

Real productivity



MOBILITY



KNOWLEDGE



COLLABORATION

TANDBERG

2005 ANNUAL REPORT

Visual communication is not an emerging technology. It is integral to business productivity. It improves the quality of life for millions of people today. For millions more, the opportunity awaits. Can you join your management meeting from a taxi on the way home to dinner? Can you speed time-to-market with immediate access to experts? Can you click from instant messaging to face-to-face video for instant understanding? We dare to imagine the future and then invent the solutions that shape the market. We thrive on being first. Our clients have come to expect TANDBERG to simplify their lives and make them more productive.

Business productivity questions. Real productivity answers. www.tandberg.net/realproductivity.

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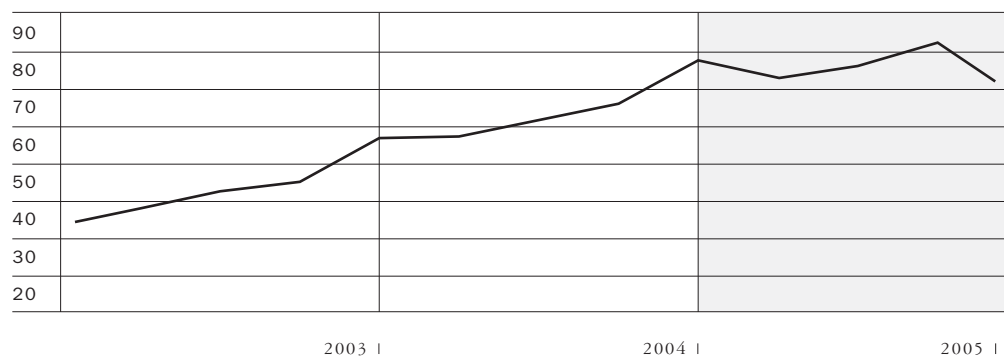
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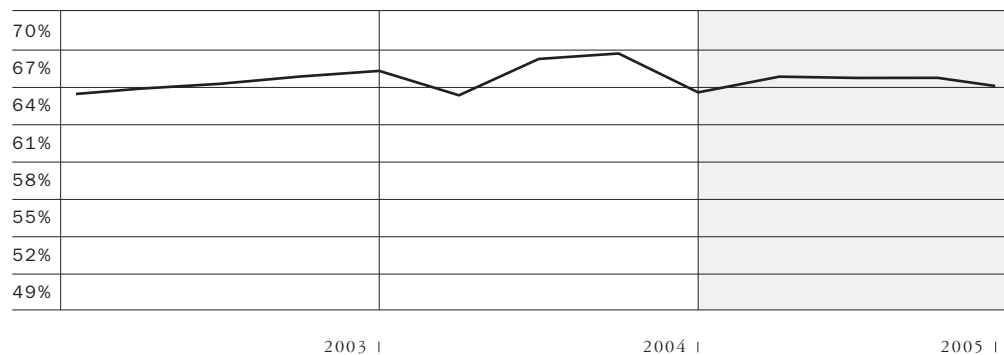
Financial Highlights

	2005	2004	2003*
REVENUE (MUSD)**	345.2	305.0	223.3
GROSS CONTRIBUTION MARGIN (%)	67.5	67.4	67.2
OPERATING PROFIT (MUSD)	85.4	77.5	46.0
EPS (USD)	0.55	0.43	0.33
CASH FLOW FROM OPERATIONS PER SHARE (USD)	0.72	0.46	0.44
NUMBER OF ENDPOINT UNITS SOLD	32,618	27,532	19,229
NUMBER OF EMPLOYEES	772	589	539

REVENUES - QUARTERLY (MUSD)*



GROSS MARGIN - QUARTERLY (%)*



* IFRS 2005 and 2004, NGAAP 2003 ** MUSD = USD MILLIONS

A Letter from the Chief Executive Officer

In 2005, TANDBERG achieved solid growth and continued to deliver products and services that are well positioned in a growing market. We had top line growth of 13 percent, and earned \$85.4 million in operating profits on revenue of \$345.2 million.

The market for visual communication and collaboration is evolving, and the competitive landscape is undergoing rapid change. In response, changes at TANDBERG were needed. In the past few months we have made strides in focusing our organization to reach targeted goals.

In December 2005, when I was appointed CEO, I saw the challenges ahead but I also recognized TANDBERG's accomplishments. At the end of 2005, we held an estimated 40 percent market share, with sound cash flow, a cash balance of \$202.8 million, and a gross margin of 67.5 percent. With strong financials and a proven business model, I believe we have an excellent foundation from which to compete and expand.

SHAPING THE MARKET FOR VISUAL COMMUNICATION. TANDBERG has expanded its footprint, strengthened the sales team and improved operations, making us a formidable global competitor.

Now, TANDBERG is entering a new phase in our evolution as a company where we can shape the market and accelerate the adoption of video. This evolution requires that we aggressively deliver our value proposition: to enable multimedia collaboration between people and between companies to increase productivity and better satisfy their customers.

While we face increasing competition, we are proud to be the only player in the industry offering a truly integrated total solution. Regardless, we have no room for complacency.

We must continue to lead our industry with innovative technology and strategic alliances that deliver productivity-based solutions. We also must capitalize on our expertise in industries such as financial services, healthcare, manufacturing, and education.

CAPITALIZING ON STRATEGIC ADVANTAGES. People are the source of our success. TANDBERG's culture is built on the integrity, teamwork, and creativity of its people. We have focused on building a sales force that is the best in the industry at responding to customer needs. In addition, we have maintained a large and valued set of partners who support the TANDBERG brand with their sales and service expertise. We continue to invest in training and knowledge-exchange to ensure our competitive advantage.

In 2005, our R&D team continued to lead the industry with its speed and innovation. We strengthened our market position with pioneering technology in 3G mobile video, streaming, and public video applications.

3G mobile phones connect seamlessly with TANDBERG's Total Solution. In January 2006, streaming and 3G mobile video technologies acquired in 2005 were fully integrated into our Total Solution. Based on technology from the Ivigo acquisition, the TANDBERG 3G Gateway allows 3G mobile phone users with video-enabled handsets to place video calls to any IP- and ISDN-based endpoints.

Streaming turning TANDBERG's solution into a personal broadcast system for new and existing customers. The TANDBERG Content Server, developed from technology acquired from Ectus, converts any endpoint into a streaming and archiving studio; making it possible for any user to record video messages and distribute these messages to a large audience with the click of a button.

New public utility applications believed to expand the market and use of video communication. The Compass MXP and Utility MXP self-contained video systems are designed for face-to-face information access in public spaces such as airports or emergency shelters.

TANDBERG innovation setting industry standards. TANDBERG Expressway™ continues to lead the field in providing a secure path for IP video calls through firewalls. Recognizing the advancements made possible by TANDBERG, in October 2005, the International Telecommunications Union adopted standards for NAT and firewall traversal based on Expressway.

ADVANCES WITH TECHNOLOGY PARTNERS. In 2005, TANDBERG strengthened its alliances with leaders in complementary technologies, resulting in integrated solutions that deliver even greater productivity. For example, users of Microsoft® Office Live Communications Server 2005 and Microsoft Office Communicator can now launch TANDBERG video calls using the Communicator interface. Also, users of IBM® Lotus® Sametime® can launch video calls from any endpoint managed by the TANDBERG Management Suite (TMS).

FOUNDATION BASED ON A STRONG CORPORATE CULTURE. In 2005, we expanded our workforce by 31 percent. Now we must channel our collective energy, knowledge, and creativity to achieve our goals. We endeavor to be more innovative and react quickly to market opportunities.

I believe deeply in fostering an atmosphere of collaboration, in rewarding people for their contributions, and in delivering the absolute best. We will continue to invest in people, nurturing a culture where best practices can flourish.

TANDBERG VALUES

“A company-wide program has been initiated to reaffirm the TANDBERG values and establish a framework for decision-making.”

Speed and Precision ~ Integrity and Enthusiasm ~ Exceed Expectations

Fun and Profit ~ TANDBERG First

DELIVERING RESULTS FOR 2006. Since December, I have seen a tremendous effort to address organizational issues that will accelerate growth. The management team has aggressively adopted changes to reinforce our strong corporate culture and further empower our organization. A company-wide program has been initiated to reaffirm the TANDBERG values and establish a framework for decision-making.

I am grateful for the opportunity to lead this company and appreciate the support I have received. I believe we are on track to meet our goals and to make TANDBERG the leading source for multimedia collaboration between people and between companies.



FREDRIK HALVORSEN

Chief Executive Officer

Report of the Board of Directors

FINANCIAL SUMMARY TANDBERG's 2005 operating revenues were 345.2 MUSD (305.0 MUSD)¹. The Group's 13.2% (36.6%) revenue growth was driven by TANDBERG's continuous efforts to expand the market for visual communications. The slowdown in growth from 2004 reflects internal execution issues and somewhat more challenging market dynamics in the second half of 2005. Despite this, operating fundamentals were strong throughout the year, and TANDBERG delivered a gross margin of 67.5% (67.4%). Operating expenses comprised 39.7% (40.2%) of the Group's revenues, leaving an operating profit of 85.4 MUSD (77.5 MUSD) after depreciation of 10.7 MUSD (5.4 MUSD). The operating profit margin of 24.7% (25.4%) illustrates consistent execution and a strong business model. Profit before tax ended the year at 90.8 MUSD (80.0 MUSD). With a tax expense of 20.7 MUSD (22.4 MUSD), the Group's net income was 70.1 MUSD (57.6 MUSD), generating earnings per share of 0.554 USD (0.428 USD).

Cash flow from operations totaled 91.2 MUSD (61.5 MUSD), demonstrating a solid cash flow conversion. The repurchase of TANDBERG shares, acquisitions and the 2004 dividend, totaling 148.3 MUSD, primarily offset by cash flow generated from operations and share issues to employees, resulted in a net decrease in liquid assets of 40.1 MUSD from the previous year-end. As of 31 December 2005, the Company had a cash balance of 202.8 MUSD (242.9 MUSD). The equity ratio at year-end 2005 was 75.5% (78.5%). The Company has no outstanding overdraft or interest-bearing debt.

THE VISUAL COMMUNICATIONS MARKET After exceptional market growth in 2004, market conditions were generally good in 2005 and improved cautiously for the majority of the year. In terms of revenues from videoconferencing endpoints, compared to the same periods in 2004, the industry experienced a strong 12% (29%) increase in the first quarter, a 10% (25%) increase in the second quarter, an 8% (20%) increase in the third quarter and an estimated 7% decrease (24% increase) in the fourth quarter. The estimated decrease in the fourth quarter is a result of weaker internal execution and changing market dynamics, including customer demand for total solution sales, which are more complex and carry longer lead times. Measured in revenue for the full year, the market for videoconferencing endpoints showed 5% estimated growth, compared to 24% in 2004 and a 4% decrease in 2003. The market experienced higher year-over-year growth in terms of units sold, estimated at 10% (28%). The decline in TANDBERG's Average Sales Price (ASP), from 8,590 USD in 2004 to 7,911 USD in 2005, was primarily due to changes in product mix, including an increased focus on personal, or individual, video systems in addition to general price pressure throughout the market.

For the first time, TANDBERG has become the largest supplier of videoconferencing equipment worldwide in terms of revenue, sharing this title with its main competitor. The race for the number one spot in this industry has never been closer. Measured in terms of unit shipments, TANDBERG continues to be the second largest supplier worldwide.

In a market dominated by only a few vendors, TANDBERG's performance has a significant impact on the performance of the industry as a whole. TANDBERG experienced solid profitability for the year overall, with the first three quarters demonstrating sequential year-over-year growth. TANDBERG's estimated global market share for endpoints by the fourth quarter of 2005 was 40% (39%) in terms of revenue and 25% (25%) in terms of units sold. TANDBERG exceeded its competition and the industry overall in terms of growth; continued to demonstrate an industry-leading product portfolio; and increased its market share across the product range. The Company's industry-leading total visual communication solution, strategic positioning and alliances, supported by high quality channel partnerships and programs, are driving the profitable growth and strengthening the TANDBERG brand.

TANDBERG's total revenue from network infrastructure products (MPS, MCU, Gateways, Gatekeeper, and Border Controller) in 2005 continued to increase with revenues up 29.2% (129.7%) compared to last year, ultimately accounting for 12.3% (10.8%) of total revenue for the year. The Company's technological leadership also allowed TANDBERG to enjoy a rising market share, with an estimated infrastructure product market share reaching 23% (17%) by the end of 2005. Infrastructure and total solution-selling are some of the key priorities for 2006.

Revenue from Value-Added Services in 2005 grew at a rate of 25.2% (57.6%) and reached 12.9% (11.7%) of total revenue.

Integration with other workplace tools and technology breakthroughs addressing security, ease of use and mobility – combined with increasing adoption of visual communication – gave the global market an uplift in 2005. Continued focus on increasing business productivity and lower cost of ownership will likely make 2006 a year of sustained growth for the industry.

TANDBERG AMERICAS

TANDBERG's revenues in the Americas represented 55% (55%) of the Company's total revenues and amounted to 189.3 MUSD (168.3 MUSD), up 12% year-over-year. Sales of TANDBERG's end-to-end solution drove a healthy product mix for endpoints and an increase in sales for network infrastructure products and services, allowing for margin expansion. TANDBERG Americas ended the year with an operating profit of 7.7 MUSD (7.2 MUSD).

Mr. Rick Snyder joined TANDBERG in April 2005 as President of the Americas theatre. The Americas' sales, marketing and sales support employee base was expanded by 17% including a new field engineering team, created to improve the coverage model and to allow the Company to bring to market end-to-end solutions.

Federal sales were flat in 2005 over the previous year. A strong second half of the year turned a marginal revenue decline for the first six months into a balanced full year. TANDBERG's Federal revenue reflects a reduced 2005 Federal Government budget and delays in spending that were offset by the Company's gain in market share. A new Vice President of Federal sales has been recruited to lead the Company's efforts in this market.

Americas' enterprise revenue grew 19% year-over-year. In particular, growth occurred in the Northeast U.S., Southwest U.S., and Latin America. Strengthening the sales organization, the enterprise market was divided into eastern and western territories.

The Company has successfully leveraged an expanded presence in the video infrastructure market, led by MPS and Expressway firewall traversal sales. New partner and service programs launched in the Americas theatre during the second half of 2005 improved service attach rates and renewal rates.

Focus areas for 2006 include increased emphasis on infrastructure sales, recalibrating partner programs, ensuring a long-term sales pipeline and a further refinement of operational initiatives to improve inventory controls, days-sales-outstanding and margins.

TANDBERG EUROPE, MIDDLE EAST, INDIA & AFRICA (EMEA)

Revenues in EMEA accounted for 36% (34%) of the Company's total revenues and amounted to 125.8 MUSD (102.2 MUSD), up 23% year-over-year. A large and growing base of global customer relationships, a competent partner base and solution-driven sales ensured strong, stable margins. EMEA's sales, marketing and sales support employee base was expanded by 18% to strengthen the coverage model in the individual regions. TANDBERG EMEA ended the year with an operating profit of 7.6 MUSD (3.9 MUSD).

Mr. Odd J. Winge was promoted to President of the EMEA theatre in November 2005. The management of EMEA has since been restructured, with a new management team in place and sales segmented into five regions (Northern Europe, United Kingdom & Ireland, Southern Europe, Central Europe and Emerging Markets). While these organizational changes are impacting sales in the short term, they are setting the stage for growth in 2006.

