

## TANDBERG Reports Third Quarter 2007 Results

### *Revenue of 165.3 MUSD and Operating Profit of 38.7 MUSD in 3Q07*

OSLO and NEW YORK, October 15, 2007 – TANDBERG® (OSLO: TAA.OL), today announced financial results for the third quarter ended September 30, 2007.

#### Overview of 3Q07:

- Revenue of 165.3 MUSD with volume of 15,398 units
- Operating profit of 38.7 MUSD and pre-tax profit of 33.0 MUSD
- Cash flow from operations of 53.8 MUSD
- Codian acquisition closed, with financial impact as of October 1

#### FINANCIALS

Third quarter revenues were 165.3 MUSD compared with 109.6 MUSD in the same quarter last year. Gross margin for the quarter was 65.5%, compared with 67.9% in the same quarter last year. Selling, general & administrative (SG&A) expenses for 3Q07 totaled 62.9 MUSD, compared with 45.5 MUSD in the same quarter last year. Operating profit was 38.7 MUSD compared with 24.9 MUSD in the same quarter last year. Earnings per share (after tax) were 0.218 USD in 3Q07 compared with 0.164 USD in the same quarter last year.

The Company generated cash flow from operations of 53.8 MUSD in the quarter which after a net cash outflow from investments and financing of 144.0 MUSD, gave a total cash outflow of 90.2 MUSD. As of September 30, the Company had a cash balance of 50.3 MUSD and an equity ratio of 62.8%.

#### OPERATIONS

Reviewing third quarter results, Fredrik Halvorsen, Chief Executive Officer, stated, "Video is becoming an integral component of a total IP solution. TANDBERG's healthy topline growth in the third quarter reflects this industry trend. The Company executed solidly, strengthened by continued investment in sales and R&D.

To pursue a leadership role in the larger IP communications market, the Company acquired Codian, an award-winning infrastructure provider. The acquisition provides additional resources for accelerating technology innovation. The integration is well underway and well received by customers, partners, and employees of both companies.

Continued tight working capital management is evident from the balance sheet with stable DSOs at 62.3 days.“

## **MARKETS**

In 3Q07, TANDBERG sold 15,398 units compared with 10,102 units in the same quarter last year, a 52.3% increase.

## **AMERICAS**

Revenue in the Americas Theatre during 3Q07 totaled 92.4 MUSD compared with 64.4 MUSD the same quarter last year.

The Americas results reflect a strong finish to the Federal buying season, as well as a high-performing and customer-focused sales team. In addition, customers in the Theatre are embracing the complete high-definition (HD) end-to-end solution offered by TANDBERG.

The Americas Theatre will focus on the network business. Most importantly, the integration of Codian will include cross-training of sales teams and channel partners.

## **EMEA**

Revenue in EMEA during 3Q07 totaled 54.0 MUSD, compared with 35.8 MUSD in the same quarter last year. The Theatre completed the quarter with an overall strong performance, but with somewhat mixed regional execution. High performing areas included Spain, the Netherlands, and Northern Europe.

The EMEA team will focus on scaling its sales and channel teams, as well as selective geographic expansion. As in the Americas Theatre, integration of Codian is a priority.

## **ASIA PACIFIC**

Revenue in APAC during 3Q07 totaled 18.9 MUSD, compared with 9.5 MUSD in the same quarter last year. Theatre performance was on track for the quarter, but North Asia is still fragile.

In South Asia, Singapore and Australia continue to perform strongly.

## **STRATEGIC INITIATIVES**

To take advantage of the IP communication market opportunity and establish a distinct position as a provider of Natural Communication, TANDBERG continues to execute along the three priorities outlined for 2007:

**Sustain strong operating fundamentals:** The Company balanced long term and short term execution in the field.

**Address areas of opportunity in the core business in 2007:** TANDBERG has been expanding at the high end of the market with telepresence. In the third quarter, HP announced the HP Halo Gateway, based on TANDBERG technology. The Gateway links HP telepresence studios with standards-based videoconferencing systems. In addition, personal telepresence systems such as the 1700 MXP are gaining importance in this market. HP and TANDBERG are committed to an ongoing partnership.

