| Intangible assets   | 30,440                | 41,424                | 36,257                |
| Deferred income tax assets  | 12,371                | 9,784                 | 12,371                |
|   | <u>62,565</u>         | <u>85,691</u>         | <u>73,343</u>         |
| <b>Current assets</b>   |                       |                       |                       |
| Trade and other receivables   | 66,754                | 56,928                | 66,578                |
| Cash and cash equivalents   | 97,388                | 119,635               | 122,851               |
|   | <u>164,142</u>        | <u>176,563</u>        | <u>189,429</u>        |
| <b>Total assets</b>   | <b><u>226,707</u></b> | <b><u>262,254</u></b> | <b><u>262,772</u></b> |
| <b>EQUITY</b>   |                       |                       |                       |
| <b>Capital and reserves attributable to equity holders of the Company</b> |                       |                       |                       |
| Share capital   | 1,929                 | 1,934                 | 1,929                 |
| Other reserves  | 32,186                | 69,764                | 31,379                |
| Retained earnings   | 47,684                | (19,000)              | 24,544                |
| <b>Total equity</b>   | <u>81,799</u>         | <u>52,698</u>         | <u>57,852</u>         |
| <b>LIABILITIES</b>  |                       |                       |                       |
| <b>Non-current liabilities</b>  |                       |                       |                       |
| Borrowings  | 2,169                 | 68,029                | 63,770                |
| Deferred income tax liabilities   | 2,006                 | -                     | 2,006                 |
|   | <u>4,175</u>          | <u>68,029</u>         | <u>65,776</u>         |
| <b>Current liabilities</b>  |                       |                       |                       |
| Trade and other payables  | 67,031                | 65,252                | 67,195                |
| Current income tax liabilities  | 11,692                | 1,833                 | 3,472                 |
| Borrowings  | 13,470                | 19,120                | 14,963                |
| Deferred income   | 42,562                | 49,265                | 47,389                |
| Contingent liabilities  | 5,978                 | 6,057                 | 6,126                 |
|   | <u>140,733</u>        | <u>141,527</u>        | <u>139,144</u>        |
| <b>Total liabilities</b>  | <u>144,908</u>        | <u>209,556</u>        | <u>204,920</u>        |
| <b>Total equity and liabilities</b>                                       | <b><u>226,707</u></b> | <b><u>262,254</u></b> | <b><u>262,772</u></b> |

Oslo, 13 August 2008

Board of Directors  
 Telio Holding ASA

Ingrid Simunic  
 (sign.)

Erik Osmundsen  
 Chairman of the Board  
 (sign.)

Richard Kosowsky  
 (sign.)

Marit Wetterhus  
 (sign.)

Aril Resen  
 (sign.)

Eirik Lunde  
 CEO  
 (sign.)



## Telio Holding ASA

### Condensed consolidated interim income statement (unaudited)

(Figures in NOK '000)

