

## **TANDBERG Reports Second Quarter 2006 Results**

### ***Record Revenue of 96.5 MUSD and Operating Profit of 20.7 MUSD in 2Q06***

OSLO and NEW YORK, July 12, 2006 – TANDBERG® (OSLO: TAA.OL), today announced financial results for the second quarter ended June 30, 2006.

#### Overview of 2Q06:

- Revenue of 96.5 MUSD with volume of 9,148 units
- Gross margin of 66.3% and operating profit of 20.7 MUSD
- Operating expenses in line with plan and reflecting business momentum
- Pre-tax profit of 21.4 MUSD and solid cash flow
- Continued improvement in operating fundamentals
- Executing according to a portfolio of strategic initiatives

#### **FINANCIALS**

Second quarter revenues were record high at 96.5 MUSD compared with 88.5 MUSD in the same quarter last year and 82.7 MUSD in 1Q06. 2Q06 gross margin was 66.3%, compared with 67.5% in the same quarter last year and 69.1% in 1Q06. Selling, general & administrative (SG&A) expenses for 2Q06 totaled 39.7 MUSD, compared with 33.7 MUSD in the same quarter last year and 36.2 MUSD in 1Q06. Operating profit was 20.7 MUSD compared with 23.1 MUSD in the same quarter last year and 17.7 MUSD in 1Q06. Earnings per share (after tax) were 0.128 USD in 2Q06 compared with 0.132 USD in the same quarter last year and 0.113 USD in 1Q06.

The Company generated cash flow from operations of 24.7 MUSD, which after a net cash outflow from investments of 6.6 MUSD, repurchase of shares of 24.2 MUSD and a dividend of 11.9 MUSD, gave a total cash outflow of 18.1 MUSD. As of June 30, the Company had a cash balance of 179.3 MUSD and an equity ratio of 72.1%.

#### **OPERATIONS**

Discussing second quarter results, Fredrik Halvorsen, Chief Executive Officer, stated, "The second quarter represents a very strong quarter for TANDBERG. The underlying growth of the industry is good and TANDBERG is executing on target. The Company's strong focus on quality of operations and pipeline development is now yielding solid revenue traction.

The Company improved operating fundamentals this quarter despite an adverse currency environment. Moreover, TANDBERG will continue to invest aggressively in sales and R&D to capitalize on its technology leadership and changing industry dynamics and secure long term growth.

The revenue mix was stable, with network sales constituting 12.0% (up from 11.2 % previous quarter) and service sales 13.9% of total revenues (down from 14.0 % previous quarter). On the balance sheet, the Company's working capital is at the target level."

## **MARKETS**

In 2Q06, TANDBERG sold 9,148 units compared with 8,124 in 1Q06, a 12.6% increase, and 8,238 units in the same quarter last year, an 11.0% increase.

## **AMERICAS**

Revenue in the Americas Theatre during 2Q06 totaled 52.8 MUSD compared with 47.5 MUSD the same quarter last year and 42.9 MUSD in 1Q06. Contributing to the strong results in the Americas theatre was solid and balanced performance in Enterprise and Federal sales, with the Pacific, Northeast and Southwest regions performing well.

Sales force productivity in the Americas was back in line, with high quality of prospects yielding good linearity. The theatre continues to focus on operations, a strong DSO position and service revenue. Ongoing improvements include strengthening of the channel organization and programs, and building competence in IP communication.

## **EMEA**

Revenue in EMEA during 2Q06 totaled 33.3 MUSD, compared with 33.8 MUSD in the same quarter last year and 31.7 MUSD in 1Q06. The strong trajectory from the first quarter continued into the second. All regions performed to expectations, with a particular rebound in Northern Europe and Emerging Markets and with a healthy product mix.

Good quality prospects combined with a motivated sales organization are yielding good linearity. Reinforcement of service infrastructure and increased knowledge in the channel partner network about the total TANDBERG solution will positively impact business going into next year.

## **ASIA PACIFIC**

Revenue in APAC during 2Q06 totaled 10.4 MUSD, compared with 7.2 MUSD in the same quarter last year and 8.1 MUSD in 1Q06. Australia is performing above target, and all other regions are exhibiting steady but incremental improvement. The theatre focus will be growing revenue per head and operational efficiency.

## **STRATEGIC INITIATIVES**

TANDBERG is aligned along a single unifying mission, "Changing the way people communicate", executing on three main business priorities.

On top of optimizing core business, focused on innovation and quality of operation, the Company has embarked on the ambitious objective to bring video outside the traditional meeting room. Acquired and organically developed technologies allow TANDBERG to bring to market new solutions to new market segments.

And lastly, TANDBERG will aggressively expand its activity through business alliances and technology development to drive the longer term vision of a truly unified communication experience.

