

## **TRANSITION TO IFRS**

In 2001, the EU Commission resolved that all listed companies within the European Union must apply International Financial Reporting Standards (IFRS) in their consolidated accounts by 1 January 2005. Under the European Economic Area (EEA) agreement, this change will also apply to Norwegian companies listed on the Oslo Stock Exchange.

## **BASIS FOR PREPARATION**

TANDBERG will convert from Norwegian Accounting Standards (NGAAP) to IFRS with reporting effect from 1 January 2005. TANDBERG has conducted a review of how IFRS will impact its financial reporting going forward. The 2005 quarterly reports will be prepared in accordance with IFRS and include comparative information for 2004.

The financial information presented in this document has been prepared on the basis of all IFRS, including International Accounting Standards (“IAS”) and interpretations issued by the International Accounting Standards Board (“IASB”) and its committees and as interpreted by any regulatory bodies applicable to the Group. These standards are subject to ongoing amendment by the IASB and subsequent endorsement by the European Commission and are therefore subject to possible changes. As a result, information contained within this release will require updating for any subsequent amendment to IFRS required for first time adoption or those new standards that the Group may decide to adopt early. As a result, this information may change for any subsequent amendment to IFRS between now and 31 December 2005.

The financial numbers in this document, including IFRS reconciliations and disclosures, have not been audited.

### *IFRS 1 exemptions*

IFRS 1, “First-time Adoption of International Financial Reporting Standards” sets out the procedures that TANDBERG must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. TANDBERG is required to establish its IFRS accounting policies as of 31 December 2005 and, in general, apply these retrospectively to determine the IFRS opening balance sheet at its date of transition, 1 January 2004.

The standard provides a number of optional exceptions to this general principle. The most significant are set out below.

- *Business combinations (IFRS 3)*: TANDBERG has elected not to apply IFRS 3 retrospectively to business combinations that took place before the date of transition. As a result, in the opening balance sheet, goodwill arising from past business combinations (USD 29,2 million) remains as stated under NGAAP at 31 December 2003.
- *Employee benefits (IAS 19)*: TANDBERG has elected to recognise all cumulative actuarial gains and losses in relation to employee benefit schemes at the date of transition (USD 1,9 million).
- *Share-based payments (IFRS 2)*: TANDBERG has elected to apply IFRS 2 to all relevant share-based transactions granted but not fully vested at 1 January 2004.

**PRELIMINARY IFRS CONSOLIDATED OPENING BALANCE SHEET**

TANDBERG has to date identified the following possible differences which will have an impact on the opening balance sheet under IFRS (1 January 2004) compared to NGAAP.

***Employee benefits***

Implementation of IFRS will not result in any material effects in the financial reporting going forward, but cumulative actuarial gains and losses existing on the date of transition to IFRS will be recognised. Cumulative actuarial losses amounting to USD 1,9 million have been netted against equity in the opening balance. Similar actuarial assumptions as under NGAAP have been used as of 1 January 2004.

TANDBERG will use the corridor approach going forward.

***Dividends***

IAS 10, "Events after the Balance Sheet Date" requires that dividends declared after the balance sheet date should not be recognised as a liability at the balance sheet date as the liability does not represent a present obligation as defined by IAS 37, "Provisions, Contingent Liabilities and Contingent Assets".

The final dividends declared in April 2004 amounting to USD 8,0 million included as a liability as of 31 December 2003 have been reversed against equity in the opening IFRS balance sheet.