Southern Europe and Emerging Markets showed particularly strong growth throughout the year with multiple large strategic wins in the Education, Public and Enterprise sectors. The United Kingdom strengthened its management, leading to the hire of a new Managing Director entering the Company in the final quarter. Central Europe developed acceptably with good growth and solid margins. Northern Europe performed below expectations for the year.

TANDBERG EMEA continued to expand its vertical market presence, with strategic wins within the Banking/Finance, Manufacturing and Defense sectors.

Sales of service programs continued to gain momentum in 2005. A series of new initiatives in solution-selling built competence in the sales force and partner community and produced positive results. Several long-term service contracts were signed with large, global organizations and invoiced service revenues exceeded the corporate target for total revenues from value-added services.

Focus areas for 2006 include total solution- and infrastructure sales, organizational improvements designed to improve the long-term sales pipeline and organizational effectiveness, improving the service delivery model and recalibrating channel partners.

TANDBERG ASIA PACIFIC (APAC)

Revenues in Asia Pacific represented 9% (11%) of the Company's total revenues and amounted to 30.1 MUSD (34.5 MUSD), down 13% year-over-year. Margins improved throughout the year but could not offset the negative effect from a larger cost base. TANDBERG APAC ended the year with an operating loss of 2.0 MUSD, compared with a profit of 0.1 MUSD last year. APAC was still in investment mode in 2005, but returned a profit in the fourth quarter, indicating that the necessary infrastructure and team finally is in place and positioned to get off to a running start in 2006.

Mr. Benny Lee joined TANDBERG as President for APAC, effective January 2005. Additional management changes include a new managing director in Japan and new management for channels and operations.

Under the new leadership, the distribution model has been enhanced in key markets. TANDBERG's ability to provide adequate coverage within the region overall for sales, channel support and service has been expanded and strengthened.

Sales in Australia and Southeast Asia are performing particularly well, while China continues to be a challenging market with some unique characteristics. Key deployments were in the manufacturing, healthcare, and utilities markets.

Focus areas for 2006 include growing revenue per employee and operational efficiency through close monitoring of cost and margin development, improved partner coverage and development of targeted marketing and sales programs.

STRATEGIC ALLIANCES AND M&A ACTIVITY In 2005, acquisitions and alliances furthered TANDBERG's mission to make visual communications accessible to anyone, anywhere and anytime. TANDBERG announced in July 2005 the acquisition of Ivigo, a division of TNO, the Netherlands Organisation for Applied Scientific Research, and a leading developer of video services for 3G mobile phones. The acquisition enables TANDBERG to offer mobility solutions to new and existing customers through a 3G Gateway, allowing 3G mobile phone users to reach any group or personal video system from anywhere.

In October 2005, TANDBERG acquired the New Zealand-based technology firm Ectus Ltd. furthering its vision of extending the reach of video to a broader community. The move positioned TANDBERG to be the first company to deliver a streaming and archiving server that is tightly integrated into a full end-to-end video solution. The solution allows streaming and archiving of business-quality video content, complete with multimedia presentations, for large audiences that can easily access that content in any media format.

Throughout 2005 TANDBERG continued to build on its strategic alliances with Cisco Systems, Inc. and Microsoft Corp., two companies that are driving the expansion of the visual communication market. Building on these relationships, TANDBERG continued to introduce products that easily integrate with any organization's existing infrastructure and business tools.

Importantly, TANDBERG introduced a complete portfolio of video endpoints that provide easy integration with Cisco CallManager for business-quality video telephony, and Cisco began shipping a co-branded IP video phone, the Cisco 7985G, stimulating the video telephony desktop market.

Building on TANDBERG's commitment to provide interoperable and standards-based solutions through strategic partnerships, all TANDBERG MXP endpoints now support Session Initiation Protocol (SIP) to interoperate with Microsoft Office Live Communications Server 2005 and connect to Windows Messenger for video calls.

TANDBERG's visual communication solution is also integrated with IBM's Lotus Notes and, announced in January of 2006, with Lotus Sametime. TANDBERG is the first to ship an IBM-integrated video solution.

PRODUCT DEVELOPMENT New groundbreaking products and features from TANDBERG entered the market throughout the year across its portfolio of visual communications solutions, consisting of endpoint systems, network products, management software and value-added services.

TANDBERG's revolutionary introduction of the Expressway firewall traversal solution illustrated the Group's technology leadership in visual communication. Expressway creates a secure path through network firewalls and establishes a universal dial plan for video calls. Organizations can now call customers, suppliers and home office workers, building a global video community. Offering a secure solution for affordable IP networks, Expressway has opened up entirely new markets for visual communication. The solution, with the Border Controller at its core, quickly gained traction with customers and was the basis for H.460.18 and .19, the International Telecommunication Union's (ITU) ratified standard for firewall traversal.

Other significant product launches in 2005 included expansion of the network products line, with the MPS 200 multipoint control unit for medium-sized enterprises and the Gatekeeper, as well as security features added across the entire product portfolio, new and re-engineered vertical products and the launch of the MXP Profile Series with widescreen flat panel displays. Following the Ivigo and Ectus acquisitions, a 3G Gateway and a streaming and archiving Content Server were launched in January 2006. The combination of firewall traversal, 3G-mobility and content streaming allow for a seamless end-to-end solution in an IP world. With all MXP products already high definition (HD) ready, TANDBERG will be the only solution provider incorporating HD into an end-to-end solution shipping during the first quarter of 2006. The new products and solutions all strategically complement TANDBERG's portfolio, resulting in a complete end-to-end solution and allowing for a single software platform across all technologies.

The Company spent 28.2 MUSD (19.2 MUSD) on applied and basic research and product development in 2005, of which 10.9 MUSD (5.7 MUSD) was capitalized according to IFRS.

OPERATIONS TANDBERG outsources functions such as procurement, production, transportation, and warehouse services. As of year-end, five production partners in Scandinavia and two in the United States were contracted. Gross margins remained at the 67% level as a result of an extended and improved portfolio of products and services, continuous process improvements and cost reductions.

The Company delivered a total of 32,618 (27,532) endpoint systems in 2005, up 18.5% from 2004, and shipped a record 8,478 units in the fourth quarter. The TANDBERG 770, 880, 990, 2000, 2500 and 3000, the Company's mid-range MXP systems, represented 49% (53%) of total systems sold. High-end MXP systems, including the TANDBERG 6000, 7000, 8000, Maestro and specialized systems for the healthcare, education, judicial, legal and public safety markets, represented 15% (20%) of all systems sold, while the low-end range, the TANDBERG 150, 550,

1000, 1500 and OEM units, accounted for 36% (27%).

ORGANIZATION TANDBERG headquarters are in Oslo, Norway and New York, United States. The Company has offices and representation in Norway, United States, Australia, Belgium, Canada, China, Denmark, Finland, France, Germany, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Portugal, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand and U.K. TANDBERG provides sales, support, and value-added services in more than 90 countries worldwide.

TANDBERG ended the year with 772 (589) employees, an increase of 31%, reflecting the Company's profitable growth momentum and continuous efforts to expand the market for visual communications. Approximately 50% (56%) work in sales and marketing, 33% (29%) in research and product development and 17% (15%) in logistics, operations, accounting/finance and administration.

The Company's administrative functions were further strengthened in 2005 to keep up with the growth and increasing complexity of the rest of the organization, with a focus on logistics and IT functions. By improving the internal service levels through a continuous focus on responsiveness and by developing the Company's infrastructure, the administrative functions are now in a proactive mode, playing a key part in reaching the Company's overall goals and positioning the Company for future growth.

TANDBERG's sales organization was strengthened with local expertise as the Company continues to expand geographically, and with significant specialist know-how to serve the growing vertical markets. The growth in revenues from value-added services, and increased service attach rates and renewal rates, is a direct result of reinforced sales and technical support functions. The R&D team has broadened its expertise within new technologies by internal development and training, hiring of skilled employees and through acquisitions.

The Company continued to attract high caliber talent successfully strengthening its middle and senior management teams in 2005. Attracting, developing and retaining the best people in the industry remains a top priority for TANDBERG.

Training is a steady focus at all levels and in every function of the Company. As the organization grows and becomes ever more geographically dispersed, there is a continuous focus on developing the organization and managers at all levels. TANDBERG University trained 230 new and existing employees in product knowledge, the organization and TANDBERG's culture and core values.

On 16 December 2005, Andrew M. Miller resigned as CEO of TANDBERG with immediate effect. The Board of Directors accepted Mr. Miller's resignation, and would like to express its gratitude for his term as CEO. During Mr. Miller's tenure, the Company significantly expanded its global presence and built a highly proficient sales force. The Board of Directors appointed Fredrik Halvorsen, then current CFO, to the position as Chief Executive Officer. Under Mr. Halvorsen's leadership, the Company moves into the next phase of growth as a leader in the multimedia collaboration and communication industry.

CORPORATE GOVERNANCE TANDBERG's guidelines for Corporate Governance are in accordance with the Norwegian Code of Practice for Corporate Governance, dated 7 December 2004, as required for all listed companies on the Oslo Stock Exchange with effect from 2005. The guidelines are included in this Annual Report and are also available on TANDBERG's web-site: www.tandberg.net. TANDBERG will update its guidelines and apply the new revised Code of Practice as published on 8 December 2005 from the 2006 financial year.

WORKING ENVIRONMENT TANDBERG has a strong corporate culture built around core values that include speed and precision, enthusiasm and integrity, exceeding expectations, fun and profit, and TANDBERG First. The strength of TANDBERG's corporate culture is what sets the Company apart from its competition.

TANDBERG encourages diversity and believes it is an asset to the Company. People with diverse backgrounds and perspectives are critical to innovation, and innovation is critical to TANDBERG's success.

TANDBERG is a socially responsible company committed to equal opportunity in the workplace. Equal opportunity in the workplace is a TANDBERG policy, approved and promoted by the board of directors and management. TANDBERG management believes that all employees should have equal access to opportunities whatever their gender, race, religion, national origin, age, or disabilities. This applies to all aspects of employment.

TANDBERG offers a working environment that is congenial, safe, productive and well-balanced. Of the Company's 772 employees, 23% are women. TANDBERG is committed to making the Company an attractive workplace for women at all levels and in all functions and is especially encouraging and actively working on increasing the number of women within R&D and Sales. Significant progress was made within R&D in 2005, adding 20 women in key areas to its team. The Company is also actively seeking to identify highly-qualified candidates for positions at the middle- and top management levels. There are currently no women in the Group's Leadership Team, however, women occupy senior positions at numerous locations across the Company, and women occupy two seats on the Board of Directors.

Absence due to illness in 2005 was less than 2.5%. No accidents or incidents involving personal injury or material damage occurred.

ENVIRONMENTAL STATEMENT TANDBERG provides visual communication solutions to the global market. As a manufacturer of electrical and electronic equipment, the Company is responsible for compliance with the requirements in the European Directives 2002/96/EC (WEEE) and 2002/95/EC (RoHS).

The EU Directive Waste Electrical and Electronic Equipment (WEEE - 2002/96/EC) became effective throughout Europe on 13 August 2005. The implementation into national law varies between the concerned European countries, for the deadlines as well as for the requirements. TANDBERG is aware of the producer's responsibilities and will meet the obligations together with our partners within the European Union. TANDBERG will register as a producer in the European countries where this is required.

TANDBERG Telecom AS is registered as a member of Elretur AS in Norway. Elretur AS is a nationwide take-back company for the collection, recycling and environmentally sound processing of scrapped electrical and electronic equipment (WEEE).

TANDBERG has labeled all products placed on the market after 13 August 2005 according to the requirements in the WEEE Directive.

Global concerns over the human health and environmental risks associated with the use of certain environmentally-sensitive materials in electronic products have led the European Union to enact the Directive on the Restriction of the use of certain Hazardous Substances (Directive 2002/95/EC).

From July 2006 TANDBERG is committed to comply with the European Union's RoHS Directive and restrict the use of lead, mercury, cadmium, hexavalent chromium and two bromine-containing flame retardants, PBB (polybrominated biphenyls) and PBDE (polybrominated diphenyl ethers), in all products.

TANDBERG understands the environmental risks associated with these substances and will comply with the RoHS Directive requirements set by the European Union. RoHS substances will be eliminated, to levels below legal limits, for all TANDBERG products subject to the RoHS Directive.

FINANCIAL RISKS The visual communications market is still in its infancy, and two dominant players, of which one is TANDBERG, have historically been able to oper-

ate in the market with market shares of approximately 40% each. As the demand for video conferencing products increases, other companies have and will enter the market, increasing competition and hence possibly negatively impacting margins across the whole product portfolio. The Company's market risks would typically also include risks related to the development of new videoconferencing products that meet the customers' demands, competing technologies and other products offering similar capabilities as today's products. The market for video conferencing products is characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. The success of TANDBERG's new products depends on proper definition, cost, timeliness, positioning in relation to the total product portfolio, and differentiation of new products from those of our competitors. Additionally, properly addressing the complexities associated with selling total visual communications solutions, compatibility issues, channel partner training, technical and sales support are factors that may affect TANDBERG's success in the visual communication market.

The Group has low exposure to financial risks, and has no funding need or liquidity risk with a cash balance at 31 December 2005 of 202.8 MUSD (242.9 MUSD), no interest bearing debt and an equity ratio at year-end 2005 of 75.5% (78.5%).

The Company is exposed to foreign exchange risk and credit risk in its ordinary business activities, risks that are closely monitored and limited to acceptable levels. It is the Company's policy not to use financial instruments in order to reduce/increase the Company's foreign exchange risks. All new customers are checked for credit rating and all customers are checked against credit limits before contracts are closed. Over the past few years, TANDBERG's operations have expanded in some emerging markets, Latin- and South America and Asia Pacific regions. Credit terms are typically longer in these regions than for Northern Europe and North America, negatively impacting accounts receivable balances, and correspondingly the overall credit risk has grown. However, some of this risk is mitigated through prepayment and Letter of Credit. Loss on

accounts receivables has been below 1% the last three years and there are no significant concentrations of credit risk within the Group.

TRANSITION TO AND ADOPTION OF IFRS Listed companies in the EU adopted and applied International Financial Reporting Standards (IFRS) to their consolidated financial statements beginning in 2005. Through the EEA agreement, this also applies to listed Norwegian companies.

With effect on the financial statements from 1 January 2004, TANDBERG has applied IFRS in the consolidated accounts. The impact of the change of accounting standards along with comparative information regarding TANDBERG's financial reporting in 2004 in accordance with IFRS, were presented in the "Transition to IFRS" document released on 6 April 2005. Accordingly, 2004 financial information included in this annual report is not comparable to the 2004 annual report (please refer to Note 20 in the financial statements for further information).

GOING-CONCERN In accordance with Norwegian accounting law, it is confirmed that the annual financial statements have been prepared on a going-concern basis.

SHARE BUYBACK PROGRAM In view of the Company's strong cash flow and cash position, the Board of Directors called an Extraordinary General Meeting on 10 November 2004 and obtained authorization for a share buyback program which opens for buyback up to 10% of TANDBERG's shares (13,428,460 shares at 10 November 2004) in the market, and which is valid until 10 May 2006. The intention is to use the shares in connection with incentive schemes for employees or acquisitions, or to cancel the shares through a capital reduction. All transactions under this program will be disclosed to the Oslo Stock Exchange, and on www.tandberg.net.