OSLO and NEW YORK, July 12th, 2006  
The Board of Directors of TANDBERG asa

Jan Chr. Opsahl (sign.)  
Chairman

Fredrik Halvorsen (sign.)  
Chief Executive Officer

For further information please contact Senior Vice President of Operations Terje Rogne, ph. + 47 98 28 98 02.  
Third quarter results will be released on October 16, 2006.

#### **WEBCAST/CONFERENCE CALL DETAILS**

Today at 11:00 a.m. Eastern Time or 5:00 p.m. Central European Time, Fredrik Halvorsen, Chief Executive Officer, will host a live webcast/conference call from Oslo, Norway. Additionally, a PowerPoint presentation will accompany the webcast/conference call. To access the webcast, please visit:

<https://tandbergevents.webex.com>

For those who prefer to dial-in, the conference call can be accessed at +1.617.614.3455 for international callers or 1.800.510.9724 for U.S. callers. The audience passcode for the call is TANDBERG. Please allow extra time prior to the call to visit the site and download the streaming media software required for the Internet broadcast. An online archive of the broadcast will be available within one business day.

TANDBERG GROUP, APRIL - JUNE 2006 (IFRS - non audited figures)

PROFIT AND LOSS	APR - JUN		JAN - JUN		JAN - DEC
	2006	2005	2006	2005	2005
Figures in USD million					
Operating revenues	<b>96.5</b>	88.5	<b>179.2</b>	171.1	345.2
Cost of goods	<b>32.5</b>	28.8	<b>58.1</b>	55.4	112.1
Operating expenses	<b>39.7</b>	33.7	<b>75.9</b>	66.3	136.9
Depreciation	<b>3.6</b>	3.0	<b>6.8</b>	5.7	10.7
Operating profit	<b>20.7</b>	23.1	<b>38.5</b>	43.7	85.4
Net financial items	<b>0.6</b>	0.1	<b>2.0</b>	2.2	5.4
Profit before tax	<b>21.4</b>	23.2	<b>40.5</b>	45.8	90.8
Estimated tax*	<b>6.0</b>	6.5	<b>11.3</b>	12.8	20.7
Profit after estimated tax	<b>15.4</b>	16.7	<b>29.2</b>	33.0	70.1

\* Estimated tax for quarterly results is 28%

SEGMENT INFORMATION	APR - JUN		JAN - JUN		JAN - DEC
	2006	2005	2006	2005	2005
Figures in USD million					
Operating revenues - geographical segments					
Americas	<b>52.8</b>	47.5	<b>95.8</b>	89.6	189.3
EMEA	<b>33.3</b>	33.8	<b>65.0</b>	68.3	125.8
APAC	<b>10.4</b>	7.2	<b>18.4</b>	13.1	30.1
Total	<b>96.5</b>	88.5	<b>179.2</b>	171.1	345.2
Operating profit - geographical segments					
Americas	<b>3.0</b>	0.1	<b>5.9</b>	2.4	7.7
EMEA	<b>2.8</b>	3.1	<b>3.5</b>	6.4	7.6
APAC	<b>0.4</b>	(0.5)	<b>0.2</b>	(1.3)	(2.0)
Non-allocated	<b>14.6</b>	20.4	<b>28.9</b>	36.2	72.1
Total	<b>20.7</b>	23.1	<b>38.5</b>	43.7	85.4
Operating revenue sources					
End-points	<b>71.5</b>	65.9	<b>133.4</b>	128.0	258.0
Network products	<b>11.6</b>	11.2	<b>20.8</b>	21.0	42.6
Value Added Services	<b>13.5</b>	11.4	<b>25.1</b>	22.0	44.5
Total	<b>96.5</b>	88.5	<b>179.2</b>	171.1	345.2

QUARTERLY RESULTS	2005				2005	2006	
	Q1	Q2	Q3	Q4		Q1	Q2
Operating revenues (USD million)	82.5	88.5	91.2	82.9	345.2	82.7	<b>96.5</b>
Operating profit (USD million)	20.6	23.1	23.6	18.2	85.4	17.7	<b>20.7</b>
Operating margin (%)	25.0	26.0	25.8	22.0	24.7	21.4	<b>21.5</b>
Pre-tax profit margin (%)	27.4	26.2	27.7	23.8	26.3	23.1	<b>22.2</b>
EPS after tax (USD)	0.126	0.132	0.144	0.115	0.554	0.113	<b>0.128</b>
EPS after dilution (USD)	0.126	0.131	0.144	0.115	0.554	0.113	<b>0.128</b>