|   | 2 <sup>nd</sup> quarter |               | Accumulated 30 June |                |                |
|---|-------------------------|---------------|---------------------|----------------|----------------|
|   | 2008                    | 2007          | 2008                | 2007           | 2007           |
| Sales   | 95,390                  | 89,344        | 187,462             | 176,507        | 356,900        |
| Other revenues  | 1,302                   | 1,118         | 3,496               | 2,333          | 5,402          |
| <b>Total revenue</b>  | <b>96,692</b>           | <b>90,462</b> | <b>190,958</b>      | <b>178,840</b> | <b>362,302</b> |
| Cost of connections and traffic charges   | (37,733)                | (38,367)      | (74,651)            | (75,775)       | (148,470)      |
| Salaries and personnel costs  | (9,336)                 | (8,620)       | (21,818)            | (18,775)       | (43,543)       |
| Selling and marketing costs   | (8,634)                 | (14,994)      | (19,340)            | (27,185)       | (58,809)       |
| Other expenses  | (10,949)                | (12,112)      | (22,392)            | (25,267)       | (47,792)       |
| Depreciation and amortisation   | (9,848)                 | (13,345)      | (20,532)            | (24,739)       | (49,441)       |
| <b>Operating profit (loss)</b>  | <b>20,192</b>           | <b>3,024</b>  | <b>32,225</b>       | <b>7,099</b>   | <b>14,247</b>  |
| Finance costs   | 430                     | (809)         | (677)               | (1,241)        | (2,949)        |
| <b>Profit (loss) before income tax</b>  | <b>20,622</b>           | <b>2,215</b>  | <b>31,548</b>       | <b>5,858</b>   | <b>11,298</b>  |
| Income tax (expense) income   | (5,191)                 | (1,261)       | (8,408)             | (2,717)        | (3,707)        |
| <b>Profit (loss)</b>  | <b>15,431</b>           | <b>954</b>    | <b>23,140</b>       | <b>3,141</b>   | <b>7,591</b>   |
| Attributable to :   |                         |               |                     |                |                |
| Equity holders of the Company   | 15,431                  | 954           | 23,140              | 3,141          | 7,591          |
| <b>Earnings per share for profit attributable to the equity holders of the Company during the period</b> (expressed in NOK per share) |                         |               |                     |                |                |
| – basic   | 0.80                    | 0.05          | 1.20                | 0.16           | 0.39           |
| – diluted   | 0.80                    | 0.05          | 1.20                | 0.16           | 0.39           |



**Telio Holding ASA**  
**Condensed consolidated interim statement of changes in equity (unaudited)**

(Figures in NOK '000)

|   | Attributable to equity holders of the Company |                |                   |               |
|---|---|----------------|-------------------|---------------|
|   | Share capital                                 | Other reserves | Retained earnings | Total equity  |
| <b>Balance at 1 January 2007</b>  | <b>1,929</b>                                  | <b>69,512</b>  | <b>(22,141)</b>   | <b>49,300</b> |
| Currency translation differences  | -   | 189            | -                 | 189           |
| Profit for the period   | -   | -              | 3,141             | 3,141         |
| <b>Total recognized income for the six month period ended 30 June 2007</b>            | -   | 189            | 3,141             | 3,330         |
| Share issue after transaction costs   | 10  | 1,340          | -                 | 1,350         |
| Employee share option scheme:   |   |                |                   |               |
| – value of employee services  | -   | 458            | -                 | 458           |
| – proceeds from shares issued   | -   | 535            | -                 | 535           |
| Purchase of treasury shares   | (5)   | (2,270)        | -                 | (2,275)       |
|   | 5   | 63             | -                 | 68            |
| <b>Balance at 30 June 2007</b>  | <b>1,934</b>                                  | <b>69,764</b>  | <b>(19,000)</b>   | <b>52,698</b> |
| <b>Balance at 1 July 2007</b>   | <b>1,934</b>                                  | <b>69,764</b>  | <b>(19,000)</b>   | <b>52,698</b> |
| Currency translation differences  | -   | 181            | -                 | 181           |
| Profit for the period   | -   | -              | 4,450             | 4,450         |
| <b>Total recognized income (loss) for the six month period ended 31 December 2007</b> | -   | 181            | 4,450             | 4,631         |
| Reduction of share premium reserve  | -   | -39,094        | 39,094            | -             |
| Employee share option scheme:   |   |                |                   |               |
| – value of employee services  | -   | 1,429          | -                 | 1,429         |
| – proceeds from shares issued   | -   | 76             | -                 | 76            |
| Purchase of treasury shares   | (5)   | (977)          | -                 | (982)         |
|   | (5)   | (38,566)       | 39,094            | 523           |
| <b>Balance at 31 December 2007</b>  | <b>1,929</b>                                  | <b>31,379</b>  | <b>24,544</b>     | <b>57,852</b> |
| <b>Balance at 1 January 2008</b>  | <b>1,929</b>                                  | <b>31,379</b>  | <b>24,544</b>     | <b>57,852</b> |
| Currency translation differences  | -   | (305)          | -                 | (305)         |
| Profit for the period   | -   | -              | 23,140            | 23,140        |
| <b>Total recognized income for the six month period ended 30 June 2008</b>            | -   | (305)          | 23,140            | 22,835        |
| Employee share option scheme:   |   |                |                   |               |
| – value of employee services  | -   | 1,062          | -                 | 1,062         |
| – proceeds from shares issued   | -   | 50             | -                 | 50            |
|   | -   | 1,112          | -                 | 1,112         |
| <b>Balance at 30 June 2008</b>  | <b>1,929</b>                                  | <b>32,186</b>  | <b>47,684</b>     | <b>81,799</b> |



