

# Second Quarter 2007 Earnings Call

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Fredrik Halvorsen, CEO

July 11, 2007

**TANDBERG**

**See: productivity**

**See: passion**

**See: performance**

# Agenda

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- Financial Overview
- Theatre Review
- Priorities and Outlook
- Q&A

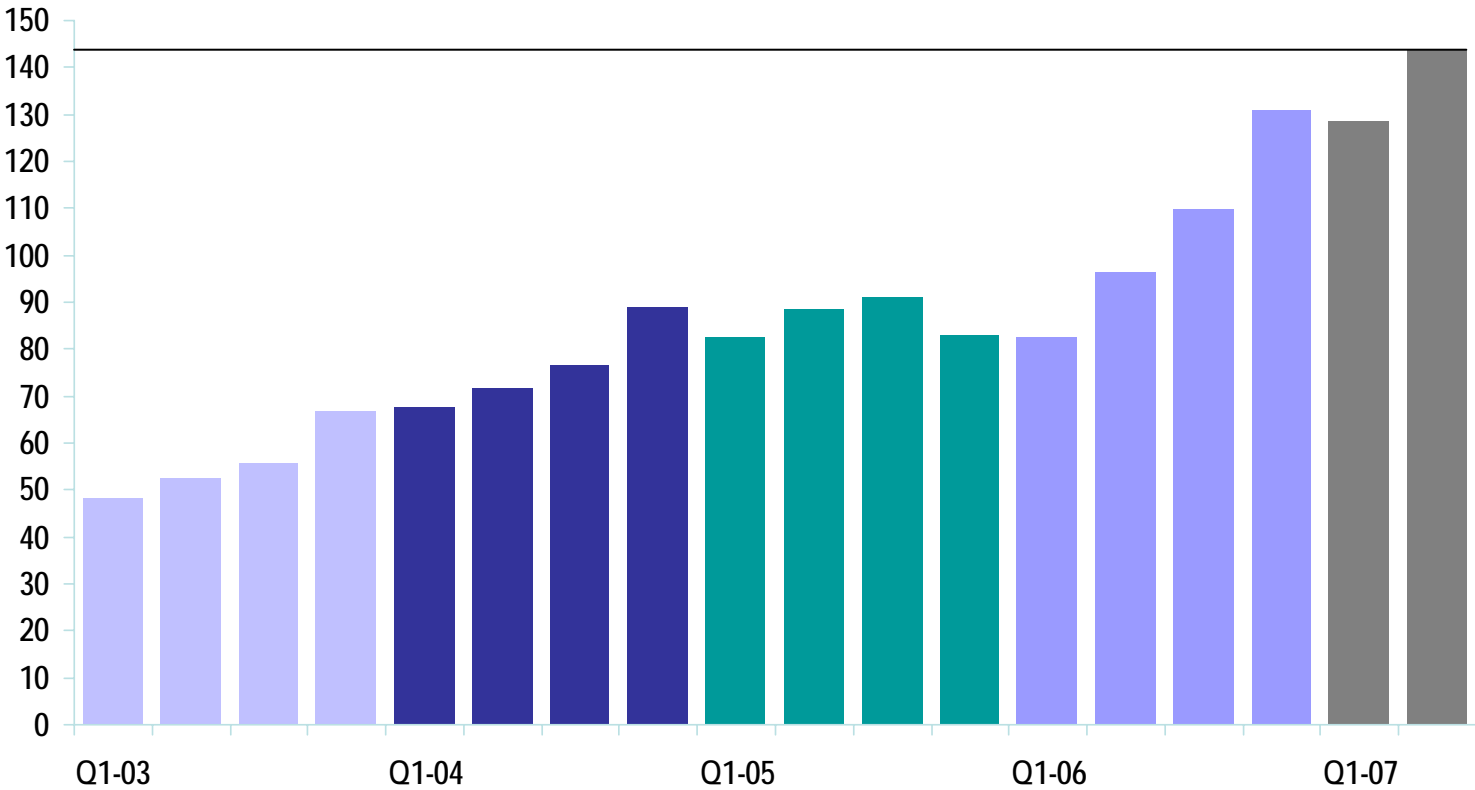
# Quarterly Financial Overview

(MUSD)	Q2-07	Q1-07	Q2-06	Comments
Revenue	143.8	128.5	96.5	49.0 % y-o-y
Gross Margin %	67.1%	67.2%	66.3%	within 66%-68% band
Operating Profit	33.3	29.2	20.7	60.6 % y-o-y
% EBIT margin	23.2%	22.8%	21.5%	reflecting business momentum
Inventory	40.8	41.3	32.5	normalizing
Accounts Receivable	95.5	85.9	79.1	DSO 59.8 days
Cash Flow from Operations	25.8	9.9	24.7	solid cash flow generation
Cash and Bank Deposits	140.9	140.3	179.3	dividend paid MUSD 14.6
Unit Volume (incl. OEM)	13,512	12,866	9,148	47.7 % y-o-y
Network Sales	19.5	15.1	11.6	69.1 % y-o-y
Value Added Services	20.1	16.7	13.5	49.3 % y-o-y