**Invest aggressively to capture the converged IP communication opportunity:** TANDBERG's acquisition of Codian positions the Company to pursue a leadership role in the larger IP communications market. The transaction closed on September 24, 2007 and is already providing customers with a robust platform for large scale HD videoconferencing deployments, and will accelerate innovation. The integration of Codian is proceeding with minimal disruption to the business, and support for Codian Multipoint Control Units in the TANDBERG Management Suite has been made available.

The TANDBERG Video Communication Server (VCS) was launched in 3Q as a key part of the Company's SIP strategy. The VCS promotes personalized video with the FindMe™ feature, which allows users to set dialing destinations for incoming calls. Calls are completed every time, reaching a person instead of a device.

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

Today at 5:00 pm Central European Time or 11:00 am Eastern 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 +1.800.203.4167 (U.S. callers) +1.617.614.3931 (international). 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 15, 2007

The Board of Directors of TANDBERG asa

Jan Chr. Opsahl (sign.)  
Chairman

Fredrik Halvorsen (sign.)  
Chief Executive Officer

For further information please contact Elin Nokleby, ph. + 47 98 28 98 04.

Unaudited fourth quarter results will be released on January 31, 2008.

PROFIT AND LOSS	JUL - SEP		JAN - SEP		JAN - DEC
	2007	2006	2007	2006	2006
Figures in USD million					
Operating revenues	<b>165.3</b>	109.6	<b>437.6</b>	288.9	419.7
Cost of goods	<b>57.0</b>	35.2	<b>146.5</b>	93.2	136.9
Operating expenses	<b>62.9</b>	45.5	<b>171.5</b>	121.4	185.2
Depreciation	<b>6.7</b>	4.1	<b>18.3</b>	10.9	15.7
Operating profit	<b>38.7</b>	24.9	<b>101.2</b>	63.4	81.8
Net financial items	<b>(5.7)</b>	1.3	<b>(6.6)</b>	3.4	4.3
Profit before tax	<b>33.0</b>	26.3	<b>94.7</b>	66.8	86.2
Estimated tax*	<b>9.2</b>	7.4	<b>26.5</b>	18.7	25.1
Profit after estimated tax	<b>23.8</b>	18.9	<b>68.2</b>	48.1	61.1

\* Estimated tax for quarterly results is 28%

QUARTERLY RESULTS	2006				2006	2007		
	Q1	Q2	Q3	Q4*		Q1	Q2	Q3
Operating revenues (USD million)	82.7	96.5	109.6	130.8	419.7	128.5	143.8	<b>165.3</b>
Operating profit (USD million)	17.7	20.7	24.9	31.5	81.8	29.2	33.3	<b>38.7</b>
Operating margin (%)	21.4	21.5	22.7	24.1	19.5	22.8	23.2	<b>23.4</b>
Pre-tax profit margin (%)	23.1	22.2	24.0	24.9	20.5	22.9	22.4	<b>20.0</b>
EPS after tax (USD)	0.113	0.128	0.164	0.214	0.524	0.195	0.213	<b>0.218</b>
EPS after dilution (USD)	0.113	0.128	0.163	0.211	0.517	0.193	0.210	<b>0.215</b>

\*Excludes non-recurring item of MUSD 13.1

## SEGMENT INFORMATION

### JUL - SEP 2007

Figures in USD million	Americas	EMEA	APAC	Products	Unallocated/ Eliminations	Total
<b>Operating revenues</b>						
Endpoints	71.3	39.5	14.1	-	-	124.9
Network	10.1	6.5	2.3	-	-	18.9
VAS	11.0	8.0	2.5	-	-	21.5
Total	92.4	54.0	18.9	99.7	(99.7)	165.3
<b>Operating profit</b>	7.7	6.0	0.2	31.7	(6.9)	38.7

### JUL - SEP 2006

Figures in USD million	Americas	EMEA	APAC	Products	Unallocated/ Eliminations	Total
<b>Operating revenues</b>						
Endpoints	44.0	26.4	6.6	-	-	77.0
Network	11.8	3.8	1.4	-	-	17.0
VAS	8.6	5.6	1.4	-	-	15.6
Total	64.4	35.8	9.5	61.8	(61.8)	109.6
<b>Operating profit</b>	5.5	2.0	(0.3)	23.4	(5.7)	24.9