## Telio Holding ASA

### Condensed consolidated interim statement of cash flows (unaudited)

(Figures in NOK '000)

|  | 2 <sup>nd</sup> quarter |                | Accumulated 30 June |                 |                 |
|--|-------------------------|----------------|---------------------|-----------------|-----------------|
|  | 2008                    | 2007           | 2008                | 2007            | 2007            |
| <b>Cash flows from operating activities</b>  |                         |                |                     |                 |                 |
| Profit (loss) for the period   | 15,431                  | 954            | 23,140              | 3,141           | 7,591           |
| Adjustments for:   |                         |                |                     |                 |                 |
| – Tax  | 5,350                   | 1,261          | 8,408               | 2,717           | 3,707           |
| – Depreciation   | 5,290                   | 6,985          | 11,063              | 12,492          | 25,220          |
| – Amortization   | 4,559                   | 6,360          | 9,470               | 12,247          | 24,221          |
| – Non cash transaction related to cost of share options                                      | 493                     | 579            | 1,062               | 458             | 1,887           |
| Changes in working capital (excluding the effects of exchange differences on consolidation): |                         |                |                     |                 |                 |
| – Trade and other receivables  | 7,335                   | 9,082          | (176)               | (2,334)         | (14,539)        |
| – Trade and other payables   | (5,948)                 | (3,346)        | (1,994)             | 2,586           | 7,597           |
| – Deferred revenue   | (2,890)                 | (2,841)        | (4,827)             | (3,850)         | (5,726)         |
| <b>Net cash generated from operating activities</b>  | <b>29,620</b>           | <b>19,034</b>  | <b>46,146</b>       | <b>27,457</b>   | <b>49,958</b>   |
| <b>Cash flows from investing activities</b>  |                         |                |                     |                 |                 |
| Purchases of property, plant and equipment (PPE)   | (125)                   | (940)          | (1,547)             | (1,554)         | (3,203)         |
| Purchases of intangible assets   | (2,208)                 | (2,151)        | (3,653)             | (7,088)         | (13,549)        |
| Sale of intangible assets  | -                       | -              | -                   | 850             | 850             |
| Loans granted to related parties   | -                       | 92             | -                   | 92              | 92              |
| <b>Net cash flow from investing activities</b>   | <b>(2,333)</b>          | <b>(2,999)</b> | <b>(5,200)</b>      | <b>(7,700)</b>  | <b>(15,810)</b> |
| <b>Cash flows from financing activities</b>  |                         |                |                     |                 |                 |
| Proceeds from issuance of ordinary shares  | -                       | 330            | -                   | 1,890           | 2,068           |
| Sale/(purchase) of treasury shares   | -                       | -              | 50                  | (2,280)         | (3,264)         |
| Repayments of borrowings   | (1,732)                 | (5,323)        | (66,160)            | (9,874)         | (20,006)        |
| <b>Net cash flow from financing activities</b>   | <b>(1,732)</b>          | <b>(4,993)</b> | <b>(66,110)</b>     | <b>(10,264)</b> | <b>(21,202)</b> |
| <b>Net (decrease)/increase in cash, cash equivalents</b>                                     | <b>25,555</b>           | <b>11,042</b>  | <b>(25,164)</b>     | <b>9,493</b>    | <b>12,946</b>   |
| Cash and cash equivalents at beginning of the period   | 72,142                  | 108,607        | 122,851             | 110,195         | 110,195         |
| Translation adjustments cash, cash equivalents and bank overdraft                            | (309)                   | (14)           | (299)               | (53)            | -290            |
| <b>Cash and cash equivalents at end of the period</b>  | <b>97,388</b>           | <b>119,635</b> | <b>97,388</b>       | <b>119,635</b>  | <b>122,851</b>  |



## **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 2008 condensed consolidated interim financial statements of Telio Holding ASA and its subsidiaries (together “the Group”) are for the six months ended 30 June 2008.

