

## **TANDBERG Reports Fourth Quarter 2006 Results**

*Revenue of 130.8 MUSD and Operating Profit of 31.5 MUSD in 4Q06*

**OSLO and NEW YORK, February 1, 2007** – TANDBERG® (OSLO: TAA.OL), today announced unaudited financial results for the fourth quarter ended December 31, 2006.

### **Overview of 4Q06:**

- **Record revenue of 130.8 MUSD with volume of 12,744 units**
- **Pre-tax profit of 32.5 MUSD**
- **Operating expenses reflect business momentum and continued investment**
- **Solid cash flow from operations of 45.6 MUSD**
- **Announcement of HP alliance and TANDBERG telepresence solution**

### **FINANCIALS**

Fourth quarter revenues were record high at 130.8 MUSD compared with 82.9 MUSD in the same quarter last year. Gross margin for the quarter was 66.6%, compared with 67.3% in the same quarter last year reflecting a stable pricing environment. Selling, general & administrative (SG&A) expenses for 4Q06 totaled 50.8 MUSD, compared with 35.1 MUSD in the same quarter last year. Operating profit was 31.5 MUSD compared with 18.2 MUSD in the same quarter last year. Earnings per share (after tax) were 0.214 USD in 4Q06 compared with 0.115 USD in the same quarter last year.

For the year, revenue totaled 419.7 MUSD in 2006 compared with 345.2 MUSD in 2005. Operating profit was 94.9 MUSD for 2006 and 85.4 MUSD for 2005.

The Company generated cash flow from operations of 45.6 MUSD in the quarter, which after investments of 15.3 MUSD and repurchase of shares of 27.3 MUSD, gave a total cash inflow of 3.0 MUSD. As of December 31, the Company had a cash balance of 149.6 MUSD and an equity ratio of 62.9%.

### **OPERATIONS**

Discussing fourth quarter results, Fredrik Halvorsen, Chief Executive Officer, stated, "TANDBERG experienced consistent growth from 3Q to 4Q, taking advantage of its competitive edge in an expanding market. The Company has, and will continue to invest heavily in R&D, sales and operations. TANDBERG recently extended its offering at the very high end by announcing its own adaptive telepresence solution and an alliance with Hewlett Packard for joint

marketing, interoperability and managed services. These initiatives allow TANDBERG to establish a firm footprint in the telepresence space.

The revenue mix included network sales of 13.7% (up from 10.5% in the same quarter last year) and service sales of 13.4% of total revenues (unchanged from the same quarter last year).

Solid working capital management, with continued improvements in DSO, is evident from the balance sheet. This, combined with the non-cash effects of IFRS accounting for stock compensation, R&D costs, and service revenue deferrals, has allowed the company to generate strong cash flow from operations.”

## **MARKETS**

In 4Q06, TANDBERG sold 12,744 units compared with 8,478 units in the same quarter last year, a 50.3% increase. In 2006, 40,118 units were sold compared with 32,618 in 2005, a 23.0% increase.

## **AMERICAS**

Revenue in the Americas Theatre during 4Q06 totaled 68.9 MUSD compared with 44.8 MUSD the same quarter last year. The sales performance was driven by solid execution across all territories in the enterprise sector. In addition, the momentum from a strong U.S. Federal buying season carried into 4Q.

The Americas team continued to operate at high level of sales productivity. Total solution selling gained traction. Channel development in the Enterprise Sector remained a key focus for improvement.

## **EMEA**

Revenue in EMEA during 4Q06 totaled 51.5 MUSD, compared with 29.5 MUSD in the same quarter last year. All regions performed well, with particularly strong growth in Northern Europe and UK. Emphasis on partner competence and solution sales began to show traction. A new Theatre President was appointed as of January 1, 2007.

The EMEA team is a strong and mature organization, with a continuous focus on building competence internally and within the partner community. In 2007, the channel delivery model will be strengthened for total solution selling.

## **ASIA PACIFIC**

Revenue in APAC during 4Q06 totaled 10.4 MUSD, compared with 8.6 MUSD in the same quarter last year. The Theatre experienced satisfactory performance in South Asia and Australia, and was at expectation but below potential in North Asia. The organizational structure is in place for a targeted and localized business approach across APAC.