### JAN - SEP 2007

Figures in USD million	Americas	EMEA	APAC	Products	Unallocated/ Eliminations	Total
<b>Operating revenues</b>						
Endpoints	176.2	116.0	33.5	-	-	325.7
Network	29.0	18.1	6.4	-	-	53.5
VAS	30.4	21.6	6.4	-	-	58.4
Total	235.6	155.7	46.3	264.0	(264.0)	437.6
<b>Operating profit</b>	17.5	16.6	(0.0)	87.0	(19.9)	101.2

### JAN - SEP 2006

Figures in USD million	Americas	EMEA	APAC	Products	Unallocated/ Eliminations	Total
<b>Operating revenues</b>						
Endpoints	114.9	75.1	20.4	-	-	210.4
Network	23.1	10.6	4.0	-	-	37.8
VAS	22.2	15.0	3.4	-	-	40.7
Total	160.2	100.8	27.9	170.1	(170.1)	288.9
<b>Operating profit</b>	11.3	5.5	(0.1)	58.4	(11.9)	63.4

### JAN - DEC 2006

Figures in USD million	Americas	EMEA	APAC	Products	Unallocated/ Eliminations	Total
<b>Operating revenues</b>						
Endpoints	164.6	113.4	27.9	-	-	305.9
Network	33.4	17.0	5.3	-	-	55.7
VAS	31.1	21.9	5.1	-	-	58.1
Total	229.1	152.3	38.3	265.9	(265.9)	419.7
<b>Operating profit</b>	15.7	11.5	(1.0)	81.4	(25.7)	81.8

<b>BALANCE SHEET</b>	<b>30 SEP</b>		<b>31 DEC</b>
Figures in USD million	<b>2007</b>	2006	2006
Non-current assets			
Intangible assets			
Goodwill, patents and development	<b>382.4</b>	75.6	84.9
Deferred income tax assets	<b>11.3</b>	-	10.5
Tangible assets	<b>19.5</b>	6.7	10.7
Financial assets	-	-	-
Current assets			
Inventory	<b>48.8</b>	29.0	29.6
Accounts receivable	<b>121.6</b>	81.5	90.8
Other current assets	<b>10.6</b>	8.6	8.2
Cash and bank deposits	<b>50.3</b>	146.1	149.6
<b>Total assets</b>	<b>644.5</b>	347.6	384.3
Equity			
Share capital	<b>12.3</b>	13.4	13.4
Treasury shares	-	(1.5)	(1.9)
Share premium	<b>149.5</b>	25.3	28.9
Other equity	<b>242.9</b>	190.5	186.5
Non-current liabilities	<b>32.5</b>	0.9	0.8
Current liabilities			
Accounts payable	<b>47.2</b>	24.5	31.4
Tax deductions and duties payable	<b>(3.3)</b>	(1.3)	0.6
Taxes payable	<b>33.6</b>	22.3	29.2
Other current liabilities	<b>129.9</b>	73.3	95.4
<b>Total equity and liabilities</b>	<b>644.5</b>	347.6	384.3

<b>CHANGES IN EQUITY</b>	<b>JAN - SEP</b>		<b>JAN - DEC</b>
Figures in USD million	<b>2007</b>	2006	2006
Equity as of 1 January	<b>227.0</b>	295.7	295.7
Treasury shares (net)	<b>(9.9)</b>	(102.9)	(130.2)
Dividend	<b>(14.6)</b>	(11.9)	(12.2)
Proceeds from share issue	<b>114.2</b>	-	-
Profit after est. tax year-to-date	<b>68.2</b>	48.1	61.1
Share-based payments	<b>9.9</b>	2.9	5.4
Translation differences	<b>9.9</b>	(4.1)	7.5
<b>Equity as of end of period</b>	<b>404.6</b>	227.7	227.0