As of 31 December 2004, TANDBERG was holding 3,955,470 own shares. With a net increase of 7,816,282 shares in 2005, the position had increased to 11,771,752 own shares as of 31 December 2005, corresponding to 8.77% of the authorization. During 2005, the Company sold a total of 4,200,047 own shares to employees in accordance with the conditions in the 2003-2004 share option program, and a total of 43,171 shares were used as a component of the total consideration related to the acquisition of Ectus Ltd.

SHAREHOLDERS As of 31 December 2005, there were 134,324,806 shares outstanding. There were no share issues during 2005. The Company had 4,592 shareholders at year-end, and 31.1% of the shares were owned by Norwegian shareholders, 26.3% by U.S.-based shareholders, 16.4% by U.K.-based shareholders, 24.1% by other European-based shareholders and 2.1% by other nationalities.

FUTURE OUTLOOK TANDBERG's position as one of the two leading contenders in the industry was further manifested in 2005. Positioned to create and capitalize on industry growth, TANDBERG gained market share in key markets and executed across all sectors of business strategy, including technology innovation, alliances, verticals, and acquisitions.

The appointment of a new CEO in December 2005, constituted a planned strategic turning point, ensuring growth, the long-term success of the Company and strong focus on shareholder value creation.

While it is not possible to accurately chart the growth path of emerging industries, the Board of Directors views the visual communication industry's long-term prospects as positive. TANDBERG exhibits an efficient organizational structure, technology leadership and a focus on balanced growth making it a formidable competitor in a market that exhibits good long term growth prospects. In this light, the Board is optimistic and expects that the Company will meet its long-term objectives.

ALLOCATION OF THE YEAR'S PROFIT The net profit of the parent company, TANDBERG asa, was NOK 696,068,000. The Board recommends the following allocation of net profit for 2005, hereunder a dividend of NOK 0.65 per share (NOK 0.55), an increase of 18.2% (37.5%) from 2004 and equivalent to a payout ratio of 11.4% (36.0%) of net profit for 2005:

Allocated to dividend	NOK	79,659,000
Allocated to retained earnings	NOK	616,409,000
Total	NOK	696,068,000

The holding company's total equity as of 31 December 2005 was NOK 1,924,673,000, of which distributable equity amounted to NOK 1,191,359,000 before allocation to dividend for 2005.

Lysaker, Norway, 16 February 2006.
Board of Directors of TANDBERG asa

Jan Chr. Opsahl, *Chairman*
Amund Skarholt, *Vice Chairman*
Jørgen Ole Haslestad
Grace Reksten Skaugen
Patricia S. Auset, *Employee Representative*
Carl H. Aaby, *Employee Representative*
Fredrik Halvorsen, *CEO*
Terje Rogne, *President TANDBERG asa*

Consolidated Income Statement

for the year ended 31 December 2005

TANDBERG GROUP (MUSD)

	NOTES	IFRS		NGAAP	
		2005	2004	2004*	2003*
Operating revenues	2	345.2	305.0	305.0	223.3
Cost of goods	8	112.1	99.4	99.4	73.3
Wages and social costs	3, 14, 16	85.3	78.9	80.3	61.2
Depreciation	5, 6	10.7	5.4	5.6	5.9
Other operating costs	3, 16	51.6	43.8	45.2	36.8
Operating costs		259.7	227.5	230.5	177.3
Operating profit		85.4	77.5	74.5	46.0
Financial income	3	19.4	14.0	14.0	19.9
Financial expenses	3	(14.0)	(11.5)	(11.5)	(7.3)
Net financial items		5.4	2.5	2.5	12.6
Profit before tax		90.8	80.0	77.0	58.7
Tax	4	20.7	22.4	21.5	14.8
Profit after tax		70.1	57.6	55.6	43.8
ATTRIBUTABLE TO:					
Equity holders of the parent		70.1	57.6	55.6	43.8
EARNINGS PER SHARE:					
- basic	11	0.55	0.43	0.42	0.33
- diluted	11	0.55	0.43	0.41	0.33

* Numbers are prepared in accordance with Norwegian GAAP and are not comparable to numbers for 2005 and 2004 prepared in accordance with IFRS.

Consolidated Balance Sheet

As at 31 December 2005

Oslo, 16 February 2006

Jan Chr. Opsahl, *Chairman*

Amund Skarholt, *Vice Chairman*

Grace Reksten Skaugen

Jørgen Haslestad

Patricia Auseth, *Employee representative*

Carl Henrik Aaby, *Employee representative*

Fredrik Halvorsen, *CEO*

TANDBERG GROUP (MUSD)

ASSETS	NOTES	2005	2004
<i>Non-current assets</i>			
Property, plant and equipment	5	4.2	4.2
Intangible assets	6, 16	71.4	62.2
Deferred income tax assets	4	4.5	0.3
Other financial assets		—	0.3
Total non-current assets		80.0	66.9
<i>Current assets</i>			
Inventories	8	26.5	32.1
Accounts receivables	9	79.2	79.6
Other current assets		3.0	5.3
Cash and bank deposits	10	202.8	242.9
Total current assets		311.5	359.8
TOTAL ASSETS		391.5	426.7
EQUITY AND LIABILITIES			
<i>Equity</i>			
Issued capital	11	15.6	15.6
Share premium		101.1	101.1
Treasury shares	11	(1.9)	(0.6)
Foreign currency translation		(4.7)	4.3
Retained earnings		185.6	214.5
Total equity		295.7	334.9
<i>Non-current liabilities</i>			
Pension liabilities	7		1.8
Total non-current liabilities		—	1.8
<i>Current liabilities</i>			
Accounts payables		22.8	25.8
Tax deductions and duties payable		(0.8)	(4.4)
Taxes payable	4	18.2	22.3
Other current liabilities	21	55.6	46.5
Total current liabilities		95.8	90.0
Total liabilities		95.8	91.8
TOTAL EQUITY AND LIABILITIES		391.5	426.7

Consolidated Cash Flow Statement

for the year ended 31 December 2005

TANDBERG GROUP (MUSD)

	NOTES	2005	2004
<i>Cash flow from operating activities</i>			
Profit before taxes		90.8	80.0
Taxes paid	4	(20.5)	(16.4)
Ordinary depreciation	5, 6	10.7	5.4
(Gain)/loss on sale of fixed assets		—	—
Change in rec./payables/inventories	12	2.8	(28.4)
Change in other accounts		15.3	13.7
Change in pension assets/liabilities	7	(1.8)	(0.3)
Effect of changes in exchange rates		(5.5)	4.5
Adjustment for non-cash items		(0.6)	2.9
Net cash flow from operations		91.2	61.5
<i>Cash flow from investments</i>			
Proceed from sale of fixed assets	5	0.1	0.2
Investment in fixed assets	6, 17	(16.2)	(28.0)
Investments in subsidiaries	6, 17	(7.0)	—
Change in other investments		—	—
Net cash flow from investments		(23.1)	(27.8)
<i>Cash flow from financing</i>			
Repayment/drawdown of debt		—	—
Proceeds from share issues		—	10.8
Proceeds from sale of treasury shares	11	31.3	—
Repurchase of shares	11	(128.8)	(45.5)
Repayment of capital	11	(11.1)	(7.8)
Net cash flow from financing		(108.6)	(42.5)
<i>Net change in liquid assets during the year</i>			
Liquid assets as of 1 January		242.9	254.2
Net foreign exchange differences		0.4	(2.4)
Liquid assets as of 31 December		202.8	242.9

Consolidated Statement of Changes in Equity

As at 31 December 2005

TANDBERG GROUP (MUSD)

	ISSUED CAPITAL	SHARE PREMIUM	TREASURY SHARES	RETAINED EARNINGS	OTHER RESERVES	TOTAL EQUITY
At 1 January 2004						
As previously stated	15.2	90.8		200.9		306.9
Effects of implementing IFRS	—	—	—	6.1	—	6.1
At 1 January 2004 (restated)	15.2	90.8	—	207.0	—	313.0
Currency translation differences				4.3		4.3
Profit or loss				57.6		57.6
Issue of share capital	0.4	10.4				10.8
Repurchase of shares			(0.6)	(45.1)		(45.7)
Employee benefits				2.9		2.9
Equity dividends				(7.9)		(7.9)
At 31 December 2004	15.6	101.1	(0.6)	218.8	—	334.9
Currency translation differences				(4.7)		(4.7)
Profit or loss				70.1		70.1
Repurchase of shares			(1.3)	(95.4)		(96.7)
Employee benefits				3.1		3.1
Equity dividends				(11.1)		(11.1)
At 31 December 2005	15.6	101.1	(1.9)	180.9	—	295.7

Notes

NOTE 1

SIGNIFICANT ACCOUNTING POLICIES

TANDBERG asa (the Company) is a company domiciled in Norway. The consolidated financial statements of TANDBERG for the year ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the “Group”).

The financial statements were authorized for issuance by the Board of Directors on 16 February 2006.

The principal accounting policies adopted for the preparation of the 2005 consolidated financial statements are set out below:

STATEMENT OF COMPLIANCE The consolidated financial statements of TANDBERG asa and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the European Committee, and the requirements in the Norwegian Accounting Act.

PRINCIPAL ACTIVITIES TANDBERG is a global provider of videoconferencing solutions. The Group is significantly vertically integrated with operations organized into three theatres; Americas, EMEA and APAC. The Group’s main logistics and R&D activities are centered in Oslo, Norway.

BASIS FOR PREPARATION The financial statements are presented in United States Dollars (USD), rounded to the nearest million. They are prepared on the historical costs basis. No assets, except financial instruments, have been stated at their fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant impact on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in note 20.

The consolidated financial statements for the year ended 31 December 2004 were prepared in accordance with Norwegian Generally Accepted Accounting Policies (NGAAP). NGAAP differs in certain respects from IFRS. When preparing TANDBERG’s 2005 consolidated financial statements, management amended certain accounting, valuation and consolidation methods applied in the NGAAP financial statements for 2004 to comply with IFRS. The comparative figures for 2004 are restated to reflect these adjustments.

Notes *continued*

Reconciliations and descriptions of the effects of the transition from NGAAP to IFRS on the Group's equity and net profit are shown in note 19.

USE OF ESTIMATES The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Accounting estimates employed in the financial statements to determine reported amounts include the reliability of certain assets, the useful lives of tangible and intangible assets, income taxes and others. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

CONSOLIDATION PRINCIPLES The consolidated financial statements of TANDBERG include the financial statements of the parent company, TANDBERG asa, and its subsidiaries. Subsidiaries are those entities in which TANDBERG owns, either directly or indirectly, over 50% of the voting rights, or otherwise has the power to govern their operating and financial policies.

Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. The excess cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Subsidiaries acquired during the year are included in the consolidated finan-

cial statements from the date control is transferred to the Group, and subsidiaries sold are included in the consolidated financial statements until the date control is transferred from the Group. Where necessary, the accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

All intercompany transactions, receivables, liabilities and unrealized profits, as well as intragroup profit distribution, have been eliminated.

FOREIGN CURRENCIES The consolidated financial statements of TANDBERG are expressed in US dollars ("USD"). The Group began presenting its results in USD with effect from 1 January 2004.

Generally, the local currency is used as the measurement currency for the various entities. In the respective entity's financial statements, monetary assets and liabilities denominated in foreign currencies are translated at the rate prevailing at the balance sheet date. Transactions are recorded using the approximate exchange rate at the time of the transaction. All resulting foreign exchange transaction gains and losses are recognized in the subsidiary's income statement.

Income, expense and cash flows of the consolidated companies have been translated to USD using average exchange rates. The balance sheets are translated using the year-end exchange rates. Translation differences arising from movements in the exchange rates used to translate equity and long-term intercompany financing transactions and net income are allocated to shareholders' equity.

PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment is stated at cost, defined as acquisition cost less accumulated depreciation and impairment losses. Property, plant and equipment having different useful lives, as accounted for as separate items of property, plant and equipment. Property, plant and equipment have been valued at cost of acquisition or production and are depreciated on a straight-line basis over the following estimated useful lives:

Machinery and equipment: 3 to 5 years

Furnishings: 3 to 5 years

Computer hardware: 1 to 3 years

INTANGIBLE ASSETS Intangible assets are valued at cost and reviewed periodically for diminution in value. Any resulting impairment loss is recorded as an operating expense. For business combinations, the excess of the purchase price over the fair value of net identifiable assets acquired is recorded as goodwill in the balance sheet. At each balance sheet date, the Group evaluates the carrying value of goodwill. Impairment is recognized as a value adjustment when the expected future operating cash flows derived from the underlying business are less than the carrying value of the associated goodwill.

Intangible assets are depreciated over useful lives of 12 to 17 years on a straight-line basis.

Goodwill is not depreciated.

RESEARCH AND DEVELOPMENT COSTS Research costs are expensed as incurred. Development expenditures incurred on individual projects are capitalized when their future recoverability can reasonably be regarded as assured. Following the initial capitalization of the development expenditure, the resulting asset is carried at cost less any accumulated amortization and accumulated impairment losses. Any capitalized development expenditure is amortized over the period of expected future sales from the related project.

The carrying value of the development expenses is reviewed for impairment annually when the asset is not yet in use or more frequently when factors indicate that the carrying value may not be recoverable.

Subsequent expenditures on capitalized intangible assets are capitalized only when they increase the future economic benefit embodied in the specific asset to which they relate. All other expenditures are expensed as incurred.

INVENTORIES Inventories are stated at the lower of cost or net reliable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour and other direct costs (based on normal operating capacity) but excludes borrowing costs. Net reliable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

TRADE RECEIVABLES Trade receivables are carried at their anticipated reliable value, which is the original invoice amount less an estimated collection allowance for impairment of these receivables. A valuation allowance for impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

CASH AND CASH EQUIVALENTS Cash and cash equivalents comprise cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

IMPAIRMENT The carrying amounts of the Group's assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated.

Notes *continued*

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Goodwill was tested for impairment at 1 January 2004, the date of transition to IFRS, even though no indication of impairment existed.

CALCULATION OF RECOVERABLE AMOUNT The recoverable amount of other assets is the greater of their net selling price or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

REVERSAL OF IMPAIRMENT An impairment loss in respect of goodwill is not reversed.

An impairment loss for other assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have

been determined, net of depreciation or amortization, if no impairment loss had been recognized.

SHARE CAPITAL - REPURCHASE OF SHARE CAPITAL When share capital recognized as equity is repurchased, the amount of the consideration paid is recognized as a reduction of equity. Nominal value of the repurchased shares is recognized as a separate item under equity, while the difference between the consideration paid and the nominal value of equity is recognized under Other equity.

DIVIDENDS Dividends are recognized as a liability when declared by the General Meeting.

EMPLOYEE BENEFITS - PENSION OBLIGATION The Group operates a defined benefit pension scheme, which requires contributions to be made to separately administered funds. Actuarial gains and losses are recognized as income and expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at the date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan.

When implementing IFRS cumulative unrecognized actuarial gains and losses were recognized against equity. With effect from 31 December 2005, the defined benefit scheme in TANDBERG Telecom AS was terminated resulting in a gain which was recorded as Wages and social costs items.

EMPLOYEE BENEFITS - EQUITY COMPENSATION BENEFITS The share option program allows Group employees to acquire shares of the Company. The fair value of the options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and allocated over the period during which the employees vest in the options. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. The program is defined as equity settled, while accrued social security taxes are defined as cash settled.

Taxes paid by the employees based in the United States are deducted against Wages and social costs, as these taxes are refunded to the Company.

FINANCIAL INSTRUMENTS It is the Group's policy that no trading in financial instruments shall be undertaken.

Short-term cash deposits are defined as financial instruments under IFRS and are measured at fair value. The short-term cash deposits are structured limiting the risk to the balance sheet.