The consolidated financial statements of the Group as at and for the year ended 31 December 2007 are available upon request from the Company’s registered office at Støperigaten 2, Oslo, or at [www.telioholding.no/investor\\_relations](http://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 2007.

These condensed consolidated interim financial statements were approved by the Board of Directors on 13 August 2008.

#### **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 2007.

#### **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 2007.

#### **Note 5: Segment reporting**

##### Primary reporting format - business segments

IAS 14 requires segment reporting on both a primary and secondary basis. Business segments are the primary reporting format for Telio, as products and services represent the predominant source and nature of risks and returns. Telio is a niche company specializing in development, marketing and sales of voice over IP telecommunication and operates only in one business segment.

##### Secondary reporting format - geographical segments

The Group’s operations are defined into three geographical segments; Norway, Switzerland and the rest of Europe. The risks and returns of an entity are influenced both by the geographical *location of its operations* and also by the *location of its markets*. Telio’s definition of geographical segments is based on the location of its markets and customers. Transactions between segments are eliminated.





| <b>Revenues</b>                   | <b>2nd quarter 2008</b> | <b>2nd quarter 2007</b> | <b>Accumulated<br/>30 June 2008</b> | <b>Accumulated<br/>30 June 2007</b> | <b>Full year 2007</b> |
|-----------------------------------|-------------------------|-------------------------|-------------------------------------|-------------------------------------|-----------------------|
| <i>(Figures in NOK '000)</i>      |                         |                         |                                     |                                     |                       |
| Norway                            | 47,885                  | 47,163                  | 95,065                              | 94,410                              | 188,174               |
| Switzerland (Norwegian customers) | 39,100                  | 36,221                  | 76,502                              | 71,970                              | 144,931               |
|                                   | <b>86,985</b>           | <b>83,384</b>           | <b>171,567</b>                      | <b>166,380</b>                      | <b>333,105</b>        |
| Other Europe                      | 8,405                   | 5,960                   | 15,895                              | 10,127                              | 23,795                |
| <b>Total</b>                      | <b>95,390</b>           | <b>89,344</b>           | <b>187,462</b>                      | <b>176,507</b>                      | <b>356,900</b>        |

#### **Capital expenditure**

*(Figures in NOK '000)*

|              |              |              |              |              |               |
|--------------|--------------|--------------|--------------|--------------|---------------|
| Norway       | 2,333        | 2,322        | 5,170        | 7,832        | 15,927        |
| Switzerland  | -            | -            | 30           | 41           | 56            |
| Other Europe | -            | 769          | -            | 769          | 769           |
| <b>Total</b> | <b>2,333</b> | <b>3,091</b> | <b>5,200</b> | <b>8,642</b> | <b>16,752</b> |

Capital expenditure includes both property, plant and equipment (not equipment on financial lease) and intangible assets. Geographical allocation is based on where the assets are located.

| <b>Total assets</b>          | <b>30.06.2008</b> | <b>30.06.2007</b> | <b>31.12.2007</b> |
|------------------------------|-------------------|-------------------|-------------------|
| <i>(Figures in NOK '000)</i> |                   |                   |                   |
| Norway                       | 133,627           | 207,963           | 173,433           |
| Switzerland                  | 74,379            | 40,048            | 73,505            |
| Other Europe                 | 18,701            | 14,243            | 15,834            |
| <b>Total</b>                 | <b>226,707</b>    | <b>262,254</b>    | <b>262,772</b>    |