CASH FLOW ANALYSIS	JUL - SEP		JAN - SEP	
	2007	2006	2007	2006
Figures in USD million				
<b>Cash flow from operations</b>				
Profit before tax	33.0	26.3	94.7	66.8
Taxes paid	(2.2)	-	(24.2)	(12.4)
Ordinary depreciation/ amortization	2.4	1.5	6.7	4.3
Amortization of capitalized development	4.3	2.5	11.6	6.6
Share-based incentive program	3.9	1.7	9.9	2.9
Change in receivables/ payables/ inventories	(8.3)	(0.9)	(30.9)	(2.8)
Non-recurring settlement costs	-	-	(12.0)	-
Change in other accounts	15.5	7.8	24.7	12.1
Effect of changes in exchange rates	5.2	(0.1)	8.6	0.5
<b>Net cash flow from operations</b>	<b>53.8</b>	<b>38.8</b>	<b>89.0</b>	<b>77.9</b>
<b>Cash flow from investments</b>				
Investments in tangible/ intangible assets	(271.4)	(1.8)	(279.5)	(5.0)
Capitalized development	(6.7)	(4.4)	(18.5)	(13.8)
<b>Net cash flow from investments</b>	<b>(278.1)</b>	<b>(6.2)</b>	<b>(298.0)</b>	<b>(18.9)</b>
<b>Cash flow from financing</b>				
Repayment/ drawdown of debt	20.0	-	20.0	-
Proceeds from share issue	114.2	-	114.3	-
Repurchase of shares	-	(65.1)	(9.9)	(102.9)
Dividend paid	-	-	(14.6)	(11.9)
<b>Net cash flow from financing</b>	<b>134.2</b>	<b>(65.1)</b>	<b>109.7</b>	<b>(114.8)</b>
<b>Net change in liquid assets during the period</b>	<b>(90.2)</b>	<b>(32.6)</b>	<b>(99.3)</b>	<b>(55.8)</b>
Liquid assets opening balance	140.9	179.3	149.6	202.8
Effect of exchange rate on cash	(0.4)	(0.7)	0.0	(1.0)
<b>Liquid assets at end of period</b>	<b>50.3</b>	<b>146.1</b>	<b>50.3</b>	<b>146.1</b>

## BUSINESS COMBINATION – ACQUISITION OF CODIAN LIMITED

On 24 September 2007, TANDBERG acquired 100% of the voting shares of Codian Limited (“Codian”), an unlisted company based in Great Britain specializing in the development and manufacture of infrastructure products. The acquisition has been accounted for using the purchase method of accounting. The interim consolidated financial statements do not include the revenues and results of Codian, as the period from closing to 30 September 2007 is considered immaterial for the Group. The preliminary purchase price allocation as of 30 September 2007 is as follows:

<i>USD 000</i>	<b>Fair value recognized on acquisition</b>	<b>Previous carrying value</b>
	<i>Unaudited</i>	
Intangible assets	36.7	1.0
Property, plant and equipment	2.4	2.4
Inventories	2.3	2.3
Trade receivables	5.4	5.4
Other receivables	0.6	0.6
Cash	4.2	4.2
<b>Subtotal</b>	<b>51.6</b>	<b>15.9</b>
Trade payables	4.4	4.4
Other current liabilities	8.3	8.3
Deferred tax liabilities	10.7	0.0
<b>Subtotal</b>	<b>23.4</b>	<b>12.7</b>
<b>Net assets</b>	<b>28.2</b>	<b>3.2</b>
Goodwill arising on acquisition	252.4	
<b>Total acquisition costs</b>	<b>280.6</b>	
 <b>Cash outflow on acquisition</b>		
<i>USD 000</i>		
	<i>Unaudited</i>	
Net cash acquired with the subsidiary	4.2	
Cash paid	(137.8)	
<b>Net cash outflow</b>	<b>(133.6)</b>	

If the combination had taken place at the beginning of the quarter, the operating profit for the Group would have been USD 38.8 million and revenue would have been USD 175.8 million.

The goodwill recognized above is attributed to the workforce, expected synergies and other benefits from combining the assets and activities of Codian with those of the Group.

## 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, 2006. The enclosed consolidated condensed financial statements should be read in conjunction with the 2006 annual financial statements, which include a full description of the Group's accounting policies.

## **ABOUT TANDBERG**

TANDBERG is a leading provider of telepresence, high-definition videoconferencing and mobile video 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.com](http://www.tandberg.com) for more information.

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