Receivables and debt are valued at market value which is assumed to be book value at the balance sheet date.

PROVISIONS Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is certain. The expense relating to any provision is presented in the income

statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as borrowing costs.

REVENUE - GOODS SOLD AND SERVICES RENDERED Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognized in the income statement in proportion to the stage of completion of the transaction at the financial statement date. The stage of completion is assessed by reference to the time frame of the service contracts, measured by the costs for completing the service contracts.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs, the possible return of goods, or continuing management involvement with the goods.

EXPENSES - OPERATING LEASE PAYMENTS Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized in the income statement as an integral part of the total lease contract.

INCOME TAX The income tax provision for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent it relates to items recognized directly in equity, in which case it is recognized in equity.

Tax effects from the realization of treasury shares are recognized directly as a reduction against equity.

Notes *continued*

Current tax is the expected taxes payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable for previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they are not likely not reversing in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

The tax effects of the elimination of intragroup transaction are recognized as a deferred tax asset or deferred tax liability.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available for utilization against the asset. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realized.

SEGMENT REPORTING A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group has identified its Geographical segment as its primary segment, and Business segment as its secondary segment. The Group's geographical segments are determined by the customer's locations.

Segment reporting is based upon management structure and internal financial reporting to the BoD and the chief executive officer.

NOTE 2

SEGMENT INFORMATION

Segment information is presented in respect of the Group's geographical segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's-length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly operating profits generated by the Operations department in TANDBERG Telecom AS, in addition to corporate expenses.

The geographical segments are managed in geographical regions, Americas, APAC (Asia and Pacific) and EMEA (Europe, Middle East and Africa). In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Operating assets are allocated based on the geographical location of the customer, while the operating liabilities are allocated based on the geographical location of the acquiring segment.

GEOGRAPHICAL SEGMENTS The following tables present revenues and operating profit information according to the Group's geographical segments for the years ended 31 December 2005 and 2004.

(MUSD)

OPERATING REVENUES	2005	2004
Americas	189.3	168.3
EMEA	125.8	102.2
APAC	30.1	34.5
Total	345.2	305.0
OPERATING PROFIT		
Americas	7.7	7.2
EMEA	7.6	3.9
APAC	(2.0)	0.1
Non-allocated	72.1	66.3
Total	85.4	77.5

(MUSD)

OPERATING ASSETS AND LIABILITIES	2005	2004
<i>Accounts receivable</i>		
Americas	37.6	37.0
EMEA	35.0	33.9
APAC	6.7	8.7
Non-allocated	—	—
Total	79.2	79.6
<i>Accounts payable</i>		
Americas	15.4	5.2
EMEA	20.0	13.6
APAC	5.7	6.1
Non-allocated	(18.3)	0.9
Total	22.8	25.8

IAS 14 allows only assets and liabilities that relate to the operations of the segment to be allocated to that segment. In the Group's internal reporting system assets and liabilities, other than accounts receivable and accounts payable, are not attributed directly or allocated to the three segments on a reasonable basis. The Group has decided not to allocate jointly used assets and liabilities, as the allocation would have been arbitrary and not understandable.

Notes *continued*

BUSINESS SEGMENTS The Group comprises the sales of the following main products and services:

- End-points: Personal videosystems, small and large meeting room videosystems and vertical applications.
- Network products: Infrastructure including but limited to Boardercontroller, gateways, MCUs and MPs.
- Services: Service contracts tied to end-points and network product sales.

The following table presents revenue information regarding the Group's business segment for the years ended 31 December 2005 and 2004.

(MUSD)		
OPERATING REVENUES	2005	2004
End-points	258.0	236.5
Network products	42.6	33.0
Value Added Services	44.5	35.5
Total	345.2	305.0

All sales derive from the same product group or service related to the product group, and there is a high degree of similarity of growth opportunities, risk and earnings potential for the various products within the product and service portfolios. Therefore no business segments as defined in IAS 14 are reported.

NOTE 3

REVENUES AND EXPENSES

OTHER OPERATING COSTS Other operating costs consist of all operating costs with the exception of salaries and depreciation.

(MUSD)		
	2005	2004
Travel and entertainment	10.0	7.3
Marketing expenses	9.8	10.3
Rental expenses	8.1	6.9
Communication	4.7	4.1
Other operating expenses	16.6	13.9
Loss on accounts receivable	2.4	1.2
Total	51.6	43.8

WAGES AND SOCIAL COSTS Wages and social costs represent total costs associated with the remuneration of personnel employed in the Group. These costs consists of direct salaries, holiday pay, bonuses, cost for options granted, pension costs and social security taxes. The costs are broken down as follows:

(MUSD)		
	2005	2004
Wages and salaries	70.6	62.2
Social security contributions	10.5	8.9
Pension expenses	0.3	1.4
Equity settled transactions	3.1	2.9
Other personnel expenses	0.8	3.5
Total	85.3	78.9

The average number of full-time employees during the financial year was 678. At year-end, 772 persons were employed in the Group.

NET FINANCIAL ITEMS

(MUSD)

	2005	2004
Interest income	5.9	2.9
Foreign exchange gain	13.5	11.0
Financial income	0.0	0.1
Total financial income	19.4	14.0
Interest expense	(0.4)	(0.2)
Foreign exchange loss	(13.0)	(11.1)
Bank charges	(0.5)	(0.2)
Total financial expenses	(14.0)	(11.5)
Net financial items	5.4	2.5

AUDITORS KPMG is the elected auditor for TANDBERG asa, including all Group companies. The following table lists all fees paid to KPMG in 2005:

(USD 000)

	AUDIT	ASSURANCE	TAX ADVISE	OTHER FEES	TOTAL FEES
2005	378.1	55.8	157.6	4.8	596.3

As part of TANDBERG's corporate governance policies, the elected auditor is not engaged in other assignments not closely related to the auditing of the financial statements, with the exception of certain assignments related to expatriate personnel.

NOTE 4 - INCOME TAXES

The tax charge is calculated on the basis of the accounting result and is divided between taxes payable and deferred taxes. Deferred taxes arise from timing differences between accounting and taxation balance sheet values.

Tax charges are divided between tax charges arising from Norwegian operations and foreign operations:

(MUSD)

THE TAX CHARGE FOR THE YEAR IS MADE UP AS FOLLOWS:

	2005	2004
Taxes payable Norway	17.2	20.0
Taxes payable abroad	8.5	3.7
Change in deferred taxes Norway	0.7	(1.8)
Change in deferred taxes abroad	(5.8)	(0.4)
Effects of implementing IFRS	—	0.9
Total tax charge	20.7	22.4
Effective tax rate	22.8%	27.9%

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

(MUSD)

	ASSETS		LIABILITIES		NET	
	2005	2004	2005	2004	2005	2004
Accounts receivable	(0.8)	(0.6)	—	—	(0.8)	(0.6)
Inventory	(3.4)	(0.6)	—	—	(3.4)	(0.6)
Deferred income	(1.3)	(1.3)	—	—	(1.3)	(1.3)
Provisions	(1.3)	(1.5)	—	—	(1.3)	(1.5)
Other short-term timing differences	(0.1)	(1.9)	—	—	(0.1)	(1.9)
Fixed assets	(1.0)	(1.7)	—	—	(1.0)	(1.7)
Pensions	—	—	—	0.1	—	0.1
Tax losses carried forward	(5.0)	(0.2)	—	—	(5.0)	(0.2)
Effects from IFRS	—	—	2.5	1.1	2.5	1.1
Effects from acquisitions	—	—	6.1	6.4	6.1	6.4
Deferred tax (assets)/ - liabilities	(13.0)	(7.8)	8.5	7.5	(4.4)	(0.3)
Set off tax	8.5	7.5	(8.5)	(7.5)	—	—
Net (tax assets)/tax liability	(4.5)	(0.3)	—	—	(4.5)	(0.3)

Notes *continued*

SUMMARY OF DEFERRED TAXES:

(MUSD)

SHORT-TERM	2005	RECOGNIZED IN INCOME	RECOGNIZED IN EQUITY	2004
Accounts receivable	(0.8)	(0.3)	0.0	(0.6)
Inventory	(3.4)	(2.8)	0.0	(0.6)
Deferred income	(1.3)	(0.0)	0.0	(1.3)
Provisions	(1.3)	0.1	0.1	(1.5)
Other short-term timing differences	(0.1)	1.6	0.1	(1.9)
LONG-TERM				
Fixed assets	(1.0)	0.6	0.1	(1.7)
Pensions	—	(0.1)	(0.0)	0.1
Net timing differences	(8.0)	(0.5)	0.3	(7.6)
Losses carried forward - Norway	—			—
Losses carried forward - abroad	(5.0)	(5.0)	(0.2)	(0.2)
Total	(13.0)	(5.5)	0.1	(7.8)
Effects from acquisitions of subsidiaries	6.1	(1.1)	0.8	6.4
Effects of implementing IFRS	2.5	1.4	—	1.1
Net tax allowance	(4.5)	(5.2)	0.9	(0.3)

Recognized directly in equity relates to translation differences.

(MUSD)

RECONCILIATION OF TAX CHARGE	2005	2004
Profit before tax	90.8	80.0
Calculated tax - nominal rate	25.9	24.0
Permanent differences	(1.9)	(2.9)
Recognition of tax losses carried forward	(5.1)	
Other items	1.9	1.1
Actual tax charge for the period	20.7	22.4
Effective tax rate	22.8%	28.0%

(MUSD)

TAX EFFECT OF PERMANENT DIFFERENCES RECOGNIZED DIRECTLY IN EQUITY	2005	2004
Related to equity settled transactions	0.4	—

Permanent differences for the group relate mainly to tax deductions for exercised share options for employees in TANDBERG Inc, and non-taxable costs related to IFRS.

The Group's estimated tax rate for 2005 was reduced from 30% to 28% based on new estimates for the long-term effective tax rate for the Group.

Due to a higher probability of utilization of tax losses carried forward, MUSD 4.8 has been capitalized as deferred tax assets related to tax losses carried accumulated in TANDBERG Telecom UK Ltd (formerly Ridgeway Software and Technology Ltd.). The tax losses can be carried forward indefinitely.

In 2004, the tax authorities gave notice that they will review TANDBERG asa's intragroup purchase of BTVI/Canvas (now a part of TANDBERG Inc.). The tax authorities have indicated a possible increase in taxable income for TANDBERG asa of between USDm 9.2 - 10.8 for the tax year 2000. The issue has not been resolved by the tax authorities as of 31 December 2005. As of 31 December 2005 no provision for the potential tax adjustment has been made.

NOTE 5

PROPERTY, PLANT AND EQUIPMENT

(MUSD)

	MACHINERY & FIXTURES
At 1 January 2005, net of accumulated depreciation	4.2
Additions	3.4
Disposals	(0.1)
Revaluations	—
Impairment	—
Depreciation charge for the year	(2.9)
Exchange adjustment	(0.3)
At 31 December 2005, net of accumulated depreciation	4.2
Estimated remaining economic life	3-5 yrs
At 1 January 2005	
Cost	16.7
Accumulated depreciation and impairment	(12.5)
Net carrying amount	4.2
At 31 December 2005	
Cost	18.9
Accumulated depreciation and impairment	(15.4)
Exchange adjustment	0.7
Net carrying amount	4.2

Machinery & fixtures are depreciated on a straight-line basis over an economic life for new assets of between 3 and 5 years.

As of 31 December 2005, no property, plant & equipment was pledged as security for financing arrangements.

Notes *continued*

NOTE 6 INTANGIBLE ASSETS

(MUSD)

	DEVELOPMENT COSTS	PATENTS AND LICENSES	PRODUCT PORTFOLIO	GOODWILL	TOTAL
Cost as at 1 January net of accumulated amortization	4.0	27.9	—	27.9	59.8
Additions	10.9	2.7	2.1	5.4	21.0
Disposal					
Impairment					
Amortization	(6.0)	(1.8)			(7.8)
Exchange adjustment	—	(1.1)	(0.1)	(0.5)	(1.7)
At 31 December 2005	8.9	27.7	2.0	32.8	71.4
At 1 January 2005					
Cost (Gross carrying amount)	5.7	28.7	—	36.6	70.9
Accumulated amortization and impairment	(1.7)	(0.8)	—	(8.6)	(11.1)
Net carrying amount	4.0	27.9	—	27.9	59.8
At 31 December 2005					
Cost (gross carrying amount)	16.6	31.4	2.1	41.9	92.0
Accumulated amortization and impairment	(7.7)	(2.6)	—	(8.6)	(18.9)
Exchange adjustment	—	(1.1)	(0.1)	(0.5)	(1.7)
Net carrying amount	8.9	27.7	2.0	32.8	71.4
Estimated remaining economic life	1.5 yrs	12 - 15 yrs	5 yrs	Indefinite	

Amortization of Intangible assets is included in the Income Statement under Depreciation.

INTANGIBLE ASSETS HAS BEEN GENERATED THROUGH THE FOLLOWING ACTIVITIES:

(MUSD)

	DEVELOPMENT COSTS	PATENTS AND LICENSES	PRODUCT PORTFOLIO	GOODWILL	TOTAL
<i>Self-generated intangible assets:</i>					
Development activities in TANDBERG Telecom AS	8.9				8.9
<i>Intangible assets acquired separately:</i>					
Patents acquired from Ezina Inc		4.3			4.3
Patents acquired from Forgent		3.3			3.3
Product portfolio related to 3G activities			2.0		2.0
<i>Intangible assets acquired through business combinations:</i>					
Ridgeway Software and Technology Ltd (2004)		17.5		3.3	20.7
CBCI Inc (1997)				—	—
Ectus Ltd (2005)		2.7		5.4	8.1
Nuvision Inc (1997)				20.0	20.0
Internet Technology AS (1999)				1.7	1.7
Delante AS (2001)				2.4	2.4
Total net carrying amount	8.9	27.7	2.0	32.8	71.4

For the year ended 31 December 2005 development costs are capitalized at cost. These intangible assets have been assessed to have a definite life at 1 January 2004 and is amortized using the straight-line method over a period of 2 years. These assets are tested for impairment when an indicator of impairment arises.

Patents and licenses represent intangible assets purchased individually. The useful lives of these intangible assets have been estimated as having definite lives of 16 years and are amortized under the straight-line method.

Notes *continued*

NOTE 7

EMPLOYEE BENEFITS

EMPLOYEE SHARE OPTION PROGRAM The Group has an employee share incentive plan for the granting of non-transferable options to non-commissioned employees. Options granted under the plan vest on the first day on which they become exercisable which is typically one year after the grant date. The vesting period for the employee share option plan is finite allowing eligible employees to exercise the option once certain non-market conditions are met. The options are settled in equity once exercised.

During 2005, options were granted over 1,707,866 shares of an average exercise price of NOK 74.20.

The following table illustrates the number (No.) and weighed average exercise price (WAEP) of share options for the ESOP:

	2005 No.	2005 WAEP	2004 No.	2004 WAEP
Outstanding at the beginning of the year	4,342,003	46.06	3,584,353	28.00
Granted during the year	1,950,000	74.20	3,668,188	49.00
Forfeited during the year	(558,650)	74.20	(270,875)	49.00
Exercised during the year	(4,200,487)	46.06	(2,639,663)	28.00
Outstanding at the end of the year	1,532,866	74.20	4,342,003	46.06
Exercisable at the end of the year	1,532,866 *	74.20	4,342,003	46.06

* The 2005 share option program was canceled by the Board of Directors on 16 February 2006

The fair value of the options has been calculated using Black & Scholes option pricing model using the following assumptions:

- Historical volatility of 40% calculated based on 1 year historical share price movements
- Risk free interest rate of 2.5%
- Expected dividends of 0.5% per share
- 1 year option life

In addition the following assumptions have been used with regards to service conditions:

- 95% of all employees eligible for options will receive maximum number of granted options
- Expected turnover of 3%

A total expense of USDm 3.1 and USDm 2.9 has been included as salary costs in 2005 and 2004, respectively.