# Quarterly Revenues

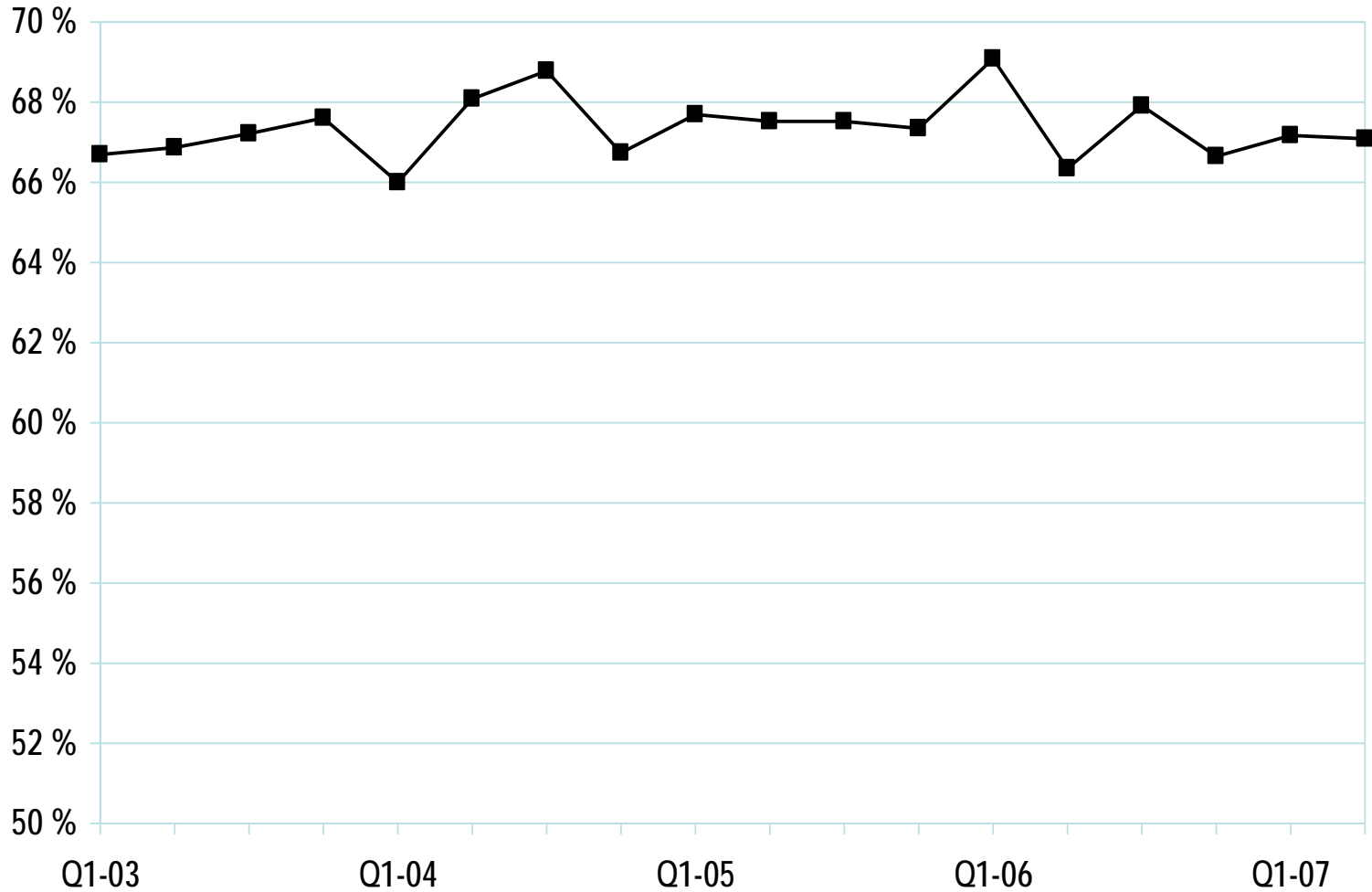
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MUSD

