

TANDBERG Reports Third Quarter 2006 Results

Revenue of 109.6 MUSD and Operating Profit of 24.9 MUSD in 3Q06

OSLO and NEW YORK, October 16, 2006 – TANDBERG® (OSLO: TAA.OL), today announced financial results for the third quarter ended September 30, 2006.

Overview of 3Q06:

- Record revenue of 109.6 MUSD with volume of 10,102 units
- Pre-tax profit of 26.3 MUSD
- Solid cash flow from operations of 38.8 MUSD
- Announcement of PC video
- Operating expenses reflect continued investment in product development

FINANCIALS

Third quarter revenues were record high at 109.6 MUSD compared with 91.2 MUSD in the same quarter last year. 3Q06 gross margin was 67.9%, compared with 67.5% in the same quarter last year. Selling, general & administrative (SG&A) expenses for 3Q06 totaled 45.5 MUSD, compared with 35.6 MUSD in the same quarter last year. Operating profit was 24.9 MUSD compared with 23.6 MUSD in the same quarter last year. Earnings per share (after tax) were 0.164 USD in 3Q06 compared with 0.144 USD in the same quarter last year.

The Company generated cash flow from operations of 38.8 MUSD, which after a net cash outflow from investments of 6.2 MUSD and repurchase of shares of 65.1 MUSD, gave a total cash outflow of 32.6 MUSD. As of September 30, the Company had a cash balance of 146.1 MUSD and an equity ratio of 65.5%.

OPERATIONS

Discussing third quarter results, Fredrik Halvorsen, Chief Executive Officer, stated, "This was a solid quarter for TANDBERG. Traditionally an important U.S. Federal quarter, results were stronger than expected as the productivity value of video gained traction and drove rapid adoption in the federal government. Revenue reflected the continued momentum in the industry. TANDBERG is executing on target, and is aggressively investing in continued growth. To further its technology leadership, TANDBERG has recently announced that it is entering the PC video industry segment which positions the Company well for long-term growth.

The revenue mix included network sales of 15.5% (up from 14.1% in the same quarter last year) and service sales of 14.3% of total revenues (up from 12.5% in the same quarter last year). Telepresence and validation of video by larger vendors caused a mix shift toward high-end systems.

The balance sheet reflected good linearity and tight working capital management, resulting in strong cash flow."

MARKETS

In 3Q06, TANDBERG sold 10,102 units compared with 8,371 units in the same quarter last year, a 20.7% increase.

AMERICAS

Revenue in the Americas Theatre during 3Q06 totaled 64.4 MUSD compared with 54.8 MUSD the same quarter last year. Solid execution across the Enterprise sector and balanced growth across all geographies contributed to the strong theatre performance. The U.S. Federal team achieved excellent results, realizing the benefits of new program initiatives, expanded market coverage and a strong and more mature team.

Sales force productivity in the Americas was at a record level. Focus on sales mix and strong sales execution led to additional network and service sales. Overall good pipeline development yielded good linearity. Focus continues on channel development in the Enterprise sector.

EMEA

Revenue in EMEA during 3Q06 totaled 35.8 MUSD, compared with 28.0 MUSD in the same quarter last year. The strong year-over-year growth was due to last year investments in channel partner expansion, a healthy business environment and strong execution. The theatre saw solid demand in personal video systems, including the HD products announced in July.

Greater focus on long-term sales execution is producing better linearity and balanced performance across all regions. Investments in a customer service center and competence building are allowing deeper and more strategic client relationships.

ASIA PACIFIC

Revenue in APAC during 3Q06 totaled 9.5 MUSD, compared with 8.4 MUSD in the same quarter last year. While the theatre had satisfactory performance in Southeast Asia and Australia, a lack of good sales management hurt performance in North Asia. A new tighter management model has been implemented to address the weak performance. The Company will continue to invest in the region with the long-term aim of growing market share.