PENSIONS The Group has one defined benefit pension plan, covering primarily all of its Norwegian employees, of which requires contributions to be made to administered funds.

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	2005	2004
Discount rate	4.25%	5.00%
Return on pension funds	5.25%	6.00%
Annual increase in salaries	3.50%	3.50%
Annual increase in social security costs	3.00%	3.00%
Annual increase in pensions	2.50%	2.50%
Actual return on plan assets		6.4%

(MUSD)

	2005	2004
Current service cost	0.9	0.8
Interest cost on benefit obligation	0.2	0.2
Expected return on plan assets	(0.1)	(0.1)
Accrued social service costs	—	0.1
Changes estimated and deviations	—	0.1
Recognition of pension liability	(1.4)	—
Net actuarial loss recognized in the year	(0.4)	—
Net expense - defined benefit plans	(0.8)	1.0
Net expense - defined contribution plans	1.1	0.4
Net benefit expense - all plans	0.3	1.4
Benefit asset / (liability)		
Benefit obligation	(6.4)	(4.7)
Plan assets	3.4	2.7
Recognition of estimation differences	—	—
Unrecognized net actuarial (gains)/losses	—	0.2
Derecognition of pension liability	3.0	—
Benefit asset / (liability) - non current	0.0	(1.8)

There are several defined contribution plans in the Group, and total pension cost amounting to USDm 1.1 related to the defined contribution plans has been recorded as Wages and social costs.

With effect from 1 January 2006 all employees in the defined benefit pension plan has been transferred to defined contribution plans and the defined benefit plan has been closed. The closure of the defined benefit plan resulted in a gain of USDm 3.0 which has been recorded as Wages and social costs.

Notes *continued*

TANDBERG Inc. has a 401-K contribution plan for its employees. Employees are eligible upon reaching the age of 21 and after 3 months of employment. Employees can defer up to 15% of their pre-tax salary up to a maximum of USD 14,000 per year. The employer must correspondingly contribute 35% of the first 8% paid in by the employees.

Pension payments from TANDBERG Inc. vest to the employees at 20% a year over a 5-year period. If an employee leaves the company before the end of the 5-year period, the unvested amount belongs to TANDBERG Inc. As of 31 December 2005, 220 employees participated in the pension plan. The pension costs for TANDBERG Inc. in 2005 were USD 402,083.

NOTE 8 INVENTORIES

(MUSD)

	2005	2004
Raw materials	3.1	3.1
Work-in-progress	3.2	4.8
Finished goods	23.7	25.4
Provision for obsolescence - finished goods	(3.5)	(1.2)
Total inventories	26.5	32.1

An increase of the provision of 2.5 MUSD has been recognized in the income statement in 2005 as Cost of goods sold. All inventories have been valued at lower of cost and net realizable value. As of 31 December 2005, no inventories have been pledged in relation to financing arrangements.

NOTE 9

ACCOUNTS RECEIVABLE

(MUSD)

	2005	2004
Accounts receivable (gross)	81.7	81.6
Provision for bad debt	(2.5)	(2.0)
Accounts receivable (net)	79.2	79.6

Accounts receivable are non-interest bearing. Normal credit-terms are net 30 days.

Actual losses on accounts receivable amounted to USDm 2.4 and USDm 1.2 in 2005 and 2004.

Losses are recognized when there is a higher than 50% probability that the receivable will not be collected.

NOTE 10

CASH AND SHORT-TERM DEPOSITS

(MUSD)

	2005	2004
Cash at bank and in hand	51.6	41.9
Short-term deposits	151.2	201.0
Cash and cash equivalents	202.8	242.9

Cash at bank and in hand earns interest at floating rates based on current bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The cash and short-term deposits had an average interest rate of 2.8% in 2005.

Cash and short-term deposits include restricted deposits of USDm 1.5 in 2005 and USDm 1.1 in 2004.

NOTE 11

THE TANDBERG SHARE

EARNINGS PER SHARE A total of 1,950,000 options were issued at 31.12.05. When calculating diluted earnings per share, the share capital to be paid-in relating to these options is not taken into consideration as these options were out-of-the-money at year end.

(MUSD)

	2005	2004
Time-weighted number of shares	126,646,345	133,492,878
Profit after tax (USD)	70,132,252	57,609,000
Earnings per share (USD)	0.55	0.43
Total diluted shares	126,646,345	134,635,891
Earnings per share, diluted (USD)	0.55	0.43

The Board of Directors has suggested a dividend amounting to NOK 0.65 per share. In accordance with IFRS, an accrual for dividends are not made until a formal decision has been made by the Annual General Meeting.

BUY-BACK OF SHARES At the Extraordinary General Meeting, 10 November 2004 an authorization to buy-back 10% of outstanding shares was given to the board. During 2005, a total of 12,059,500 shares were bought back at an average share price of NOK 68.23 per share. During the same period a total of 4,243,218 shares were sold at an average share price of NOK 47.76 per share. As of 31 December 2005, 12.34% of the authorization given to the board had not been used. The intention is to use the shares in connection with incentive schemes for employees, acquisitions or to cancel the shares through a capital reduction.

Notes *continued*

LARGEST SHAREHOLDERS Summary of the largest shareholders as of 31 December 2005 in TANDBERG asa:

NAME OF SHAREHOLDER	NUMBER OF SHARES	OWNERSHIP IN %	VOTING RIGHTS IN %
TANDBERG asa	11,771,752	8.76	8.76
JPMorgan Chase Bank			
S/A Oppenheimer Funds Inc	8,179,117	6.09	6.09
Folketrygdfondet	7,419,800	5.52	5.52
State Street Bank & Trust Co.			
Client Omnibus F	5,955,672	4.43	4.43
State Street Bank & Trust Co.			
Client Omnibus D	5,751,712	4.28	4.28
Goldman Sachs & Co, Equity			
Nontreaty Customer Segr Account	5,263,223	3.92	3.92
Mellon Bank NA as agent for ABN Amro	5,137,231	3.82	3.82
Pictet & Cie Banquiers	4,317,031	3.21	3.21
JP Morgan Chase Bank Schroeders			
Lux Exclusive Lending Account	3,233,870	2.41	2.41
Morgan Stanley & Co Inc. Client Equity Account	2,701,174	2.01	2.01
JP Morgan Chase Bank Clients Treaty Account	2,298,001	1.71	1.71
Mellon Bank NA as agent for Clients	2,185,697	1.63	1.63
Vital Forsikring SAS	2,064,228	1.54	1.54
SIS Segaintersettle AG	2,041,290	1.52	1.52
Skandinaviska Enskilda Banken A/C			
Icelandic Residents	1,930,600	1.44	1.44
Bank of New York, Brussels Branch			
BNY GCM Client Account	1,901,082	1.42	1.42
Clearstreaming Banking S.A CID Dept., Frankfurt	1,658,956	1.24	1.24
Citigroup Global Markets LTD IPB			
Clients Safekeep Account	1,464,626	1.09	1.09
KBC Securities A/C Belgian			
clients Treaty Account	1,425,210	1.06	1.06
UBS AG, London Branch IPB Client Account	1,333,400	0.99	0.99
Total 20 largest shareholdings	78,033,672	58.09	58.09
Others (ownership interest)	56,291,134	41.91	41.91
Total shareholding	134,324,806	100.00	100.00

There has not been an increase in the number of shares during 2005. The total number of issued shares as of 31 December 2005 was 134,324,806 with a nominal value of NOK 1 per share.

NOTE 12

CHANGE IN RECEIVABLES/PAYABLES/INVENTORIES

Cash flow effects from changes in the balance sheet accounts are as follows:

(MUSD)

	2005	2004
Accounts receivable	0.4	(28.0)
Inventory	5.4	(13.3)
Accounts payable	(3.0)	12.9
Total changes	2.8	(28.4)

NOTE 13

COMMITMENTS AND CONTINGENCIES

OPERATING LEASE COMMITMENTS The Group has entered into commercial leases on certain items where it is not in the best interest of the Group to purchase these assets. The leases have an average life of 1.5 years. No option for renewals exist. Future minimum rental payable are minimal as these lease contracts are for office equipment such as copiers and printers.

RENTAL COMMITMENTS The Group has entered into several rental agreements for office and warehouse locations. The rental terms of these contracts varies from 1 to 8 years.

Future minimum rental payable on the rental contracts as of 31 December 2005 are as follows:

(MUSD)

	2005	2004
Within one year	1.9	2.7
After one year, but not more than five years	11.1	9.0
More than five years	2.9	0.7
	15.8	12.5

Notes *continued*

NOTE 14

RELATED PARTY TRANSACTIONS

The Group's directors and executive officers are considered related parties.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL Directors and executive officers of TANDBERG and their immediate relatives control 1.05% percent of the shares of TANDBERG asa.

Compensation, shareholdings and loans to executive officers were in 2005 as follows:

NAME	POSITION	SALARY (USD)	BONUSES (USD)	OTHER BENEFITS (USD)	SHARE OPTIONS*	LOANS	SHARE HOLDING
Fredrik Halvorsen	Chief Executive Officer	151,250		4,854	75,000	—	—
Richard Snyder	President Americas	176,251	67,500	51,931	50,000	—	—
Odd Johnny Winge	President EMEA	215,107		1,290	25,000	—	—
Benny Lee	President APAC	412,494		54,397	175,000	—	—
Per Haug Kogstad	Executive Vice President	248,266		21,692	—	—	108,584
Harald Johannessen	Executive Vice President, Logistics	225,553		1,290	—	—	70,699
Geir Langfeldt Olsen	Executive Vice President, Bus. Dev	178,234		5,220	16,000	—	1,100
Terje Rogne	Senior Vice President, Operations	228,861		8,794	—	—	477,720
Steven Peri	Senior Vice President, Legal counsel	178,045	33,000	10,000	50,000	—	—

* The 2005 share option program was canceled by the Board of Directors 16 February 2006

Total benefit from share options exercised by executive officers, listed in the table on page 36, amounted to USD 1,322,887 in 2005.

The CEO has an agreement for compensation amounting to 12 months salary in the case of termination of the employee contract.

The former CEO, Andrew Miller resigned on 16 December 2005. Salary and bonus for 2005 amounted to USD 1,500,000. Upon his resignation he received USD 1,000,000, which was off-set against the loan he was granted in 2003. In addition, he receives USD 50,000 per month in consulting fees from TANDBERG for a period of 6 months in 2006. Mr. Miller also had reported benefits from exercises of share-options of USD 2,376,243 in 2005.

The Vice President for the Americas Operations, Thomas B. Johnston resigned effective 31 December 2005. Mr Johnston received a total compensation of USD 438,000 in 2005. He will receive USD 290,000 in severance payments during 2006.

The Board of Directors received the following remuneration for 2005:

NAME	POSITION	SHARE OPTIONS*	SHARE HOLDING	REMUNERATION (NOK)
Jan Chr. Opsahl	Chairman	—	712,352	650,000
Amund Skarholdt	Vice Chairman	—	20,000	300,000
Grace Reksten Skaugen		—	—	250,000
Jørgen Haslestad		—	—	250,000
Patricia Ausetth	Employee representative	2,500	14,616	150,000
Carl Henrik Aaby	Employee representative	2,500	5,531	150,000

In addition, Jan Chr. Opsahl and Amund Skarholdt received NOK 20,000 each for committee work.

The Chairman of the Board has a defined contribution pension plan. In accordance with the plan he is entitled to receive annual payments of NOK 728,616 from April 2009 until April 2024.

Notes *continued*

GROUP ENTITIES The Group's ultimate parent company is TANDBERG asa. The consolidated financial statements include the financial statements of TANDBERG asa and the subsidiaries listed in the following table:

SUBSIDIARIES	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST		PROFIT AFTER TAXES		EQUITY	
		2005	2004	2005	2004	2005	2004
TANDBERG Inc	USA	100%	100%	USDm 4.6	USDm 2.8	USDm 30.2	USDm 21.9
TANDBERG Canada Inc	Canada	100%	100%	CADm (2.0)	CADm 1.5	CADm 9.1	CADm 11.0
TANDBERG Asia Pacific Pte Ltd	Singapore	100%	100%	SGDm 0.0	n.a	SGDm 0.6	n.a
TANDBERG Telecom AS	Norway	100%	100%	NOKm 296.4	NOKm 321.2	NOKm 92.9	NOKm 402.9
SUBSIDIARIES OF TANDBERG TELECOM AS							
TANDBERG UK Ltd	United Kingdom	100%	100%	GBPm 0.2	GBPm 0.3	GBPm 0.6	GBPm 0.4
TANDBERG Telecom UK Ltd	United Kingdom	100%	100%	GBPm 2.7	GBPm (0.5)	GBPm 2.5	GBPm (0.2)
TANDBERG New Zealand Ltd	New Zealand	100%	n.a	NZDm (0.6)	n.a	NZDm 0.1	n.a

Transfer prices between subsidiaries are set on an arms length basis in a manner similar to transactions with third parties.

NOTE 15

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

OVERALL The Group has low exposure to financial risks. The main financial risks in the Group are foreign currency risk and credit risk. It is the Group's policy that no trading in financial instruments shall be undertaken, with the exception of investment in short-term cash deposits. Short-term cash deposits are defined as financial instruments under IFRS and are measured at fair value. The market value of Short-term deposits was USDm 151.2 and USDm 201.0 as of 31 December 2005 and 2004, respectively. Under IFRS, receivables and liabilities are also defined as financial instruments and book value is assumed to be the same as market value.

INTEREST RATE RISK TANDBERG has no interest bearing debt. Surplus liquid funds are kept in USD and invested in short-term cash deposits or at floating interest rates with banks. The Group's interest rate exposure is minimal, since the portfolio of liquid funds has a duration below two months.

FOREIGN CURRENCY RISK The structural currency exposure (translation exposure) is limited. Approximately 90% of total assets minus liabilities are denominated in the functional currency USD. The other main currencies for the Group, NOK, GBP, EUR and CAD, have separately less than +/- 10% of total assets minus liabilities.

The Group has transactional currency exposure. Such exposure arises from sales or purchases in currencies other than the reporting currency USD. TANDBERG attempts to create natural hedges in the flow of currencies other than USD. Although this reduces the transactional currency exposure, a change in the NOK/USD rate of +/- 1.00, will impact the operating revenue with about +/- USD 2 million and the operating profit with about +/- USD 12-14 million.

COMMODITY PRICE RISK The Group's exposure to price risk is minimal.

CREDIT RISK The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is limited. Customers that are not credit-worthy can only trade with the Group when prepayment, Letters of Credit or other security are received. There are no significant concentrations of credit risk within the Group.

LIQUIDITY RISK The Group has no funding need or liquidity risk.

NOTE 16

RESEARCH AND DEVELOPMENT

Costs in connection with applied and basic research and development amounted to USDm 28.2 in 2005, of which USDm 10.9 has been capitalized as development costs in accordance with IAS 38. The corresponding numbers for 2004 were USDm 19.2 and USDm 5.7, respectively.