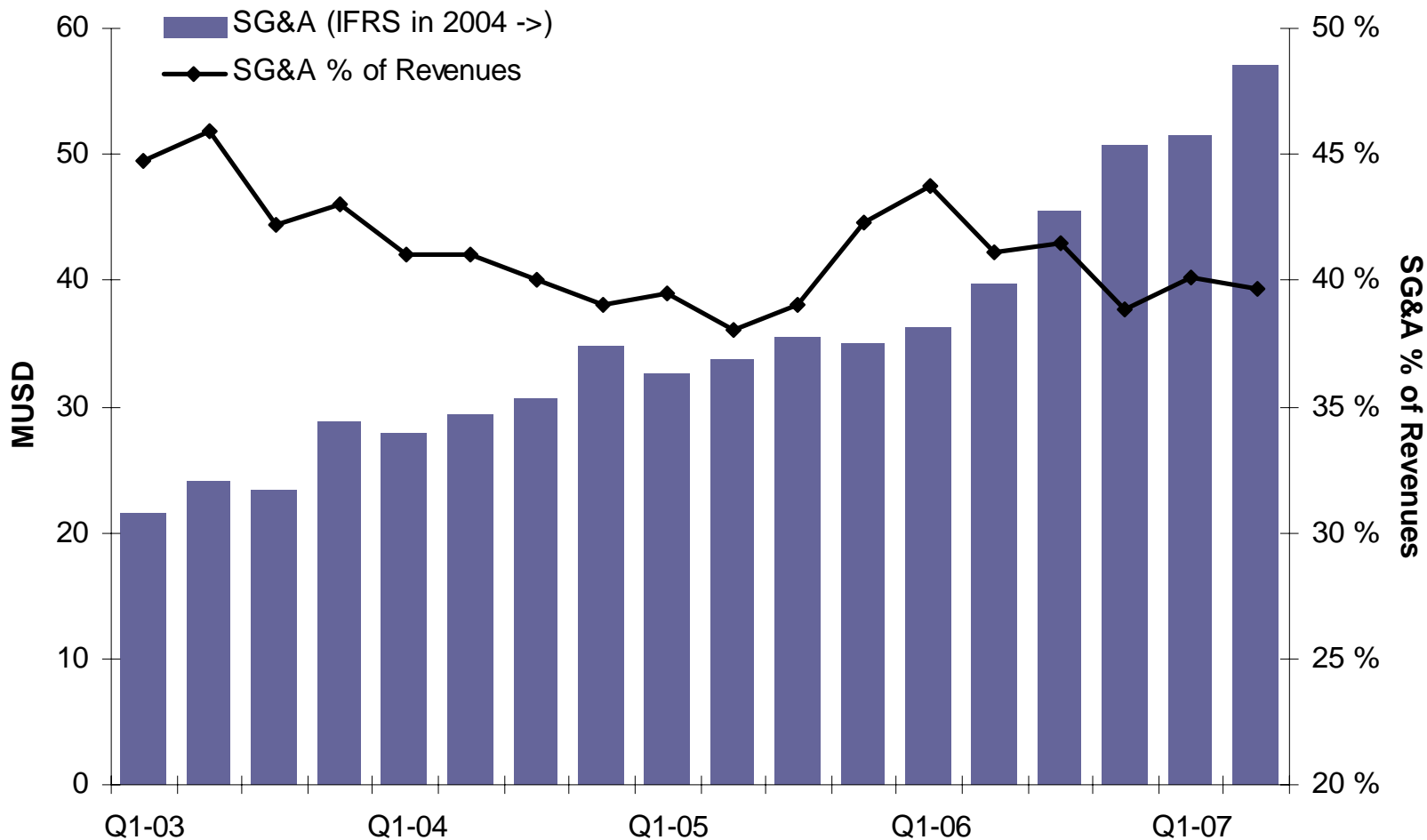


# Gross Margin

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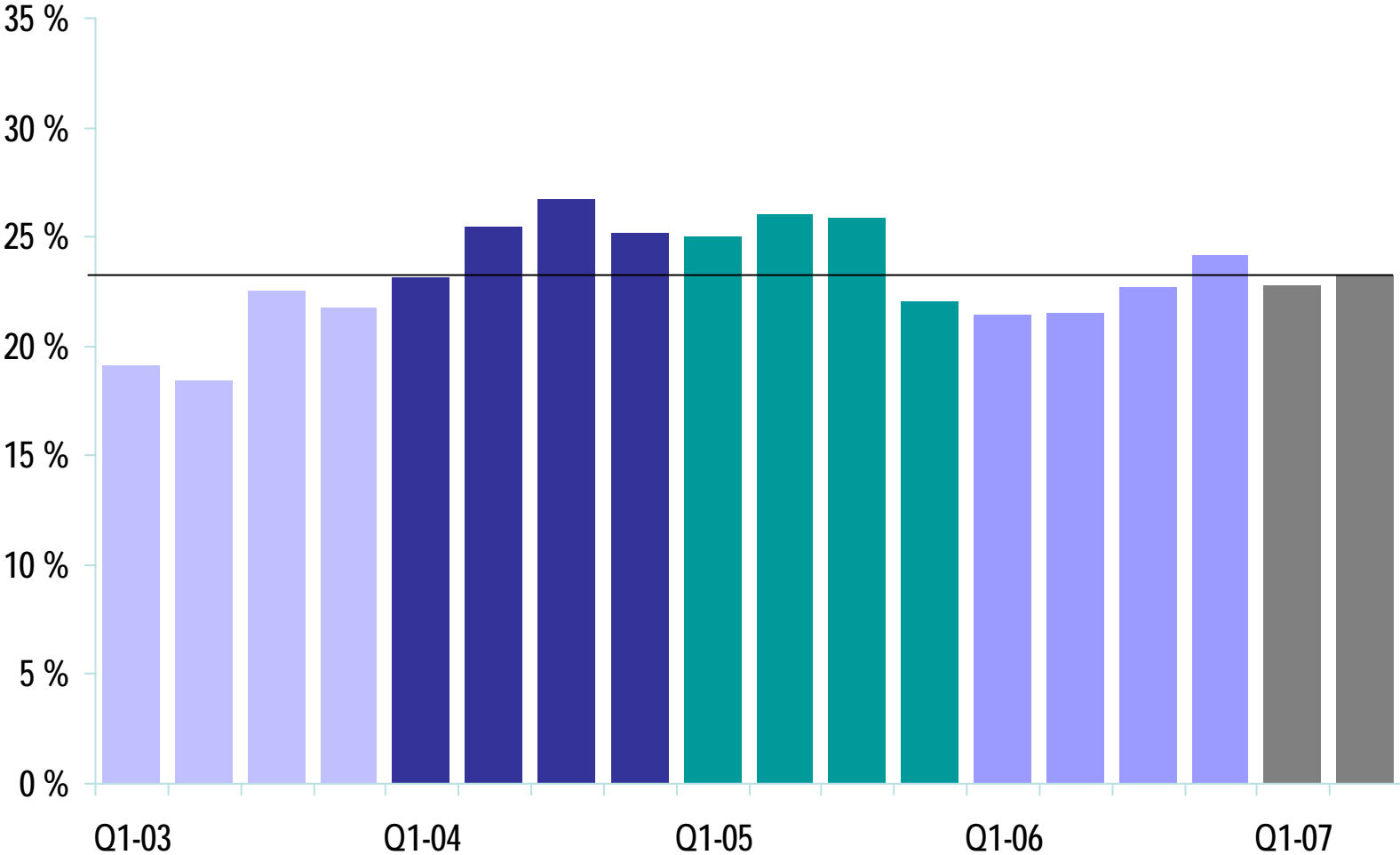


# SG&A



■ Note: Q4-06 excludes non-recurring legal settlement costs amounting to 13.1 MUSD

# EBIT Margin



- Note 1: Q4-06 excludes non-recurring legal settlement costs amounting to 13.1 MUSD
- Note 2: NGAAP in 2003, IFRS in 2004 and onwards

# Profitability

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## Profit and Loss Statement

MUSD	Q2-07	Q1-07	Q2-06
REVENUE	143.8	128.5	96.5
EBIT	33.3	29.2	20.7
NET FINANCE	(1.1)	0.2	0.6
PRETAX PROFIT	32.2	29.5	21.4