## **STRATEGIC INITIATIVES**

TANDBERG continues to focus on technology leadership and select technology-driven alliance partnerships. Expanding on this leadership, TANDBERG:

- Broadened its portfolio at the very high end. On January 2, TANDBERG announced an alliance with HP for joint marketing, interoperability and managed services for enterprise-wide telepresence. The Company also introduced standards-based TANDBERG Experia, an adaptive telepresence solution.
- Increased accessibility to visual communication. Customers now have the ability to make video presentations portable on Microsoft Zune and the ability to embed video collaboration to enrich Microsoft Sharepoint.
- Enhanced its seamless integration. The Company announced Movi for IBM Lotus Sametime, a PC video client tightly integrated with familiar desktop tools.

## **WEBCAST/CONFERENCE CALL DETAILS**

Today at 11:00 am Eastern Time or 5:00 pm 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 +1.617.614.4921 (international) or at +1.800.394.6311 (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, February 1, 2007  
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.

Audited fourth quarter results will be available February 15, 2007. First quarter results will be released on April 19, 2007.

TANDBERG GROUP, OCTOBER - DECEMBER 2006 (IFRS - non audited figures)

PROFIT AND LOSS	OCT - DEC		JAN - DEC	
	2006	2005	2006	2005
Figures in USD million				
Operating revenues	<b>130.8</b>	82.9	<b>419.7</b>	345.2
Cost of goods	<b>43.6</b>	27.1	<b>136.9</b>	112.1
Operating expenses	<b>50.8</b>	35.1	<b>172.1</b>	136.9
Depreciation	<b>4.9</b>	2.5	<b>15.7</b>	10.7
Operating profit	<b>31.5</b>	18.2	<b>94.9</b>	85.4
Net financial items	<b>1.0</b>	1.5	<b>4.3</b>	5.4
Profit before tax	<b>32.5</b>	19.7	<b>99.3</b>	90.8
Estimated tax*	<b>9.1</b>	5.5	<b>27.8</b>	20.7
Profit after estimated tax	<b>23.4</b>	14.2	<b>71.5</b>	70.1

\* Estimated tax for quarterly results is 28%

SEGMENT INFORMATION	OCT - DEC		JAN - DEC	
	2006	2005	2006	2005
Figures in USD million				
Operating revenues				
Americas	<b>68.9</b>	44.8	<b>229.1</b>	189.3
EMEA	<b>51.5</b>	29.5	<b>152.3</b>	125.8
APAC	<b>10.4</b>	8.6	<b>38.3</b>	30.1
Products	<b>95.7</b>	54.9	<b>265.9</b>	205.3
Non-allocated/Eliminations	<b>(95.7)</b>	(54.9)	<b>(265.9)</b>	(205.3)
Total	<b>130.8</b>	82.9	<b>419.7</b>	345.2
Operating profit				
Americas	<b>4.4</b>	1.3	<b>15.7</b>	7.7
EMEA	<b>6.0</b>	(2.0)	<b>11.5</b>	7.6
APAC	<b>(0.9)</b>	0.4	<b>(1.0)</b>	(2.0)
Products	<b>27.1</b>	11.0	<b>81.4</b>	69.1
Non-allocated/Eliminations	<b>(4.9)</b>	7.6	<b>(12.6)</b>	3.0
Total	<b>31.5</b>	18.2	<b>94.9</b>	85.4
Operating revenue sources				
End-points	<b>95.4</b>	63.1	<b>305.8</b>	258.0
Network products	<b>17.9</b>	8.7	<b>55.7</b>	42.6
Value Added Services	<b>17.5</b>	11.1	<b>58.2</b>	44.5
Total	<b>130.8</b>	82.9	<b>419.7</b>	345.2

QUARTERLY RESULTS

	2005				2005	2006				2006
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
Operating revenues (USD million)	82.5	88.5	91.2	82.9	345.2	82.7	96.5	109.6	<b>130.8</b>	<b>419.7</b>
Operating profit (USD million)	20.6	23.1	23.6	18.2	85.4	17.7	20.7	24.9	<b>31.5</b>	<b>94.9</b>
Operating margin (%)	25.0	26.0	25.8	22.0	24.7	21.4	21.5	22.7	<b>24.1</b>	<b>22.6</b>
Pre-tax profit margin (%)	27.4	26.2	27.7	23.8	26.3	23.1	22.2	24.0	<b>24.9</b>	<b>23.7</b>
EPS after tax (USD)	0.126	0.132	0.144	0.115	0.554	0.113	0.128	0.164	<b>0.214</b>	<b>0.612</b>
EPS after dilution (USD)	0.126	0.131	0.144	0.115	0.554	0.113	0.128	0.163	<b>0.211</b>	<b>0.605</b>