Notes *continued*

NOTE 17

BUSINESS COMBINATIONS

ACQUISITION OF ECTUS LTD. On 3 October 2005, TANDBERG Telecom AS acquired 100% of the voting shares of Ectus Ltd, an unlisted company in New Zealand, specializing in streaming of video content. In connection with the business combination TANDBERG asa sold 43,171 of its own shares with a fair value of NOK 87.50 to TANDBERG Telecom AS to be paid out to the employee shareholders of ECTUS Ltd. In addition a cash consideration of USDm 6.7 was paid to the shareholders.

The fair value of the identifiable assets and liabilities of Ectus Ltd as at the date of the acquisition were:

(USD 000)	RECOGNIZED VALUE	CARRYING VALUE
Property, plant and equipment	169	169
Cash and cash equivalents	60	60
Trade receivables	79	79
Patents	1,648	-
Patents and licenses	353	353
	2,309	661
Trade payables	(303)	(303)
Other liabilities	(54)	(54)
	(357)	(357)
Fair value of assets	1,952	304
Goodwill arising on acquisition	5,377	
Considerations:		
Own shares at fair value	564	
Cash payments	6,730	
Costs associated with the acquisition	36	
Total consideration	7,329	
The net cash outflow on acquisition were as follows:		
Net cash acquired with Ectus Ltd.	60	
Cash paid	(6,730)	
Net cash outflow	(6,670)	

From the date of acquisition, Ectus Ltd has contributed USDm (0.5) to the net profit of the Group.

If the combination had taken place at the beginning of the year, the net profit for the Group would have been USDm (0.7).

The employee shareholders in Ectus receiving TANDBERG shares in the transaction have a holding period of 18 months.

Included in the USDm 5.4 of goodwill recognized above are certain intangible assets that cannot be individually separated and reliably measured from the acquired company due to their nature. Assets included in this balance consist of research activities and control over the acquired company.

ACQUISITION OF CERTAIN ASSETS AND RIGHTS FROM TNO, THE NETHERLANDS ORGANIZATION

FOR APPLIED SCIENTIFIC RESEARCH On 1 July 2005, TANDBERG Telecom AS acquired assets and certain rights from TNO related to interactive multimedia video applications and development of video services for 3G mobile phones. Total consideration for the assets and certain rights were €m 1.75. Of the total consideration, €m 1.3 was paid in cash at the transaction date, while payments of €m 0.45 are conditional on certain clauses in the Sales and Purchase Agreement.

The fair value of the identifiable assets and certain rights acquired from TNO at the date of the acquisition were:

(USD 000)		
	RECOGNIZED VALUE	CARRYING VALUE
Property, plant and equipment	45	45
Product portfolio	2,100	—
	2,145	45
Liabilities	—	—
Fair value of assets	2,145	45
Consideration		
Cash payment at date of transaction	1,615	
Conditional payments	530	
Total consideration	2,145	

The conditional payments will be paid within 12 months if certain conditions in the Sales & Purchase agreement are met.

Notes *continued*

NOTE 18 IMPAIRMENT TESTING OF INDEFINITE LIVED PRODUCT PORTFOLIO, GOODWILL AND PATENTS

GOODWILL Goodwill acquired through business combinations has been allocated to 4 individual cash-generating units for impairment testing as follows:

- Americas Theatre cash-generating unit for goodwill related to the acquisition of CBCI Inc. and Nuvision Inc.
- Management system software cash-generating unit for goodwill related to the acquisition of Delante AS and Internet Technology AS.
- Expressway cash-generating unit for goodwill related to the acquisition of Ridgeway Software and Technology Ltd.
- Streaming products cash-generating unit for goodwill related to the acquisition of Ectus Ltd.

AMERICAS THEATRE CASH-GENERATING UNIT The recoverable amount of the Americas Theatre cash-generating unit has been determined based on a value in use calculation. Cash flow projections are based on budget for 2006 approved by the board of directors and forecasts for the 4 following years approved by senior management. The discount rate applied to the cash flow projections is 9.1 per cent. The average annual growth rate applied to the cash-flow projections is approximately 10%.

MANAGEMENT SYSTEM SOFTWARE CASH-GENERATING UNIT The recoverable amount for the management system software cash-generating unit is determined using cash flow projections based on 5 year forecasts approved by senior management. The discount rate applied to the cash flow projections is 10.6 per cent. The average annual growth rate applied to the cash-flow projections is approximately 8.5%.

EXPRESSWAY CASH-GENERATING UNIT The recoverable amount for the Expressway cash generating unit is determined using cash-flow projections based on the 2006 budget approved by the board of directors in addition to a 4 year forecast approved by senior management. The discount rate applied to the cash-flow projections is 10.6 per cent. The average annual growth rate applied to the cash-flow projections is approximately 8.0%.

STREAMING PRODUCTS CASH-GENERATING UNIT The recoverable amount for the streaming products cash generating unit is determined using cash-flow projections based on the 2006 budget approved by the board of directors in addition to a 4 year forecasts approved by senior management. The discount rate applied to the cash-flow projections is 10.6%. The average annual growth rate applied to the cash-flow projections is approximately 30.0%.

CARRYING AMOUNT OF GOODWILL

(MUSD)

	AMERICAS THEATRE UNIT		MANAGEMENT SYSTEM UNIT		EXPRESSWAY UNIT		STREAMING UNIT	
	2005	2004	2005	2004	2005	2004	2005	2004
Carrying amount of goodwill	20.0	20.0	4.1	4.1	3.2	3.2	5.4	—

KEY ASSUMPTIONS USED IN VALUATION OF CASH-GENERATING UNITS FOR 31 DECEMBER 2005

AND 31 DECEMBER 2004 The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill, patents and licenses.

Budgeted gross margins - the basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately prior to the budgeted year, increased for expected efficiency improvements.

Sales - the basis used to determine budgeted sales is current year sales increased with the sales forecast for the visual communication industry, adjusted for competitiveness from the Company's side. A decreased growth rate of 5% annually would not initiate an impairment of goodwill.

Operating costs - the basis to determine budgeted operating costs is current year operating costs increased with estimated number of employees, adjusted for operating efficiency. An additional increase in operating costs of 5% would not initiate an impairment of goodwill.

Terminal value - Terminal values have not been calculated for the cash-generating units, with the exception of the Americas Theatre unit. It is assumed 0% growth when calculating the terminal value of the Americas Theatre unit.

Notes *continued*

NOTE 19

IMPLEMENTATION OF IFRS

As stated in Note 1, the 2005 financial statements are the Group's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004 and in the preparation of an opening balance sheet as of 1 January 2004 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with Norwegian Accounting Standards (NGAAP). An explanation of how the transition from NGAAP to IFRS has affected the Group's financial position, financial performance and cash flow is set out in the following tables and the notes that accompany the tables.

RECONCILIATION OF EQUITY

(MUSD)

EFFECTS OF TRANSITION TO	NOTE	NGAAP	IFRS	IFRS	NGAAP	IFRS	IFRS
		1 JANUARY 2004			31 DECEMBER 2004		
<i>Intangible fixed assets</i>							
Goodwill and patents	a) f)	29.2	—	29.2	56.3	5.9	62.2
Deferred tax assets		5.1	—	5.1	1.4	(1.1)	0.3
Tangible fixed assets		5.3	—	5.3	4.2	—	4.2
Financial fixed assets	b)	1.2	(0.5)	0.7	0.4	(0.1)	0.3
Total fixed assets		40.8	(0.5)	40.3	62.2	4.7	66.9
<i>Current assets</i>							
Components, raw material		1.8	—	1.8	3.1	—	3.1
Work in progress		2.9	—	2.9	4.8	—	4.8
Finished goods		14.0	—	14.0	24.2	—	24.2
Accounts receivable		51.6	—	51.6	79.6	—	79.6
Other short-term receivables		4.3	—	4.3	5.3	—	5.3
Cash and bank deposits		254.2	—	254.2	242.9	—	242.9
Total current assets		328.8	—	328.8	359.8	—	359.8
TOTAL ASSETS		369.6	(0.5)	369.1	422.0	4.7	426.7
<i>Share capital</i>							
Share capital		15.2	—	15.2	15.6	—	15.6
Treasury shares					(0.6)		(0.6)
Share premium	c)	90.8	—	90.8	112.2	2.9	115.1
Total paid-in equity		106.0	—	106.0	127.1	2.9	130.0
Retained earnings	e)	200.9	6.1	207.0	192.6	12.2	204.8
Total Equity		306.9	6.1	313.0	319.8	15.1	334.9
Long-term liabilities		—	1.4	1.4	—	1.8	1.8
<i>Current liabilities</i>							
Accounts payable		12.9	—	12.9	25.8	—	25.8
Tax deductions and duties payable		(1.9)	—	(1.9)	(4.4)	—	(4.4)
Taxes payable		17.1	—	17.1	22.3	—	22.3
Other short-term liabilities	d)	34.6	(8.0)	26.6	58.7	(12.2)	46.5
Total current liabilities		62.7	(8.0)	54.7	102.3	(12.2)	90.1
TOTAL DEBT AND EQUITY		369.6	(0.5)	369.1	422.0	4.7	426.7

Notes *continued*

The impact on deferred tax on the adjustments described below is set out in Note f.

- a) The Group has applied IFRS 3 to all business combinations that have occurred since 1 January 2004 (the date of transition). The Group 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 (USDm 24.1) remains stated as under NGAAP as of 31 December 2003. Additionally, from 1 January 2004, goodwill is no longer amortized under IFRS but is tested annually for impairment.
- b) In accordance with IFRS 1, the cumulative actuarial gains and losses existing at 1 January 2004 amounting to USDm 1.9 have been recognized for all defined benefit plans.
- c) The Group applied IFRS 2 to its active share-based compensation arrangements at 1 January 2004, except for equity-settled share-based payment arrangements granted before 7 November 2002. The Group has granted equity-settled share-based payments in 2004 and 2005.

The Group accounted for these share-based compensation arrangements at intrinsic value under NGAAP. This has been adjusted to fair value to be consistent with the Group's policies.

The adoption of IFRS 2 is equity-neutral for equity-settled transactions. The expense recognized for the consumption of employee services received as consideration for share options granted will not be deductible for tax purposes when the share options are exercised.

The effect of accounting for share options at fair value is to increase Wages and social costs by USDm 2.9 for the year ended 31 December 2004.

- d) IAS 10 requires that dividends declared after the balance sheet date should not be recognized as a liability at the balance sheet date as the liability does not represent a present obligation as defined by IAS 37. As of 1 January 2004 and 31 December 2004 the amount reclassified to equity amounted to USDm 8.0 and USDm 12.2, respectively.
- e) Translation differences that arose prior to the date of transition to IFRS in respect of foreign entities have been presented as a separate component of equity.
- f) The above changes increased (decreased) the deferred tax liability as follows based on a tax rate of 28 percent:

(MUSD)			
	NOTE	1 JANUARY 2004	31 DECEMBER 2004
Development costs	g	—	1.1
Increase in deferred tax liability		—	1.1

g) IAS 38 “Intangible assets” requires that direct costs related to development activities to be capitalized and depreciated over their expected useful life if it is probable that these costs will provide future economic benefits. Development costs amounting to USDm 5.7 have been capitalized during 2004 under IFRS, of which USDm 4.3 and USDm 1.4 has been deducted from Wages and social costs and Other operating expenses, respectively.

The Group considers that a useful life of 2 years is appropriate given the rapid technology developments in the visual communications industry. The depreciation for development projects was USDm 1.7 for the year ended 31 December 2004.

IAS 38 has not been applied retroactively prior to 1 January 2004.

RECONCILIATION OF PROFIT FOR 2004

(MUSD)

	NOTE	2004 NGAAP	IFRS ADJUST.	2004 IFRS
Operating revenues		305.0	—	305.0
Cost of goods		99.4	—	99.4
Wages and social costs	c, g	80.3	(1.4)	78.9
Other operating expenses	g	44.1	(1.4)	42.7
Depreciation	a,g	5.6	(0.2)	5.4
Loss on accounts receivable		1.1		1.1
Total operating costs		131.1		128.1
Operating profit		74.5		77.5
Net finance		2.5	—	2.5
Profit before taxes		77.0		80.0
Calculated tax	f	21.5	0.9	22.4
Profit after taxes		55.6		57.6

EXPLANATION OF MATERIAL ADJUSTMENTS TO THE CASH FLOW STATEMENT FOR 2004

As certain salary and operating costs related to development costs have been capitalized, profit before taxes has increased, while investments in fixed assets have increased correspondingly.

There are no other material differences between cash flow statements presented under IFRS and the cash flow statement presented under NGAAP.

NOTE 20

ACCOUNTING ESTIMATES AND JUDGMENTS

KEY SOURCES OF ESTIMATION AND UNCERTAINTY:

INCOME TAXES Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet date and their corresponding tax values, using the enacted or substantially enacted, as applicable, income tax rates at each balance sheet date. Future income tax assets also result from unused income tax losses carried forward and other deductions. The determination of the Group to utilize tax losses carried forward to offset future income tax payable requires management to exercise judgment and make assumptions about future performance of the Company. Management is required to assess whether the Group is “more likely than not” to benefit from these tax losses. Changes in economic conditions or changes in technological feasibility could result in revisions to the estimates of the benefits to be realized or the timing of utilization of losses.

Notes *continued*

ASSET IMPAIRMENT Asset impairment involves various estimates and assumptions as follows:

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining what cash flow is directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any.

Goodwill and identified intangible assets are tested for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business and/or economic climate. Determining whether an impairment has occurred requires valuation of the respective reporting unit, which is estimated using the discounted cash flow method.

OTHER LOSS CONTINGENCIES Other loss contingencies are recorded as liabilities when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. Disclosure is required when there is a reasonable possibility that the ultimate loss will exceed the recorded provision. Contingent liabilities are often over long time periods. Estimating probable losses requires analysis of multiple forecasts that often depend on judgment about potential actions by third parties.

TRADE DEBTORS The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow-up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. When recoverability of trade debtors balances is called into doubt, specific provisions for bad and doubtful debts are made based on credit status of the customers, the age analysis of trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectability of trade receivables for which provisions are not made affect our result of operations.

SHARE OPTIONS Estimated volatility used in the Black-Scholes calculation of the value of Share-based payments in accordance with IFRS 2, is calculated based on historical share price movements adjusted for specific events. The Share-based payments costs are sensitive to adjustments in volatility and can increase or decrease significantly with small adjustments in the volatility used in the calculations.

DEPRECIATION OF INTANGIBLE ASSETS Estimated economic life of intangible assets is based on estimates of use of technology and know-how developed historically. Future technological developments might have a significant impact on the estimated economic life of the intangible assets.

*CRITICAL ACCOUNTING JUDGMENTS IN APPLYING
THE GROUP'S ACCOUNTING POLICIES*

Certain critical accounting judgments in applying the Group's accounting policies are described below.

TERMINATION OF DEFINED BENEFIT SCHEME The defined benefit scheme in TANDBERG Telecom AS was terminated with effect from 1 January 2006. Even though this is a transaction after the balance sheet date, management has defined this as a 2005 transaction and the effects from the termination has been included in the financial statements for 2005.

SHARE OPTIONS Tax benefits granted to TANDBERG Inc from share-options exercised by its employees have been accounted for as reduced salary costs in the Group accounts, as this has been treated as a transaction similar to grants from Governments.

LOSSES ON OWN SHARES USED IN RELATION TO SHARE-OPTION PROGRAM Losses on own shares sold to employees in relation to the share-option program has been treated as tax deductible expenses, as the loss has been considered to be an estimate of the services granted from the employees to the Group.