## Opening balance as of 1 January 2004 in accordance with IFRS.

(The numbers are non audited and based on preliminary assumptions)

<i>Figures in USD million</i>	31.12.2003	IFRS	01.01.2004
	<u>NGAAP</u>	<u>implementation</u>	<u>IFRS</u>
<b><i>Intangible fixed assets</i></b>			
Goodwill and patents	29,2	-	29,2
Deferred tax assets	5,1	-	5,1
<b><i>Tangible fixed assets</i></b>			
	5,3	-	5,3
<i>Financial fixed assets</i>	1,2	(0,5)	0,7
<b>Total fixed assets</b>	<b>40,8</b>	<b>(0,5)</b>	<b>40,3</b>
<b><i>Current assets</i></b>			
Components, raw material	1,8	-	1,8
Work in progress	2,9	-	2,9
Finished goods	14,0	-	14,0
Accounts receivable	51,6	-	51,6
Other short-term receivables	4,3	-	4,3
Cash and bank deposits	254,2	-	254,2
<b>Total current assets</b>	<b>328,8</b>	<b>-</b>	<b>328,8</b>
<b>TOTAL ASSETS</b>	<b>369,6</b>	<b>(0,5)</b>	<b>369,1</b>
<b><i>Equity</i></b>			
Share capital	15,2	-	15,2
Share premium	90,8	-	90,8
<b>Total paid-in equity</b>	<b>106,0</b>	<b>-</b>	<b>106,0</b>
Retained earnings	200,9	6,1	207,0
<b>Total Equity</b>	<b>306,9</b>	<b>6,1</b>	<b>313,0</b>
<b><i>Long-term liabilities</i></b>			
	-	1,4	1,4
<b><i>Current liabilities</i></b>			
Accounts payable	12,9	-	12,9
Tax deductions and duties payable	(1,9)	-	(1,9)
Taxes payable	17,1	-	17,1
Other short-term liabilities	34,6	(8,0)	26,6
<b>Total current liabilities</b>	<b>62,7</b>	<b>(8,0)</b>	<b>54,7</b>
<b>TOTAL DEBT AND EQUITY</b>	<b>369,6</b>	<b>(0,5)</b>	<b>369,1</b>

## IMPACT ANALYSIS

TANDBERG has to date identified the following possible differences which will have an impact on the financial reporting under IFRS in 2005 which also effects the comparable numbers for 2004.

### *Presentation of Financial Statements*

The format of TANDBERG's primary financial statements has historically been presented substantially in accordance with IAS 1, "Presentation of Financial Statements" and will therefore not change when implementing IFRS.

### *Share-based payments*

IFRS require that options granted to employees are charged at their fair value at the allocation date. In accordance with IFRS 2 "Share based payments" the fair value of the options will be charged to the income statement over the vesting period of the options. TANDBERG has chosen to include calculated costs for options vested before 1 January 2005 and grant date after 7 November 2002. In order to show comparable numbers for 2004, the fair value of options amounting to USD 2,9 million have been expensed as salary costs for 2004.

TANDBERG has adopted the Black-Scholes model for the purposes of computing fair value under IFRS, adjusted for certain parameters such as employee turnover.

The charges against operating costs arising from the adoption of IFRS 2 on the Group's income statement are as follows:

<i>Figures in USD million</i>	<u>Q1 2004</u>	<u>Q2 2004</u>	<u>Q3 2004</u>	<u>Q4 2004</u>
Share-based payments	(0,8)	(0,7)	(0,7)	(0,7)

### *Development costs*

IAS 38, "Intangible assets" requires that direct costs related to development activities be capitalised and depreciated over expected useful lifetime if it is probable that these costs will provide future economic benefits. TANDBERG will capitalise all direct costs related to development of software, videoconferencing products, network products and management systems that are expected to create economic benefits and meet the strict requirements for capitalisation in IAS 38. Capitalised costs will be subject to contemporaneous assessments.

As the development of technology in the visual communications industry is rapid, TANDBERG expects that on average between 15 – 25 % of all research and development costs, which are currently being expensed under NGAAP, will be capitalised in accordance with IFRS.

Development costs amounting to USD 5,7 million (approximately 25% of expensed research and development costs in 2004 under NGAAP) have been capitalised during 2004 under IFRS, as 2004 has been a historic year with respect to number of releases of new software platforms and new products. TANDBERG considers that a depreciation period of 2 years is appropriate given the rapid technology development in the industry.