STRATEGIC INITIATIVES

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

Aggressively upgrade our core: TANDBERG maintained a good balance between short-term and long-term business performance, with solid linearity in both the Americas and EMEA. The Company continued to have good traction with key accounts and multinationals. In addition, productivity messaging and solution selling had a positive impact in the U.S. Federal space.

Making video accessible: TANDBERG entered the PC video segment this quarter with two announcements. The first, full integration of video with IBM Lotus® Sametime®, makes TANDBERG video a key component in an organization's unified communications strategy and is deliverable in 1Q07. The second, TANDBERG's PC video solution, will promote widespread adoption of video and is available 2Q07. In addition, Telepresence and HD capabilities are generating increasing demand for high-end systems.

Making video intuitive: In addition to current product integrations with Cisco, Nortel, Microsoft and IBM, TANDBERG announced that its full line of MXP video endpoints and MPS multipoint control units have been certified Avaya-compliant.

OUTLOOK

The Board is very encouraged by third quarter top line growth, solid gross margin and profitability. The Company has an established policy of not providing short-term guidance. However, the strong performance in the third quarter should not be the basis for excessive expectations for the fourth quarter. At this time, revenue for the fourth quarter is expected at about the same level as the third quarter.

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 +1.617.614.3933 (international) or at +1.800.203.4313 (U.S. callers). The audience passcode for the call is TANDBERG. An online archive of the broadcast will be available within one business day.

OSLO and NEW YORK, October 16th, 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.
Fourth quarter results will be released on February 15, 2007.

TANDBERG GROUP, JULY - SEPTEMBER 2006 (IFRS - non audited figures)

PROFIT AND LOSS	JUL - SEP		JAN - SEP		JAN - DEC
	2006	2005	2006	2005	2005
Figures in USD million					
Operating revenues	109.6	91.2	288.9	262.3	345.2
Cost of goods	35.2	29.6	93.2	85.0	112.1
Operating expenses	45.5	35.6	121.4	101.9	136.9
Depreciation	4.1	2.4	10.9	8.1	10.7
Operating profit	24.9	23.6	63.4	67.2	85.4
Net financial items	1.3	1.7	3.4	3.9	5.4
Profit before tax	26.3	25.3	66.8	71.2	90.8
Estimated tax*	7.4	7.1	18.7	19.9	20.7
Profit after estimated tax	18.9	18.2	48.1	51.2	70.1

* Estimated tax for quarterly results is 28%

SEGMENT INFORMATION	JUL - SEP		JAN - SEP		JAN - DEC
	2006	2005	2006	2005	2005
Figures in USD million					
Operating revenues					
Americas	64.4	54.8	160.2	144.4	189.3
EMEA	35.8	28.0	100.8	96.3	125.8
APAC	9.5	8.4	27.9	21.5	30.1
Products	61.8	51.3	170.1	150.5	205.3
Non-allocated/Eliminations	(61.8)	(51.3)	(170.1)	(150.5)	(205.3)
Total	109.6	91.2	288.9	262.3	345.2
Operating profit					
Americas	5.5	3.5	11.3	5.9	7.2
EMEA	2.0	3.5	5.5	9.9	7.8
APAC	(0.3)	(1.1)	(0.1)	(2.4)	(2.0)
Products	23.4	20.2	58.4	58.1	69.1
Non-allocated/Eliminations	(5.7)	(2.5)	(11.9)	(4.2)	3.3
Total	24.9	23.6	63.4	67.2	85.4
Operating revenue sources					
End-points	77.0	67.0	210.4	195.0	258.0
Network products	17.0	12.9	37.8	33.9	42.6
Value Added Services	15.6	11.4	40.7	33.4	44.5
Total	109.6	91.2	288.9	262.3	345.2