| <b>Analysis of sales by category</b> | <b>2nd quarter 2008</b> | <b>2nd quarter 2007</b> | <b>Accumulated<br/>30 June 2008</b> | <b>Accumulated<br/>30 June 2007</b> | <b>Full year 2007</b> |
|--------------------------------------|-------------------------|-------------------------|-------------------------------------|-------------------------------------|-----------------------|
| <i>(Figures in NOK '000)</i>         |                         |                         |                                     |                                     |                       |
| Connection fees                      | 3,093                   | 3,040                   | 6,325                               | 5,860                               | 12,102                |
| Subscriptions                        | 48,427                  | 43,922                  | 94,465                              | 86,450                              | 176,137               |
| Traffic                              | 36,957                  | 35,706                  | 73,322                              | 71,739                              | 142,895               |
| ASP                                  | 2,899                   | 2,654                   | 5,689                               | 4,547                               | 9,771                 |
| Mobil                                | 4,014                   | 4,022                   | 7,661                               | 7,911                               | 15,995                |
| <b>Total</b>                         | <b>95,390</b>           | <b>89,344</b>           | <b>187,462</b>                      | <b>176,507</b>                      | <b>356,900</b>        |



## Note 6: Property, plant and equipment

|  | 2nd quarter 2008 | 2nd quarter 2007 | Accumulated<br>30 June 2008 | Accumulated<br>30 June 2007 | Full year 2007 |
|--|------------------|------------------|-----------------------------|-----------------------------|----------------|
| <b><u>Adapters</u></b>                     |                  |                  |                             |                             |                |
| Book value beg. of period                  | 14,730           | 25,257           | 16,008                      | 20,460                      | 20,460         |
| Additions                                  | 1,769            | 3,646            | 4,559                       | 12,267                      | 13,670         |
| Depreciation                               | (3,626)          | (5,014)          | (7,694)                     | (8,838)                     | (18,122)       |
| <b>Book value end of period</b>            | <b>12,873</b>    | <b>23,889</b>    | <b>12,873</b>               | <b>23,889</b>               | <b>16,008</b>  |
| <b><u>Other equipment</u></b>              |                  |                  |                             |                             |                |
| Book value beg. of period                  | 8,318            | 12,312           | 8,707                       | 13,773                      | 13,773         |
| Additions                                  | 231              | 253              | 1,547                       | 475                         | 2,102          |
| Depreciation                               | (1,668)          | (1,971)          | (3,373)                     | (3,654)                     | (7,168)        |
| <b>Book value end of period</b>            | <b>6,881</b>     | <b>10,594</b>    | <b>6,881</b>                | <b>10,594</b>               | <b>8,707</b>   |
| <b>Total property, plant and equipment</b> | <b>19,754</b>    | <b>34,483</b>    | <b>19,754</b>               | <b>34,483</b>               | <b>24,715</b>  |

## Note 7: Intangible assets

|  | 2nd quarter 2008 | 2nd quarter 2007 | Accumulated<br>30 June 2008 | Accumulated<br>30 June 2007 | Full year 2007 |
|--|------------------|------------------|-----------------------------|-----------------------------|----------------|
| <b><u>Customer acquisition costs</u></b> |                  |                  |                             |                             |                |
| Book value beg. of period                | 25,976           | 35,265           | 27,650                      | 35,428                      | 35,428         |
| Additions                                | 967              | 2,044            | 3,035                       | 6,683                       | 11,687         |
| Amortization                             | (3,527)          | (5,268)          | (7,269)                     | (10,070)                    | (19,465)       |
| <b>Book value end of period</b>          | <b>23,416</b>    | <b>32,041</b>    | <b>23,416</b>               | <b>32,041</b>               | <b>27,650</b>  |
| <b><u>Technology platform</u></b>        |                  |                  |                             |                             |                |
| Book value beg. of period                | 4,303            | 5,280            | 5,775                       | 6,308                       | 6,308          |
| Additions                                | 1,241            | 79               | 618                         | (311)                       | 2,291          |
| Amortization                             | (712)            | (638)            | (1,561)                     | (1,276)                     | (2,824)        |
| <b>Book value end of period</b>          | <b>4,832</b>     | <b>4,721</b>     | <b>4,832</b>                | <b>4,721</b>                | <b>5,775</b>   |
| <b><u>Other intangible assets</u></b>    |                  |                  |                             |                             |                |
| Book value beg. of period                | 2,512            | 5,088            | 2,833                       | 6,343                       | 6,343          |
| Additions/(disposals)                    | -                | 28               | -                           | (780)                       | (1,579)        |
| Amortization                             | (320)            | (454)            | (641)                       | (901)                       | (1,932)        |
| <b>Book value end of period</b>          | <b>2,192</b>     | <b>4,662</b>     | <b>2,192</b>                | <b>4,662</b>                | <b>2,832</b>   |
| <b>Total intangible assets</b>           | <b>30,440</b>    | <b>41,424</b>    | <b>30,440</b>               | <b>41,424</b>               | <b>36,257</b>  |