The credit against operating costs arising from adoption of IAS 38 on the Group's consolidated income statement related to capitalised development costs is set out below, including depreciation of capitalised development projects:

<i>Figures in USD million</i>	<u>Q1 2004</u>	<u>Q2 2004</u>	<u>Q3 2004</u>	<u>Q4 2004</u>
Development projects	1,2	1,5	1,3	1,6
Depreciation of development projects	(0,2)	(0,3)	(0,7)	(1,3)

## ***Goodwill***

IAS 36, "Impairment of assets" requires that goodwill should be subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. In accordance with IFRS 3 goodwill is not amortised. Under NGAAP, amortization of goodwill amounted to USD 2,0 million in 2004 which will be credited in the IFRS comparable financial statements for 2004.

IFRS 1 requires that an impairment review of goodwill shall be conducted in accordance with IAS 36, "Impairment of Assets" at the date of transition irrespective of whether an indication exists that goodwill may be impaired. No impairments were necessary as at 1 January 2004 following the review carried out in accordance with this standard.

The credit arising from the adoption of IAS 36 on the Group's consolidated income statement in respect of goodwill amortisation is set out below:

<i>Figures in USD million</i>	<u>Q1 2004</u>	<u>Q2 2004</u>	<u>Q3 2004</u>	<u>Q4 2004</u>
Amortisation of goodwill	0,5	0,5	0,5	0,5

## ***Dividends***

Proposed dividends of USD 12,2 million as of 31 December 2004 included as a liability in accordance with NGAAP has been reversed against equity in the IFRS comparable balance sheet numbers.

## ***Segmental reporting***

IAS 14 requires segmental reporting on both primary and secondary segments for periods after 1 January 2005. In the future the quarterly financial reports will provide revenues and operating profits by geographical segment, which has been established as TANDBERG's primary segment.

Lysaker, 6 April 2005

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## IFRS restatement - 2004

(The numbers are non audited and based on preliminary assumptions)

<i>Figures in USD million</i>	Q1 2004		Q1 2004	Q2 2004		Q2 2004	Q3 2004		Q3 2004	Q4 2004		Q4 2004
	NGAAP	IFRS adjust.	IFRS	NGAAP	IFRS adjust.	IFRS	NGAAP	IFRS adjust.	IFRS	NGAAP	IFRS adjust.	IFRS
Revenues	67,8	-	67,8	71,8	-	71,8	76,5	-	76,5	88,9	-	88,9
Cost of goods sold	23,1	-	23,1	22,9	-	22,9	23,9	-	23,9	29,6	-	29,6
<b>Contribution margin</b>	<b>44,8</b>		<b>44,8</b>	<b>48,9</b>		<b>48,9</b>	<b>52,6</b>		<b>52,6</b>	<b>59,3</b>		<b>59,3</b>
Operating expenses	28,4	(0,5)	27,9	30,2	(0,7)	29,4	31,3	(0,6)	30,6	35,7	(0,9)	34,8
Depreciation	1,5	(0,3)	1,2	1,4	(0,1)	1,2	1,3	0,2	1,5	1,4	0,8	2,2
<i>Total operating costs</i>	<i>29,9</i>		<i>29,1</i>	<i>31,5</i>		<i>30,7</i>	<i>32,6</i>		<i>32,1</i>	<i>37,1</i>		<i>36,9</i>
<b>Operating profit</b>	<b>14,9</b>		<b>15,7</b>	<b>17,4</b>		<b>18,3</b>	<b>20,0</b>		<b>20,4</b>	<b>22,3</b>		<b>22,4</b>
Net finance	2,5	-	2,5	0,5	-	0,5	(0,7)	-	(0,7)	0,2	-	0,2
<b>Profit before taxes</b>	<b>17,4</b>		<b>18,2</b>	<b>17,9</b>		<b>18,8</b>	<b>19,3</b>		<b>19,7</b>	<b>22,4</b>		<b>22,6</b>
Calculated tax	5,2	0,3	5,5	5,4	0,3	5,7	5,8	0,2	6,0	6,7	0,1	6,8
<b>Profit after taxes</b>	<b>12,2</b>		<b>12,7</b>	<b>12,5</b>		<b>13,1</b>	<b>13,5</b>		<b>13,8</b>	<b>15,7</b>		<b>15,8</b>