QUARTERLY RESULTS	2005				2005	2006		
	Q1	Q2	Q3	Q4		Q1	Q2	Q3
Operating revenues (USD million)	82.5	88.5	91.2	82.9	345.2	82.7	96.5	109.6
Operating profit (USD million)	20.6	23.1	23.6	18.2	85.4	17.7	20.7	24.9
Operating margin (%)	25.0	26.0	25.8	22.0	24.7	21.4	21.5	22.7
Pre-tax profit margin (%)	27.4	26.2	27.7	23.8	26.3	23.1	22.2	24.0
EPS after tax (USD)	0.126	0.132	0.144	0.115	0.554	0.113	0.128	0.164
EPS after dilution (USD)	0.126	0.131	0.144	0.115	0.554	0.113	0.128	0.163

BALANCE SHEET	30 SEP		31 DEC
	2006	2005	2005
Figures in USD million			
Non-current assets			
Intangible assets			
Goodwill, patents and development	75.6	60.3	71.4
Deferred income tax assets	-	-	4.5
Tangible assets	6.7	5.7	4.2
Financial assets	-	0.2	-
Current assets			
Inventory	29.0	23.9	26.5
Accounts receivable	81.5	86.8	79.2
Other current assets	8.6	1.3	3.0
Cash and bank deposits	146.1	224.9	202.8
Total assets	347.6	403.1	391.5
Equity			
Share capital	13.4	15.6	15.6
Treasury shares	(1.5)	(1.3)	(1.9)
Share premium	25.3	104.6	101.1
Other equity	190.5	188.1	180.9
Non-current liabilities	0.9	2.5	-
Current liabilities			
Accounts payable	24.5	15.3	22.8
Tax deductions and duties payable	(1.3)	(0.5)	(0.8)
Taxes payable	22.3	28.8	18.2
Other current liabilities	73.3	49.8	55.6
Total equity and liabilities	347.6	403.1	391.5

CHANGES IN EQUITY	JAN - SEP		JAN - DEC
	2006	2005	2005
Figures in USD million			
Equity as of 1 January	295.7	334.3	334.3
Treasury shares (net)	(103.3)	(62.5)	(97.0)
Dividend	(13.6)	(11.1)	(11.1)
Profit after est. tax year-to-date	48.1	51.2	70.1
Employee benefits	3.0	1.7	3.1
Translation differences	(2.1)	(6.6)	(3.8)
Equity as of end of period	227.7	307.1	295.7

CASH FLOW ANALYSIS	JUL - SEP		JAN - SEP	
	2006	2005	2006	2005
Figures in USD million				
Cash flow from operations				
Profit before tax	26.3	25.3	66.8	71.2
Taxes paid	-	-	(13.7)	(11.8)
Ordinary depreciation	4.1	2.4	10.9	8.2
Adjustments for other non-cash items	1.7	-	3.0	-
Change in receivables/ payables/ inventories	(0.9)	10.4	(2.8)	(9.7)
Change in other accounts	7.8	(0.0)	11.6	11.4
Effect of changes in exchange rates	(0.1)	0.4	3.8	(1.9)
Net cash flow from operations	38.8	38.5	79.4	67.4
Cash flow from investments				
Investments in tangible assets	(1.8)	(2.5)	(5.1)	(3.6)
Investments in intangible assets	(4.4)	(2.4)	(13.8)	(7.4)
Net cash flow from investments	(6.2)	(4.9)	(18.9)	(11.1)
Cash flow from financing				
Proceeds from sale of treasury shares	-	1.9	-	31.3
Repurchase of shares	(65.1)	(10.1)	(102.9)	(94.2)
Dividend paid	-	-	(13.6)	(11.1)
Net cash flow from financing	(65.1)	(8.2)	(116.6)	(74.0)
Net change in liquid assets during the period	(32.6)	25.4	(56.0)	(17.8)
Liquid assets opening balance	179.3	199.4	202.8	242.9
Effect of exchange rate on cash	(0.7)	0.0	(0.7)	(0.2)
Liquid assets at end of period	146.1	224.9	146.1	224.9

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 for more information.

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