<b>BALANCE SHEET</b>	<b>31 DEC</b>	
Figures in USD million	<b>2006</b>	2005
Non-current assets		
Intangible assets		
Goodwill, patents and development	<b>84.9</b>	71.4
Deferred income tax assets	<b>4.2</b>	4.5
Tangible assets	<b>10.7</b>	4.2
Current assets		
Inventory	<b>29.6</b>	26.5
Accounts receivable	<b>90.1</b>	79.2
Other current assets	<b>8.3</b>	3.0
Cash and bank deposits	<b>149.6</b>	202.8
<b>Total assets</b>	<b>377.4</b>	391.5
Equity		
Share capital	<b>13.4</b>	15.6
Treasury shares	<b>(1.9)</b>	(1.9)
Share premium	<b>28.9</b>	101.1
Other equity	<b>196.9</b>	180.9
Non-current liabilities	<b>0.8</b>	-
Current liabilities		
Accounts payable	<b>31.3</b>	22.8
Tax deductions and duties payable	<b>0.6</b>	(0.8)
Taxes payable	<b>25.4</b>	18.2
Other current liabilities	<b>81.9</b>	55.6
<b>Total equity and liabilities</b>	<b>377.4</b>	391.5

<b>CHANGES IN EQUITY</b>	<b>JAN - DEC</b>	
Figures in USD million	<b>2006</b>	2005
Equity as of 1 January	<b>295.7</b>	334.3
Treasury shares (net)	<b>(130.2)</b>	(97.0)
Dividend	<b>(12.3)</b>	(11.1)
Profit after est. tax year-to-date	<b>71.5</b>	70.1
Employee benefits	<b>5.4</b>	3.1
Translation differences	<b>7.3</b>	(3.8)
<b>Equity as of end of period</b>	<b>237.3</b>	295.7

**CASH FLOW ANALYSIS**

OCT - DEC

JAN - DEC

Figures in USD million

	2006	2005	2006	2005
<b>Cash flow from operations</b>				
Profit before tax	32.5	19.7	99.3	90.8
Taxes paid	(8.1)	(8.7)	(20.5)	(20.5)
Ordinary depreciation	4.9	2.5	15.7	10.7
Adjustments for other non-cash items	2.4	(0.6)	5.4	(0.6)
Change in receivables/ payables/ inventories	(2.7)	12.3	(6.0)	2.8
Change in other accounts	13.5	0.3	23.7	15.3
Change in pension scheme assets/ liabilities	-	(1.8)	-	(1.8)
Effect of changes in exchange rates	3.0	(0.1)	5.2	(5.5)
<b>Net cash flow from operations</b>	<b>45.6</b>	<b>23.6</b>	<b>122.7</b>	<b>91.2</b>
<b>Cash flow from investments</b>				
Proceeds from sales of assets	0.1	0.1	0.1	0.1
Investments in tangible assets	(4.6)	(1.2)	(9.6)	(5.3)
Investments in intangible assets	(10.9)	(3.6)	(24.7)	(10.9)
Investments in subsidiaries	-	(7.0)	-	(7.0)
<b>Net cash flow from investments</b>	<b>(15.3)</b>	<b>(11.6)</b>	<b>(34.2)</b>	<b>(23.1)</b>
<b>Cash flow from financing</b>				
Proceeds from sale of treasury shares	-	-	-	31.3
Repurchase of shares	(27.3)	(34.6)	(130.2)	(128.8)
Dividend paid	-	-	(12.2)	(11.1)
<b>Net cash flow from financing</b>	<b>(27.3)</b>	<b>(34.6)</b>	<b>(142.4)</b>	<b>(108.6)</b>
<b>Net change in liquid assets during the period</b>	<b>3.0</b>	<b>(22.6)</b>	<b>(53.8)</b>	<b>(40.5)</b>
Liquid assets opening balance	146.1	224.9	202.8	242.9
Effect of exchange rate on cash	0.5	0.5	0.6	0.4
<b>Liquid assets at end of period</b>	<b>149.6</b>	<b>202.8</b>	<b>149.6</b>	<b>202.8</b>

## **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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