## Note 8: Deferred revenues

Deferred revenues include revenues generated from connection fees, subscriptions and software lease agreements (ASP). These are recognized as follows (as stated in section 2.15 in the annual report for 2007):

### Connection fee

Connection fee revenues are recognized over a 5 year period, which represents the average expected duration of a customer relationship. Revenues are being recognized when the customer has entered into a subscription agreement, has paid the connection fee and has been connected to the network. The connection fee includes the initial connection service, adapter delivery and porting (to technically transfer the unique telephone number from another telephone operator to the Company). The connection fee is non-refundable and the subscription agreement has no lock-in period. Revenues generated from porting services (transfer of a telephone number from Telio to another telecom operator) are being recognized when the porting service has been delivered.



Subscriptions

Revenues from subscriptions are recognized on an accruals basis over the subscription period in accordance with the substance of the subscription agreement, starting as at the date of the activation of the subscription.

Software lease agreements (ASP)

Revenues from software lease agreements (ASP) are recognized on an accrual basis over the contract period in accordance with the substance of the lease agreement.

*(Figures in NOK '000)*

|   | <b>30.06.2008</b> | <b>30.06.2007</b> | <b>31.12.2007</b> |
|---|-------------------|-------------------|-------------------|
| Deferred revenues connection fee                | 24,794            | 30,946            | 28,557            |
| Deferred revenues subscriptions                 | 17,768            | 18,319            | 18,832            |
| <b>Total deferred revenues in balance sheet</b> | <b>42,562</b>     | <b>49,265</b>     | <b>47,389</b>     |



## 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 2008 and for the six-month period ended 30 June 2008, including condensed consolidated comparative financial statements for the corresponding period in 2007.

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 2008 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 2008 and 30 June 2007. 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, 13 August 2008

Board of Directors  
Telio Holding ASA

Ingrid Simunic  
(sign.)

Erik Osmundsen  
Chairman of the Board  
(sign.)

Richard Kosowsky  
(sign.)

Marit Wetterhus  
(sign.)

Aril Resen  
(sign.)

Eirik Lunde  
CEO  
(sign.)



## Financial information Q2 08

**Telio again reports strongest profits ever with an EBIT of NOK 20.2 million in Q2 08. Revenues were NOK 96.7 million, an increase of 7% compared to Q2 07. EBITDA margin was 31%.**

Profits were the strongest ever for the company with an EBIT of NOK 20.2 million compared to NOK 3 million in Q2 07 and NOK 12 million in Q1 08. Profit before tax was NOK 20.6 million.

The Telio Group added net 2,972 VoIP customers in the second quarter including 1,600 lines in the SMB market.

Sale to the business market is picking up and currently Telio has above 3,000 lines in this segment in Norway. The product offers a competitive value proposition with a monthly subscription fee of NOK 159 with a start up fee of NOK 0.39. Call charges are similar to the consumer product with zero costs to Western Europe, Poland, North America (incl. mobile), and China.

### Financials

Total gross profit in Q2 08 was NOK 59 million (61% margin) compared to NOK 52.1 million (57.6% margin) in Q2 07.

Average monthly revenue per customer (VoIP Norway) during Q2 08 was NOK 261, the same as in the previous quarter. Average monthly gross profit per customer for Norwegian VoIP customers was NOK 171 during the quarter compared to NOK 168 in the previous quarter.