<i>Figures in USD million</i>	2004	IFRS	2004
	NGAAP	adjust.	IFRS
Revenues	305,0	-	305,0
Cost of goods sold	99,4	-	99,4
<b>Contribution margin</b>	<b>205,6</b>		<b>205,6</b>
Operating expenses	125,5	(2,8)	122,7
Depreciation	5,6	0,5	6,1
<i>Total operating costs</i>	<i>131,1</i>		<i>128,8</i>
<b>Operating profit</b>	<b>74,5</b>		<b>76,8</b>
Net finance	2,5	-	2,5
<b>Profit before taxes</b>	<b>77,0</b>		<b>79,3</b>
Calculated tax	21,5	0,9	22,4
<b>Profit after taxes</b>	<b>55,6</b>		<b>56,9</b>

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## CONSOLIDATED BALANCE SHEET

Figures in USD million

	31.03.04	IFRS	31.03.04	30.06.04	IFRS	30.06.04	30.09.04	IFRS	30.09.04	31.12.04	IFRS	31.12.04
	NGAAP	adjust.	IFRS	NGAAP	adjust.	IFRS	NGAAP	adjust.	IFRS	NGAAP	adjust.	IFRS
<b>ASSETS</b>												
<i>Fixed assets</i>												
Goodwill, patents and development	28,6	1,6	30,2	44,3	3,2	47,5	45,4	4,4	49,7	56,3	5,2	61,4
Deferred tax assets	5,1	(0,3)	4,7	5,1	(0,7)	4,4	3,7	(0,9)	2,7	1,4	(1,0)	0,4
Fixed assets	4,4	-	4,4	4,2	-	4,2	4,0	-	4,0	4,2	-	4,2
Financial fixed assets	0,9	(0,5)	0,5	0,8	(0,5)	0,3	0,7	(0,5)	0,2	0,4	(0,1)	0,3
<b>Total fixed assets</b>	<b>39,0</b>		<b>39,7</b>	<b>54,3</b>		<b>56,3</b>	<b>53,7</b>		<b>56,7</b>	<b>62,2</b>		<b>66,3</b>
<i>Current assets</i>												
Inventory	18,1	-	18,1	15,3	-	15,3	21,5	-	21,5	32,0	-	32,0
Accounts receivable	54,6	-	54,6	59,0	-	59,0	74,8	-	74,8	79,6	-	79,6
Other short-term receivables	7,1	-	7,1	6,6	-	6,6	5,7	-	5,7	5,3	-	5,3
Cash, bank deposits	272,1	-	272,1	258,5	-	258,5	272,9	-	272,9	242,9	-	242,9
<b>Total current assets</b>	<b>351,9</b>		<b>351,9</b>	<b>339,5</b>		<b>339,5</b>	<b>374,8</b>		<b>374,8</b>	<b>359,8</b>		<b>359,8</b>
<b>TOTAL ASSETS</b>	<b>390,9</b>		<b>391,6</b>	<b>393,8</b>		<b>395,8</b>	<b>428,5</b>		<b>431,5</b>	<b>422,0</b>		<b>426,1</b>
<i>Shareholders equity</i>												
Paid-in equity	15,6	-	15,6	15,6	-	15,6	15,6	-	15,6	15,6	-	15,6
Treasury shares	-	-	-	-	-	-	-	-	-	(0,6)	-	(0,6)
Share premium	96,7	0,8	97,4	96,9	1,5	98,3	100,3	2,2	102,6	112,2	2,9	115,1
Other equity	214,1	6,6	220,8	226,5	(0,9)	225,7	239,5	(0,6)	238,8	192,6	11,6	204,3
<b>Total shareholders equity</b>	<b>326,4</b>		<b>333,8</b>	<b>339,0</b>		<b>339,6</b>	<b>355,4</b>		<b>357,0</b>	<b>319,8</b>		<b>334,3</b>
<i>Long-term liabilities</i>												
	-	1,4	1,4	-	1,4	1,4	-	1,4	1,4	-	1,8	1,8
<i>Current liabilities</i>												
Accounts payable	13,2	-	13,2	10,1	-	10,1	17,6	-	17,6	25,8	-	25,8
Deductions and duties payable	(1,0)	-	(1,0)	(1,7)	-	(1,7)	(4,1)	-	(4,1)	(4,4)	-	(4,4)
Taxes payable	15,3	-	15,3	14,3	-	14,3	20,3	-	20,3	22,3	-	22,3
Other short-term liabilities	37,1	(8,0)	29,1	32,1	-	32,1	39,5	-	39,5	58,7	(12,2)	46,4
<b>Total current liabilities</b>	<b>64,5</b>		<b>56,5</b>	<b>54,8</b>		<b>54,8</b>	<b>73,1</b>		<b>73,1</b>	<b>102,3</b>		<b>90,0</b>
<b>TOTAL DEBT AND EQUITY</b>	<b>390,9</b>		<b>391,6</b>	<b>393,8</b>		<b>395,8</b>	<b>428,5</b>		<b>431,5</b>	<b>422,0</b>		<b>426,1</b>