USD AS FUNCTIONAL CURRENCY FOR THE GROUP The Group accounts are presented in USD as management considers USD as being the functional currency for the Group as a majority of the operations of the Group are in USD.

**NOTE 21
OTHER CURRENT LIABILITIES**

(MUSD)

	2005	2004
Provisions	1.4	0.2
Deferred revenues	39.4	29.0
Accruals	14.0	16.5
Other current liabilities	0.8	0.8
Total other current liabilities	55.6	46.5

Included in provisions is estimated future warranty costs which relates to product liability for goods sold. Normal warranty period is 13 months.

Other provisions relate to constructive obligations incurred in the ordinary course of business.

LEGAL CLAIMS TANDBERG is from time to time involved in various legal matters arising in the ordinary course of business. As an example, unresolved claims related to the patent infringement suit brought against the Company by Collaboration Properties Inc. (subsidiary of Avistar Inc.) are currently outstanding. TANDBERG has provided in its accounts for these items based on management's best judgment.

Income Statement

for the year ended 31 December 2005

TANDBERG ASA (NOK MILLIONS)

	NOTES	2005	2004	2003
Operating revenues		—	0.5	—
Wages and social costs	2	7.3	2.9	9.4
Depreciation	3	0.1	0.4	0.5
Other operating costs		20.4	5.1	11.7
Operating costs		27.8	8.4	21.5
Operating profit		(27.8)	(7.9)	(21.5)
Group contribution received		710.0	430.0	300.0
Financial income	7	167.5	27.7	52.6
Financial expenses	7	(1.5)	(164.9)	(7.0)
Net financial items		875.9	292.8	345.5
Profit before tax		848.1	284.9	324.0
Tax	4	152.0	79.8	91.1
Profit after tax		696.1	205.1	232.9
ATTRIBUTABLE TO:				
Dividends		79.7	73.9	53.6
Other equity		616.4	131.2	179.4

Balance Sheet

As at 31 December 2005

TANDBERG ASA (NOK MILLIONS)

	NOTES	2005	2004
Deferred tax assets	4	1.4	42.4
Fixed assets	3	0.3	0.4
Investment in Group companies	9	535.9	533.5
Long-term loan to Group companies		147.6	147.6
Total fixed assets		685.1	723.9
Receivable from subsidiaries		361.1	2.5
Other short-term receivables		0.4	2.0
Cash and cash equivalents		1,081.6	1,300.6
Total current assets		1,443.0	1,305.1
TOTAL ASSETS		2,128.1	2,029.0
Share capital	5, 6	134.3	134.3
Treasury shares	5	(11.8)	(4.0)
Share premium reserve		677.3	677.3
Paid in capital		799.8	807.6
Retained earnings		1,124.9	1,018.4
TOTAL EQUITY	5	1,924.7	1,826.0
Accounts payable		0.9	0.1
Tax deductions and duties payable		1.5	1.5
Taxes payable	4	108.2	120.9
Debt to subsidiaries	8	0.8	2.0
Other short-term liabilities		91.9	78.4
TOTAL LIABILITIES		203.4	203.0
TOTAL DEBT AND LIABILITIES		2,128.1	2,029.0

Oslo, 16 February 2006

Jan Chr. Opsahl, *Chairman*

Amund Skarholt, *Vice Chairman*

Grace Reksten Skaugen

Jørgen Haslestad

Patricia Auseth, *Employee representative*

Carl Henrik Aaby, *Employee representative*

Terje Rogne, *President TANDBERG asa*

Fredrik Halvorsen, *CEO*

Cash Flow Statement

for the year ended 31 December 2005

TANDBERG ASA (NOK MILLIONS)

	NOTE	2005	2004
<i>Cash flow from operating activities</i>			
Profit before taxes		848.1	284.9
Taxes paid		(120.8)	(91.2)
Ordinary depreciation	3	0.1	0.4
(Gain)/loss on sale of fixed assets		—	(0.5)
Change in rec./payables/inventories		(263.2)	71.0
Change in other accounts		14.8	0.3
Change in pension assets/liabilities		—	—
Effect of changes in exchange rates		—	—
Adjustment for non-cash items		—	—
Net cash flow from operations		479.1	264.7
<i>Cash flow from investments</i>			
Proceed from sale of fixed assets		—	0.6
Investment in fixed assets		—	—
Investments in subsidiaries	9	(2.4)	—
Change in other investments		—	(147.6)
Net cash flow from investments		(2.4)	(147.0)
<i>Cash flow from financing</i>			
Repayment/drawdown of debt		—	—
Dividends on treasury shares		4.1	—
Proceeds from share issues		—	74.1
Repayment of capital	5	(896.7)	(333.7)
Sale of treasury shares	5	202.7	—
Net cash flow from financing		(695.7)	(259.5)
<i>Net change in liquid assets during the year</i>			
Liquid assets as of 1 January		1,300.6	1,442.4
Net foreign exchange differences		—	—
Liquid assets as of 31 December		1,081.6	1,300.6

Notes

NOTE 1

ACCOUNTING PRINCIPLES

BASIC PRINCIPLES The annual financial statements consist of the income statement, balance sheet, cash flow and notes which have been prepared in accordance with the Norwegian Companies Act, Norwegian Accounting Act and generally accepted accounting principles applicable in Norway as of 31 December 2005 (NGAAP). To make the annual financial statements easier to read, the statements have been prepared in summary form. The necessary details are given in the notes. The notes are thus an integral part of the annual financial statements.

The financial statements give a true and fair view of assets and liabilities, financial standing and result.

TANDBERG asa accounts are recorded in Norwegian Krone (NOK) and presented in NOK in the Annual Report.

The annual financial statements are based on fundamental principles with regard to historic cost, comparability, continued operation, congruence and prudence. Transactions are recorded at the value of the consideration on the transaction date. Income is recognized when earned and costs are expensed in the same period as the income to which they relate is recognized. The accounting principles are set out in further detail below. When actual figures are not available at the date of preparation of the accounts, generally accepted accounting principles require management to make estimates to the best of their belief for use in the profit and loss statement and balance sheet. Differences may arise between estimated and actual figures.

CLASSIFICATION AND VALUATION OF BALANCE SHEET ITEMS Current assets and current liabilities include all items which fall due for payment within one year of the date they were created, as well as items related to goods circulation. All other items are classified as fixed assets/long-term liabilities.

Current assets/liabilities are valued at the lower of acquisition cost or actual value.

Fixed assets are valued at acquisition cost. If the actual value of an asset is lower than book value, and this is due to factors which are not expected to be temporary, the asset is written down to actual value. A write-down will be reversed if the reason for it ceases to apply.

Subsidiaries are valued using the cost method in the company's accounts unless a write-down has been necessary. A write-down to actual value is made if there is a decrease in value which cannot be regarded as temporary and the write-down is considered necessary in accordance with standard accounting practice.

FOREIGN CURRENCY Current transactions denominated in foreign currency are recorded at the exchange rate on the transaction date. Liquid assets, receivables and liabilities in foreign currency are converted at the exchange rate on the balance sheet date.

Currency gains and losses related to short-term items are shown gross as Financial income and Financial expenses.

Notes *continued*

TANGIBLE FIXED ASSETS Fixed assets are recorded in the balance sheet at acquisition cost, less accumulated depreciation and write-downs. If the actual value of the asset is lower than book value, and this is due to factors which are not expected to be temporary, the asset is written down to actual value. The direct costs of maintaining fixed assets are recognized as they are incurred as operating costs, but additional costs or improvements to fixed assets are added to the asset's cost price and depreciated with that asset.

PENSION SCHEMES The Company has a defined contribution plan and pension costs are recorded in the profit and loss statement as incurred.

SHARE OPTION PLAN The Company has a share option program, which covers all employees. Social security tax related to any increase in the value of subscription rights is accrued over the term of the option program based on the share price at the balance sheet date.

TAXES The tax charge in the profit and loss statement includes both taxes payable for the period and the change in deferred taxes. The change in deferred taxes reflects future taxes payable which arise as a result of the year's activities. Deferred taxes are taxes which relate to accumulated profits but which will be payable in later periods. Deferred taxes are calculated using the liability method of net positive timing differences between accounting and taxation balance sheet values including tax losses carried forward. Deferred tax allowances are recognized as an asset in the balance sheet to the extent that they are considered capable of being realized.

CASH FLOW ANALYSIS The cash flow analysis has been prepared using the indirect method. Cash and cash equivalents consist of cash, bank deposits and other short-term, liquid investments which can immediately and without significant price risk be converted to a known cash amount and which have a maturity date less than three months from the acquisition date.

NOTE 2
SALARY COSTS

(NOK MILLIONS)

	2005	2004
Wages and salaries	6.4	4.9
Social security contributions	1.0	3.5
Pension expenses	1.9	—
Other personnel expenses	1.8	1.6
Management fee	(3.8)	(7.0)
Total	7.3	2.9

Average number of employees during the year was 5. At year-end, 4 persons were employed by the Company.

NAME	POSITION	SHARE OPTIONS*	SHARE HOLDING	REMUNERATION (NOK)
Jan Chr. Opsahl	Chairman	—	712,352	650,000
Amund Skarholdt	Vice Chairman	—	20,000	300,000
Grace Reksten Skaugen		—	—	250,000
Jørgen Haslestad		—	—	250,000
Patricia Auset	Employee representative	2,500	14,616	150,000
Carl Henrik Aaby	Employee representative	2,500	5,531	150,000

* The 2005 share option program was canceled by the Board of Directors on 16 February 2005.

In addition, Jan Chr. Opsahl and Amund Skarholdt received NOK 20,000 each for committee work.

The Chairman of Board has a defined contribution pension plan. In accordance with the plan he is entitled to receive annual payments of NOK 728,616 from April 2009 until April 2024.

Terje Rogne, President TANDBERG asa, received a total consideration of NOK 1,475,077 in 2005 in addition to pension contributions of NOK 69,416 and other

benefits of NOK 52,366. Mr. Rogne also had reported benefits from exercise of share options of NOK 2,398,500 in 2005. Mr. Rogne (and close relatives) owned at total of 477,720 shares in TANDBERG asa as of 31 December 2005.

Per Haug Kogstad, an executive officer in TANDBERG asa, owned a total of 108,854 shares as of 31 December 2005 in the Company. Employees in TANDBERG asa had been granted a total of 23,000 share options as of 31 December 2005. The share option program has later been cancelled by Board of Directors.

Notes *continued*

AUDITORS KPMG is the elected auditor for TANDBERG asa. The following table lists all fees paid to KPMG in 2005 by TANDBERG asa.

(NOK 000)

	AUDIT	ASSURANCE	TAX ADVISE	OTHER FEES	TOTAL FEES
2005	550.6	259.5	186.4	—	996.5

NOTE 3 FIXED ASSETS

(NOK MILLIONS)

AT 1 JANUARY 2005	CARS
Cost	0.6
Accumulated depreciation	(0.2)
Net carrying amount	0.4
AT 31 DECEMBER 2005	
Cost	0.6
Accumulated depreciation	(0.3)
Net carrying amount	0.3
Depreciation charge for the year	(0.1)

Fixed assets are depreciated over 5 years.

NOTE 4 INCOME TAXES

(NOK MILLIONS)

	2005	2004
Ordinary profit before taxes	848.1	284.9
<i>Timing differences:</i>		
Short-term deposits	(151.1)	147.3
Changes in other timing differences	4.5	(0.2)
Total	(146.6)	147.1
<i>Permanent differences:</i>		
Non-deductible expenses	2.4	(0.2)
Group contributions without tax effect	(307.6)	
Total	(305.2)	(0.2)
Total taxable income	396.3	431.8
Tax computed	111.0	120.9
Change in deferred taxes	41.1	(41.1)
Tax charge for the year	152.0	79.8
Effective tax rate	18%	28%

(NOK MILLIONS)

	2005	2004
<i>Deferred tax:</i>		
Short-term deposits	3.8	(147.3)
Other provisions	(7.1)	(2.2)
Fixed assets	(1.6)	(2.0)
Basis deferred tax	(4.8)	(151.5)
Deferred tax asset	(1.4)	(42.4)
This year's change in deferred tax	41.1	(41.2)
TAX EFFECT OF PERMANENT DIFFERENCES RECOGNIZED DIRECTLY IN EQUITY	2005	2004
Related to equity settled transactions	2.4	—

NOTE 5 EQUITY

(NOK MILLIONS)

	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER EQUITY	TOTAL
Equity as of 1 January 2005	130.4	677.3	1,018.4	1,826.0
Profit for the year			696.1	696.1
Sale of treasury shares	4.2		198.5	202.7
Proposed dividends			(79.7)	(79.7)
Dividends on own shares in 2004			4.1	4.1
Purchase of treasury shares	(12.1)		(810.7)	(822.8)
Loss on treasury shares used in SOP			95.8	95.8
Tax effect of loss on treasury shares used for employee share options			2.4	2.4
Equity as of 31.12.05	122.5	677.3	1,124.9	1,924.6

At the Extraordinary General Meeting, 10 November 2004, an authorization to buy back 10% of outstanding shares was given to the board. During 2005 a total of 12,059,500 shares were bought back at an average price of NOK 68.23 per share. During the same period a total of 4,243,218 shares were sold at an average share price of NOK 47.76 per share. As of 31 December 2005, 12.34% of the authorization given to the board has not been used. The intention is to use the shares in connection with incentive schemes for employees, acquisitions or to cancel the shares through a capital reduction.

The Board of Directors has proposed a dividend of NOK 0.65 per share for the financial year 2005.

TANDBERG asa had 4,592 shareholders as of 31 December 2005. Foreign shareholders held 68.9% of the shares at year-end. All the shares carry the same rights in the company.

Notes *continued*

Summary of the largest shareholders as of 31 December 2005.

NAME OF SHAREHOLDER	NUMBER OF SHARES	OWNERSHIP IN %	VOTING RIGHTS IN %
TANDBERG asa	11,771,752	8.76	8.76
JPMorgan Chase Bank			
S/A Oppenheimer Funds Inc	8,179,117	6.09	6.09
Folketrygdfondet	7,419,800	5.52	5.52
State Street Bank & Trust Co.			
Client Omnibus F	5,955,672	4.43	4.43
State Street Bank & Trust Co.			
Client Omnibus D	5,751,712	4.28	4.28
Goldman Sachs & Co, Equity			
Nontreaty Customer Segr Account	5,263,223	3.92	3.92
Mellon Bank NA as agent for ABN Amro	5,137,231	3.82	3.82
Pictet & Cie Banquiers	4,317,031	3.21	3.21
JP Morgan Chase Bank Schroeders			
Lux Exclusive Lending Account	3,233,870	2.41	2.41
Morgan Stanley & Co Inc. Client Equity Account	2,701,174	2.01	2.01
JP Morgan Chase Bank Clients Treaty Account	2,298,001	1.71	1.71
Mellon Bank NA as agent for Clients	2,185,697	1.63	1.63
Vital Forsikring SAS	2,064,228	1.54	1.54
SIS Segaintersettle AG	2,041,290	1.52	1.52
Skandinaviska Enskilda Banken A/C			
Icelandic Residents	1,930,600	1.44	1.44
Bank of New York, Brussels Branch			
BNY GCM Client Account	1,901,082	1.42	1.42
Clearstreaming Banking S.A CID Dept., Frankfurt	1,658,956	1.24	1.24
Citigroup Global Markets LTD IPB			
Clients Safekeep Account	1,464,626	1.09	1.09
KBC Securities A/C Belgian			
clients Treaty Account	1,425,210	1.06	1.06
UBS AG, London Branch IPB Client Account	1,333,400	0.99	0.99
Total 20 largest shareholdings	78,033,672	58.09	58.09
Others (ownership interest)	56,291,134	41.91	41.91
Total shareholding	134,324,806	100.00	100.00

The nominal value per share is NOK 1.