Salaries and personnel costs were NOK 9.3 million in Q2 08 (10% of revenues) including NOK 0.5 million related to the stock option plans. Salaries and personnel costs for the quarter are positively affected by the vacation payment regime in Norway. In addition, the company capitalized NOK 0.8 million in development costs during the quarter. Selling and marketing costs were NOK 8.6 million in Q2 08 (9% of revenues). The company capitalized customer acquisition costs of NOK 1.0 million during the quarter.

Operating profit was NOK 20.2 million in Q2 08 and profit before tax was NOK 20.6 million. Cash flow from operations was NOK 29.6 million in the quarter.

Cash and cash equivalents were NOK 97.4 million at 30 June. Consolidated equity was NOK 81.8 million (equity ratio of 36%) compared to NOK 65.9 million (31%) at the end of Q1 08.

Deferred revenues (current liabilities) decreased by NOK 2.9 million during the quarter. Deferred income at the end of Q2 08 was NOK 42.6 million of which NOK 25 million has been collected and is non-refundable. Total financial lease debt was NOK 15.6 million at the end of the quarter which is NOK 2.4 million below the end of the previous quarter (NOK 18 million). Of the total financial lease debt, NOK 13.5 million was classified as current liabilities (payable within one year from the balance sheet date).

The Telio Group had 100 employees (FTE) at 30 June 2008.

| <i>(Figures in NOK '000)</i>      | <b>2<sup>nd</sup> quarter<br/>2008</b> | <b>1<sup>st</sup> quarter<br/>2008</b> | <b>4<sup>th</sup> quarter<br/>2007</b> | <b>3<sup>rd</sup> quarter<br/>2007</b> | <b>2<sup>nd</sup> quarter<br/>2007</b> | <b>1<sup>st</sup> quarter<br/>2007</b> |
|-----------------------------------|--|--|--|--|--|--|
| Total revenue                     | 96,692                                 | 94,267                                 | 94,282                                 | 89,180                                 | 90,462                                 | 88,378                                 |
| Revenue growth (year-on-year) (%) | 7%                                     | 7%                                     | 20%                                    | 17%                                    | 30%                                    | 34%                                    |
| Gross margin (%)                  | 61%                                    | 61%                                    | 62%                                    | 59%                                    | 58%                                    | 58%                                    |
| Operating profit                  | 20,192                                 | 12,033                                 | 5,257                                  | 1,862                                  | 3,024                                  | 4,075                                  |
| Operating margin (%)              | 21%                                    | 13%                                    | 6%                                     | 2%                                     | 3%                                     | 5%                                     |
| EBITDA                            | 30,040                                 | 22,717                                 | 17,048                                 | 14,769                                 | 16,369                                 | 15,469                                 |
| EBITDA margin (%)                 | 31%                                    | 24%                                    | 18%                                    | 17%                                    | 18%                                    | 18%                                    |
| EPS (NOK)                         | 0.80                                   | 0.40                                   | 0.21                                   | 0.02                                   | 0.05                                   | 0.11                                   |
| EPS (NOK) fully diluted           | 0.80                                   | 0.40                                   | 0.21                                   | 0.02                                   | 0.05                                   | 0.11                                   |



## Company Facts

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**Postboks 1203 Vika**  
**0110 Oslo**

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Homepage: [www.telioholding.no](http://www.telioholding.no)

Company reg. number: 985 968 098  
Founded: 12 August 2003

### Board of Directors

Erik Osmundsen (Chairman)  
Richard Philip Kosowsky  
Aril Resen  
Ingrid Simunic  
Marit Wetterhus

### Group Management

Eirik Lunde, Chief Executive Officer  
Tom Nøttveit, Chief Financial Officer  
Alan Duric, co-founder and Chief Technology Officer  
Jens Hetland, Commercial & Product Director  
Nina Forsberg Mathiesen, Director Customer Services

### Investor Relations

Tom Nøttveit, Chief Financial Officer  
Telephone: +47 4153 9714  
Email address: [tom.nottveit@telio.no](mailto:tom.nottveit@telio.no)

### Financial Calendar

1<sup>st</sup> quarter 2008: 29 April  
2<sup>nd</sup> quarter 2008: 14 August  
3<sup>rd</sup> quarter 2008: 28 October

### Equity Research Coverage

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