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## CONSOLIDATED CASH FLOW STATEMENT

Figures in USD million

	Q1 2004	IFRS	Q1 2004	Q2 2004	IFRS	Q2 2004	Q3 2004	IFRS	Q3 2004	Q4 2004	IFRS	Q4 2004	2004	IFRS	2004
	NGAAP	adjust.	IFRS	NGAAP	adjust.	IFRS	NGAAP	adjust.	IFRS	NGAAP	adjust.	IFRS	NGAAP	adjust.	IFRS
<b>Cash flow from operations</b>															
Profit before tax	17,4	0,7	18,1	17,9	0,9	18,8	19,3	0,4	19,7	22,4	0,1	22,5	77,0	2,2	79,2
Taxes paid	(6,7)	-	(6,7)	(6,2)	-	(6,2)	-	-	-	(3,4)	-	(3,4)	(16,4)	-	(16,4)
Ordinary depreciation	1,5	(0,4)	1,1	1,4	(0,1)	1,3	1,3	0,2	1,5	1,4	0,8	2,2	5,6	0,5	6,1
Adjustments for other non-cash items	-	0,8	0,8	-	0,7	0,7	-	0,7	0,7	-	0,7	0,7	-	2,9	2,9
Change in receivables/payables/inventories	(2,1)	-	(2,1)	(4,7)	-	(4,7)	(14,4)	-	(14,4)	(7,2)	-	(7,2)	(28,4)	-	(28,4)
Change in other accounts	0,8	-	0,8	2,7	-	2,7	5,9	-	5,9	4,3	-	4,3	13,7	-	13,7
Change in pension assets/liabilities	-	-	-	-	-	-	-	-	-	(0,3)	-	(0,3)	(0,3)	-	(0,3)
Effect of changes in exchange rates	(1,5)	-	(1,5)	(0,4)	-	(0,4)	1,6	-	1,6	4,8	-	4,8	4,5	-	4,5
<b>Net cash flow from operations</b>	<b>9,4</b>	<b>1,1</b>	<b>10,5</b>	<b>10,7</b>	<b>1,5</b>	<b>12,2</b>	<b>13,8</b>	<b>1,4</b>	<b>15,1</b>	<b>22,0</b>	<b>1,6</b>	<b>23,6</b>	<b>55,9</b>	<b>5,6</b>	<b>61,5</b>
<b>Cash flow from investments</b>															
Proceeds from sales of assets	0,1	-	0,1	-	-	-	0,1	-	0,1	0,1	-	0,1	0,2	-	0,2
Investments in fixed assets	(0,4)	(1,1)	(1,6)	(16,9)	(1,5)	(18,4)	(0,6)	(1,3)	(2,0)	(4,5)	(1,6)	(6,1)	(22,5)	(5,6)	(28,0)
Investments in subsidiaries	-	-	-	-	-	-	(0,0)	-	(0,0)	-	-	-	(0,0)	-	(0,0)
Change in other investments	-	-	-	-	-	-	-	-	-	0,0	-	0,0	0,0	-	0,0