NOTE 6

BOARD AUTHORIZATIONS

DATE OF GENERAL MEETING	AUTHORIZATION	VALID UNTIL	NUMBER OF SHARES	NUMBER ISSUED/ REPURCHASE
Ordinary General Assembly 15.04.04	Issue to employees	4/15/06	3,500,000	
Ordinary General Assembly 15.04.04	Issue to CEO, Andrew Miller	4/15/06	250,000	250,000
Extraordinary General Assembly 10.11.04	Repurchase of own shares minimum price of NOK 1 maximum NOK 100	Not later than 10 May 2006	13,428,460	11,771,752
Ordinary General Assembly 14.04.05	Issue of shares	To next AGM	13,000,000	—

NOTE 7

FINANCIAL MARKET RISK

The Company is exposed to fluctuation in the NOK/USD currency rate as the short-term deposits are nominated in USD. In addition, a long-term loan to a

subsidiary are nominated in USD, but no currency gain/loss is recorded on the loan as the loan is considered part of the net investment in the subsidiary.

NOTE 8

OTHER SHORT TERM LIABILITIES

(NOK MILLIONS)

	2005	2004
Provisions	8.1	0.3
Salary related items	2.9	4.2
Other short-term liabilities	1.3	—
Dividends	79.7	73.9
Total other short term liabilities	91.9	78.4

Provisions relates to constructive obligations incurred in ordinary course of business. Salary related items relates to holiday pay and accrued Board of Director fees.

LEGAL CLAIMS TANDBERG is involved in various legal matters arising in the ordinary course of business from time to time. As an example, unresolved claims related to the patent infringement suit brought against it by Collaboration Properties Inc (subsidiary of Avistar Inc.) are currently outstanding. TANDBERG has provided in its accounts for these items based on management's best judgment.

Notes *continued*

NOTE 9
SHARES IN SUBSIDIARIES

SUBSIDIARIES	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST		PROFIT AFTER TAXES		EQUITY	
		2005	2004	2005	2004	2005	2004
TANDBERG Inc	USA	100%	100%	USDm 4.6	USDm 2.8	USDm 30.2	USDm 21.9
TANDBERG Canada Inc	Canada	100%	100%	CADm (2.0)	CADm 1.5	CADm 9.1	CADm 11.0
TANDBERG Asia Pacific Pte Ltd	Singapore	100%	100%	SGDm 0.0	n.a	SGDm 0.6	n.a
TANDBERG Telecom AS	Norway	100%	100%	NOKm 296.4	NOKm 321.2	NOKm 92.9	NOKm 402.9

TANDBERG asa has intragroup transaction between other Group companies related to management services and interest on long-term loans. Transfer prices

between subsidiaries are set on an arm's length basis in a manner similar to transactions with third parties.

NOTE 10
SPECIFICATION OF NET FINANCIAL ITEMS

(NOK MILLIONS)

	2005	2004
Group contribution	710.0	430.0
Interest income	40.6	21.7
Foreign exchange gain	126.9	6.0
Total financial income	877.5	457.7
Interest expense	(0.6)	(0.8)
Foreign exchange loss	(0.0)	(163.9)
Other financial expenses	(1.0)	(0.3)
Total financial expenses	(1.5)	(164.9)
Net financial items	875.9	292.8

Auditor's Report 2005

TO THE ANNUAL SHAREHOLDERS' MEETING OF TANDBERG asa

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS We have audited the annual financial statements of TANDBERG asa as of 31 December 2005, showing a profit of NOK 696.100.000 for the parent company and a profit of USD 70.100.000 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows, and the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The rules of the Norwegian accounting act and good accounting practice in Norway have been applied to prepare the parent company's financial statement. The rules of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU have been applied to prepare the group accounts. These financial statements and the Board of Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

BASIS OF OPINION We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the finan-

cial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practice an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

OPINION In our opinion,

- the parent company's financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the parent Company as of 31 December 2005, the results of its operations and its cash flows for the year then ended, in accordance with the rules of the Norwegian accounting act and good accounting practice in Norway
- the group accounts are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Group as of December 31 2005, the results of its operations, its cash flows and the changes in equity for the year then ended, in accordance with the rules of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and comply with the law and regulations.

Oslo, 27 February 2006

KPMG AS

Henning Aass, *State Authorised Public Accountant*

Note: This translation from Norwegian has been prepared for information purposes only

Corporate Governance

GENERAL PRINCIPLES It is essential to the TANDBERG board of directors that all stakeholders have confidence in the Company based on strong governance practices. Those practices include treating all shareholders equally; having independent, competent people in the Company's governing bodies; ensuring that all financial accounts are audited by qualified, independent auditors; and that information provided by the Company provides an accurate picture of the underlying situation on an ongoing basis.

Strong governance is in keeping with TANDBERG's core values, which include speed and precision, enthusiasm and integrity, exceeding expectations, fun and profit, and TANDBERG First. Above all, TANDBERG expects and promotes a pervasive sense of integrity and the highest ethical behavior on the part of all employees.

TANDBERG's principles provide the foundation for sustainable value creation, to the benefit of our shareholders, employees and other stakeholders. The board of directors is committed to protecting shareholder rights and interests by reducing risk and maximizing shareholder value. This includes benchmarking management responsibility with a transparent, open, and accountable mechanism.

TANDBERG is incorporated in Norway with a governance structure built on Norwegian corporate law. The Company is organized as a traditional limited company, with a board of directors, a chief executive officer, and an external auditor. The annual general meeting is where the board formally ratifies major decisions affecting the Company's affairs.

ACTIVITIES TANDBERG's mission is "to inspire people to communicate more effectively using our real-time visual communication solutions". The Company's objectives, to generate fun and profit through the development and sale of products and services related to visual communication, is anchored in the Company's business activities clause in the articles of association §2: "The Company's objectives are to generate profitability, satisfaction and value through the development, production and sale of products and services based on electronics and computer technology, and engagement in other similar business activities."

In accordance with its objectives, TANDBERG works to maintain its position as a leading global provider of visual communication solutions by helping companies and organizations fill the visual communication gap that exists today, and by combining a strong corporate culture with high corporate social responsibility standards and strong financial results.

EQUITY AND DIVIDENDS To achieve its aggressive long-term growth targets, it is TANDBERG's policy to maintain a high equity ratio; however, the Company has a business model that allows for strong cash flow generation. Consequently, TANDBERG's needs for growth can be met while also maintaining a dividend distribution as long as the Company is reaching targeted growth levels. In view of the Company's strong cash flow and cash position, the board of directors called an Extraordinary General Meeting on 10 November 2004 and obtained authorization for a share buyback program which opens for buyback of up to 10% of TANDBERG's shares (13,428,460 shares) in the market, and which is valid until 10 May 2006. The intention is to use the shares in connection with incentive schemes for employees, acquisitions or to cancel the shares through a capital

reduction. All transactions under this program will be disclosed to the Oslo Stock Exchange, and on www.tandberg.net.

Mandates granted to the board of directors to increase the Company's share capital are restricted to defined purposes and are limited in time to no later than the date of the next Annual General Meeting. On 14 April 2005, the General Meeting adopted a resolution to grant the board of directors a mandate to increase the share capital by up to NOK 13,000,000 through the issue of up to 13,000,000 shares of nominal value NOK 1 with the authority to waive the pre-emption rights of existing shareholders and to determine the consideration for shares issued in terms other than cash. Where consideration does take the form of cash payment, the issue price is expected to be close to the then current market price. This authority is valid until the date of the next Annual General Meeting. Similar mandates have regularly been granted by previous General Meetings. The board of directors does not have any specific plans to exercise this authority.

Share-based incentive programs for employees must always be approved by means of a specific board mandate. The board of directors considers it desirable that employees be more closely connected with the company through an active interest as shareholders, and considers that such an ownership interest has represented and will represent an important contributory factor to the success of the company. On 15 April 2004, the General Meeting adopted a resolution to grant the board of directors a mandate to increase the share capital by up to NOK 3,500,000 by private placement of shares with employees of the TANDBERG Group. The mandate is valid for two years, until 15 April 2006, due to the nature of the program. The 2005 share option program was cancelled by the board of directors on 16 February 2006. Consequently, the board of directors will not exercise this authority.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES TAND-

BERG has one class of shares and each share entitles the holder to one vote at the General Meetings.

The board of directors is of the opinion that the Company periodically could be confronted with situations where the Company can grow further by making use of rights issues to one or several strategic partners as well as through mergers and acquisitions with shares or cash if the Company quickly can get in position to effectuate the necessary liquidity and/or shares. In addition, situations could occur where the Company's equity needs strengthening in order to ensure future conditions of operations. For the current mandate to increase the Company's share capital, the pre-emption rights of existing shareholders are therefore waived.

Any transactions the Company carries out in its own shares take place in accordance with established practice and guidelines from the Oslo Stock Exchange.

Strict guidelines regarding transactions between the Company and shareholders, members of the board of directors, executive management and close associates of any such parties have prevented any unfortunate situations. If confronted with such situations, the Company will adhere to the principles laid down in the Norwegian Code of Practice for Corporate Governance.

The Company has an established and closely monitored insider trading policy.

FREELY NEGOTIABLE SHARES TANDBERG has no limitations on the transferability of shares and each share has equal rights.

GENERAL MEETINGS General Meetings are held in accordance with the Norwegian Code of Practice for Corporate Governance. Notice and supporting information are sent in English and Norwegian to shareholders well in advance of the meeting. Final deadline for shareholders to give notice of their intention to attend the meeting is one working day prior to the meeting. Shareholders who are unable to attend the meeting may vote by proxy. The Chairman, Vice-Chairman, Chairman

Corporate Governance *continued*

of the Nomination Committee, CEO, CFO and the auditor are all required to be present at the meeting in person or via video. The Chairman for the meeting is generally independent. Notice, enclosure and protocol of meetings are available on TANDBERG's web site.

NOMINATION COMMITTEE An independent nomination committee is responsible for proposing candidates for election to the board by shareholders at the General Meeting. The nomination committee, elected by the General Meeting, is a body established pursuant to the Articles of Association.

The committee is currently comprised of Halvor Løken (committee Chairman), Åge Korsvold and Jan Chr. Opsahl, of which are two independent of the board of directors and the executive management. A list of board nominees is given to shareholders with at least two weeks notice of voting. For further information about the members of the committee and deadlines for submitting proposals to the committee, please see TANDBERG's web site.

COMPOSITION AND INDEPENDENCE OF THE BOARD OF DIRECTORS The board is elected for one year (employee representatives for two years). The board currently consists of six members, four (incl. Chairman and Vice-Chairman) elected by the shareholders at the Annual General Meeting and two elected by the employees. The board nominees should be committed to enhancing long-term shareholder value and must possess a high level of personal and professional ethics, sound business judgment and integrity. The board's size and composition will continue to be open to discussion. Please see TANDBERG's web site for a detailed description of the board members, including share ownership. TANDBERG does not have a

Corporate Assembly.

The composition of the board of directors meets the requirements of the Norwegian Code of Practice for Corporate Governance, with all four shareholder-elected members of the board independent of the Company's executive management, material business contacts and main shareholders. Mechanisms, including the use of board committees, are in place to ensure independent preparation of matters for discussion by the board.

THE WORK OF THE BOARD OF DIRECTORS The conduct of the board of directors is following the adopted board instructions for TANDBERG asa. A specific meeting and activity plan is adopted towards the end of each year for the following period. The board meets eight times a year, twice for two-day meetings, but holds additional meetings under special circumstances. Its working methods are openly discussed. Between meetings, the Chairman and Chief Executive Officer update the board members on current matters. There is frequent contact regarding the progress and affairs of the Company. Each board meeting includes a briefing by one of the functional or department managers of the company followed by Q&A. It is a continuous center of attention for the board ensuring executive management maintains systems, procedures and a corporate culture that promote compliance with legal and regulatory requirements and the ethical conduct of the business. One two-day meeting is dedicated to product/market development and one two-day meeting is dedicated to strategy. The board annually evaluates its work, performance and expertise, and the report is made available for the Nomination Committee. In addition to the Nomination Committee, the board has

established a permanent Compensation Committee and an Audit Committee, and will evaluate a further formalization of instructions, rules of procedure and routines for these committees according to the recommendations of the Norwegian Code of Practice for Corporate Governance.

REMUNERATION OF THE BOARD OF DIRECTORS Remuneration for board members is a fixed annual sum proposed by the nomination committee and approved at the Annual General Meeting. All remuneration to the board of directors is disclosed in Note 15 in the Annual Report. The remuneration is not linked to the Group's performance and no share based incentives are given to the members of the board, except internal board members. It is TANDBERG's policy that internal board members receive a fee in respect of the responsibility they assume by being a member of the board, but that no additional fees are paid in respect of the duties involved since these are considered to be covered by the salary paid to such internal board members.

REMUNERATION OF THE EXECUTIVE MANAGEMENT The Compensation Committee, comprised of Amund Skarholt and Patricia Auset, is preparing guidelines for the remuneration of the executive management and preparing matters relating to other material employment issues. Details concerning remuneration of the executive management, including all details regarding the CEO's remuneration, are given in the Annual Report, Note 15. The board assesses the CEO and his terms and conditions once a year. The General Meeting is informed about incentive programs for employees.

INFORMATION AND COMMUNICATIONS Communication with shareholders is a high priority. During the announcement of quarterly and annual financial results, there is opportunity for management to answer questions from the Company's shareholders. The Company has adopted a policy of not giving quantitative guidance to the financial community. General market outlook and qualitative statements will be given. TANDBERG continually seeks ways to communicate more effectively with

its shareholders. TANDBERG has qualified for the Oslo Stock Exchange Information Symbol and English Symbol, fulfilling the requirements regarding the scope and distribution of information in accordance with the guidelines.

The TANDBERG Web site (www.tandberg.net) provides shareholders with information about the Company including annual and quarterly reports, press releases, financial presentations, share price information, articles of association, protocols from general meetings, key contact information, financial calendar as well as other pertinent shareholder information.

TAKE-OVERS The board endorses the recommendation of the Norwegian Code of Practice for Corporate Governance, and TANDBERG has no active anti-takeover devices or "poison-pills". The board will not seek to hinder or obstruct take-over bids for the Company's activities or shares unless there are particular reasons for this.

AUDITOR The auditor participates in meetings of the board of directors that deal with the annual accounts, and upon special request. Every year, the auditor presents to the board a report outlining the audit activities in the previous fiscal year and highlights the areas that caused the most attention or discussions with management, as well as a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement. The auditor will make himself available upon request for meetings with the board at which no member of the executive management is present, as will the board upon auditor's request. The auditor also participates in meetings of the board's Audit Committee when requested. It is policy not to give substantial consultancy contracts to the Company's auditor. The General Meeting is informed about the company's use and remuneration of the auditor, and details are given in Note 3 in the Annual Report.

Corporate Governance *continued*

TANDBERG's guidelines for Corporate Governance are in accordance with the Norwegian Code of Practice for Corporate Governance, dated 7 December 2004, as required for all listed companies on the Oslo Stock Exchange with effect from 2005. TANDBERG will update its guidelines and apply the new revised Code of Practice as published on 8 December 2005 from the 2006 financial year.

www.TANDBERG.net



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