<b>BALANCE SHEET</b>	<b>30 JUN</b>		<b>31 DEC</b>
Figures in USD million	<b>2006</b>	2005	2005
Non-current assets			
Intangible assets			
Goodwill, patents and development	<b>76.4</b>	59.6	71.4
Deferred income tax assets	-	-	4.5
Tangible assets	<b>6.2</b>	3.8	4.2
Financial assets	-	0.2	-
Current assets			
Inventory	<b>32.5</b>	26.5	26.5
Accounts receivable	<b>79.1</b>	86.8	79.2
Other current assets	<b>9.4</b>	1.2	3.0
Cash and bank deposits	<b>179.3</b>	199.4	202.8
<b>Total assets</b>	<b>382.9</b>	377.5	391.5
Equity			
Share capital	<b>13.4</b>	15.6	15.6
Treasury shares	<b>(0.5)</b>	(1.1)	(1.9)
Share premium	<b>24.8</b>	104.0	101.1
Other equity	<b>238.4</b>	178.0	180.9
Non-current liabilities	<b>0.8</b>	2.8	-
Current liabilities			
Accounts payable	<b>26.7</b>	7.4	22.8
Tax deductions and duties payable	<b>(0.3)</b>	0.8	(0.8)
Taxes payable	<b>14.8</b>	21.7	18.2
Other current liabilities	<b>64.9</b>	48.4	55.6
<b>Total equity and liabilities</b>	<b>382.9</b>	377.5	391.5

<b>CHANGES IN EQUITY</b>	<b>JAN - JUN</b>		<b>JAN - DEC</b>
Figures in USD million	<b>2006</b>	2005	2005
Equity as of 1 January	<b>295.7</b>	334.3	334.3
Treasury shares (net)	<b>(38.2)</b>	(54.3)	(97.0)
Dividend	<b>(11.9)</b>	(11.1)	(11.1)
Profit after est. tax year-to-date	<b>29.2</b>	33.0	70.1
Employee benefits	<b>1.2</b>	1.7	3.1
Translation differences	<b>0.1</b>	(7.2)	(3.8)
<b>Equity as of end of period</b>	<b>276.1</b>	296.4	295.7

<b>CASH FLOW ANALYSIS</b>	<b>APR - JUN</b>		<b>JAN - JUN</b>	
Figures in USD million	<b>2006</b>	2005	<b>2006</b>	2005
<b>Cash flow from operations</b>				
Profit before tax	<b>21.4</b>	23.2	<b>40.5</b>	45.8
Taxes paid	<b>(6.5)</b>	(5.9)	<b>(12.6)</b>	(11.8)
Ordinary depreciation	<b>3.6</b>	3.0	<b>6.8</b>	5.7
Adjustments for other non-cash items	<b>1.2</b>	-	<b>1.2</b>	-
Change in receivables/ payables/ inventories	<b>(3.9)</b>	(8.5)	<b>(2.2)</b>	(20.1)
Change in other accounts	<b>7.7</b>	6.5	<b>3.8</b>	11.4
Effect of changes in exchange rates	<b>1.1</b>	(1.8)	<b>1.8</b>	(3.6)
<b>Net cash flow from operations</b>	<b>24.7</b>	16.5	<b>39.3</b>	27.5
<b>Cash flow from investments</b>				
Investments in tangible assets	<b>(1.7)</b>	(1.0)	<b>(3.3)</b>	(1.2)
Investments in intangible assets	<b>(4.9)</b>	(2.8)	<b>(9.4)</b>	(4.9)
<b>Net cash flow from investments</b>	<b>(6.6)</b>	(3.8)	<b>(12.7)</b>	(6.1)
<b>Cash flow from financing</b>				
Proceeds from sale of treasury shares	-	-	-	-
Repurchase of shares	<b>(24.2)</b>	-	<b>(38.2)</b>	(54.3)
Dividend paid	<b>(11.9)</b>	(11.1)	<b>(11.9)</b>	(11.1)
<b>Net cash flow from financing</b>	<b>(36.1)</b>	(11.1)	<b>(50.1)</b>	(65.4)
<b>Net change in liquid assets during the period</b>	<b>(18.1)</b>	1.7	<b>(23.4)</b>	(44.1)
Liquid assets opening balance	<b>197.5</b>	197.4	<b>202.8</b>	242.9
Effect of exchange rate on cash	<b>(0.1)</b>	0.4	<b>(0.1)</b>	0.6
<b>Liquid assets at end of period</b>	<b>179.3</b>	199.4	<b>179.3</b>	199.4

## **FINANCIAL STATEMENTS - BASIS FOR PREPARATION**

The enclosed consolidated condensed financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting".

## **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation used in the preparation of the financial statements are consistent with the policies used in the annual financial statements for the year ended December 31, 2005. The enclosed consolidated condensed financial statements should be read in conjunction with the 2005 annual financial statements, which include a full description of the Group's accounting policies.

## **ABOUT TANDBERG**

TANDBERG is a leading global provider of visual communication products and services. The Company has dual headquarters in New York and Oslo. TANDBERG designs, develops and markets systems and software for video, voice and data communication. The Company provides sales, support and value-added services in more than 90 countries worldwide. TANDBERG is publicly traded on the Oslo Stock Exchange under the ticker TAA.OL. Please visit [www.tandberg.net](http://www.tandberg.net) for more information.

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