<b>Net cash flow from investments</b>	<b>(0,4)</b>	<b>(1,1)</b>	<b>(1,5)</b>	<b>(16,9)</b>	<b>(1,5)</b>	<b>(18,4)</b>	<b>(0,6)</b>	<b>(1,3)</b>	<b>(2,0)</b>	<b>(4,3)</b>	<b>(1,6)</b>	<b>(6,0)</b>	<b>(22,2)</b>	<b>(5,6)</b>	<b>(27,8)</b>
<b>Cash flow from financing</b>															
Repayment/drawdown of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from share issues	9,2	-	9,2	0,8	-	0,8	0,3	-	0,3	0,4	-	0,4	10,8	-	10,8
Repurchase of shares	-	-	-	-	-	-	-	-	-	(45,5)	-	(45,5)	(45,5)	-	(45,5)
Repayment of capital	-	-	-	(7,8)	-	(7,8)	-	-	-	-	-	-	(7,8)	-	(7,8)
<b>Net cash flow from financing</b>	<b>9,2</b>	<b>-</b>	<b>9,2</b>	<b>(7,0)</b>	<b>-</b>	<b>(7,0)</b>	<b>0,3</b>	<b>-</b>	<b>0,3</b>	<b>(45,0)</b>	<b>-</b>	<b>(45,0)</b>	<b>(42,5)</b>	<b>-</b>	<b>(42,5)</b>
<b>Net change in liquid assets during the period</b>	<b>18,2</b>	<b>-</b>	<b>18,2</b>	<b>(13,2)</b>	<b>-</b>	<b>(13,2)</b>	<b>13,5</b>	<b>-</b>	<b>13,5</b>	<b>(27,4)</b>	<b>-</b>	<b>(27,4)</b>	<b>(8,9)</b>	<b>-</b>	<b>(8,9)</b>
Liquid assets at beginning of the period	254,2	-	254,2	272,1	-	272,1	258,5	-	258,5	272,9	-	272,9	254,2	-	254,2
Effect of exchange rate on cash	(0,4)	-	(0,4)	(0,3)	-	(0,3)	0,8	-	0,8	(2,6)	-	(2,6)	(2,4)	-	(2,4)
<b>Liquid assets at end of the period</b>	<b>272,1</b>	<b>-</b>	<b>272,1</b>	<b>258,5</b>	<b>-</b>	<b>258,5</b>	<b>272,9</b>	<b>-</b>	<b>272,9</b>	<b>242,9</b>	<b>-</b>	<b>242,9</b>	<b>242,9</b>	<b>-</b>	<b>242,9</b>

# TANDBERG

## EQUITY RECONCILIATION - 2004

<i>Figures in USD million</i>	NGAAP	IFRS adjust.	IFRS
<b>Equity as of 1 January 2004</b>	<b>306,9</b>	<b>6,1</b>	<b>313,0</b>
Capital increases	10,8		10,8
Paid dividends	-	(7,8)	(7,8)
Profit for the period	55,6	1,3	56,9
Purchase of treasury shares	(45,5)		(45,5)
Dividends	(12,2)	12,2	-
Employee benefits	-	2,9	2,9
Currency translation	4,3	(0,2)	4,1
<b>Equity as of 31 December 2004</b>	<b>319,8</b>	<b>14,6</b>	<b>334,4</b>