# Balance Sheet

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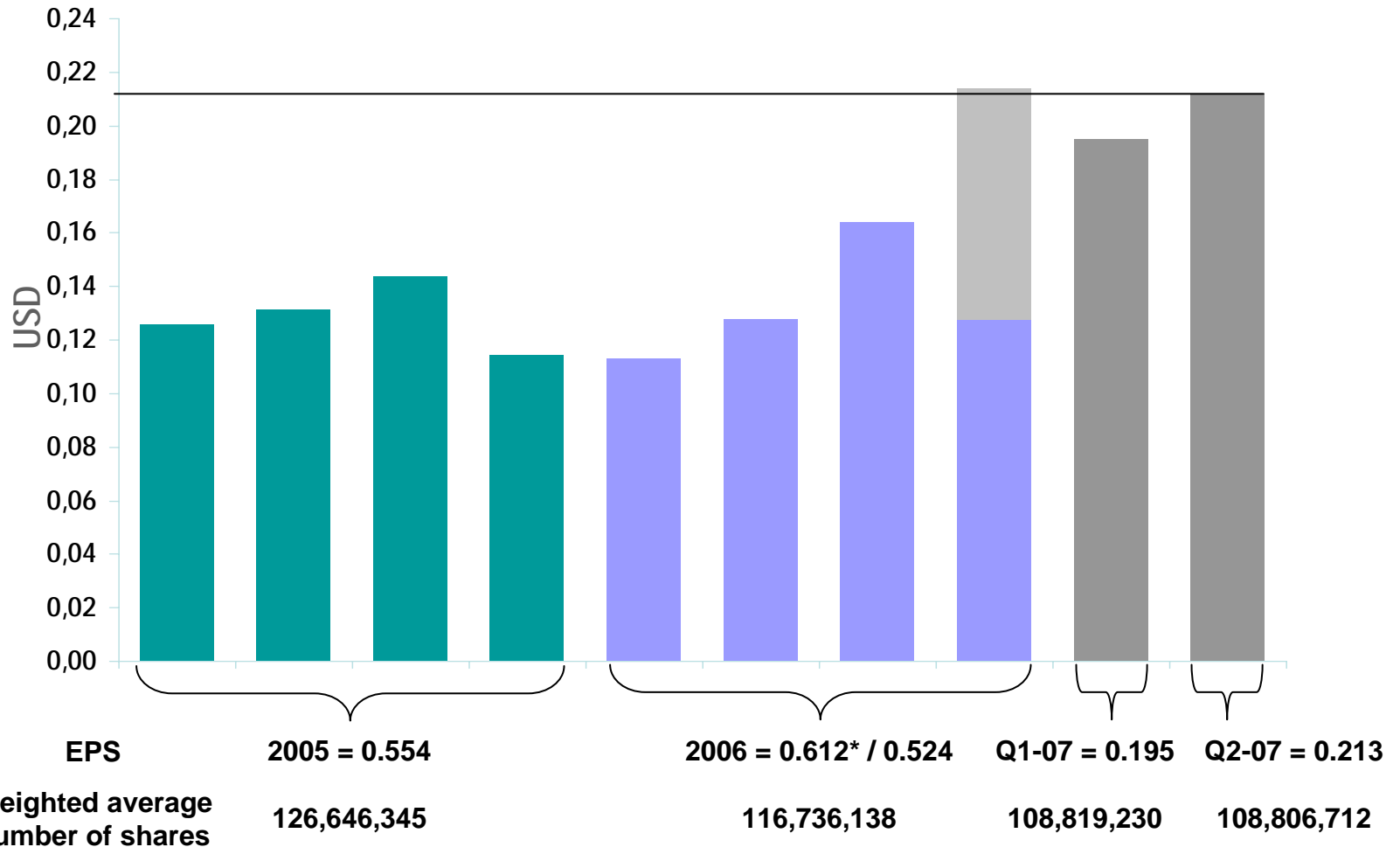
MUSD	30/06/07	31/03/07	30/06/06
Inventory	40.8	41.3	32.5
Accounts receivable*	95.5	85.9	79.1
Cash	140.9	140.3	179.3
Equity	255.9	240.5	276.1
Total liabilities and equity	403.4	388.5	382.9

- \*Note: DSO in 2Q07 at 59.8 days, 1Q07 at 60.2 days, 2Q06 at 73.8 days

# Cash Flow

MUSD	Q2-07	Q2-06
Profit before tax	32.2	21.4
Taxes paid	(9.2)	(6.5)
Ordinary depreciation / amortization	2.3	1.5
Amortization of capitalized development	3.8	2.1
Share-based incentive program	3.4	1.2
Change in receivables / payables / inventory	(16.9)	(3.9)
Change in other accounts / other movements	10.2	8.8
Cash flow from operations	25.8	24.7
Investment in tangible / intangible assets	(4.5)	(1.7)
Capitalized development	(6.3)	(4.9)
Financing activities	(14.6)	(36.1)
Net cash flow	0.5	(18.1)

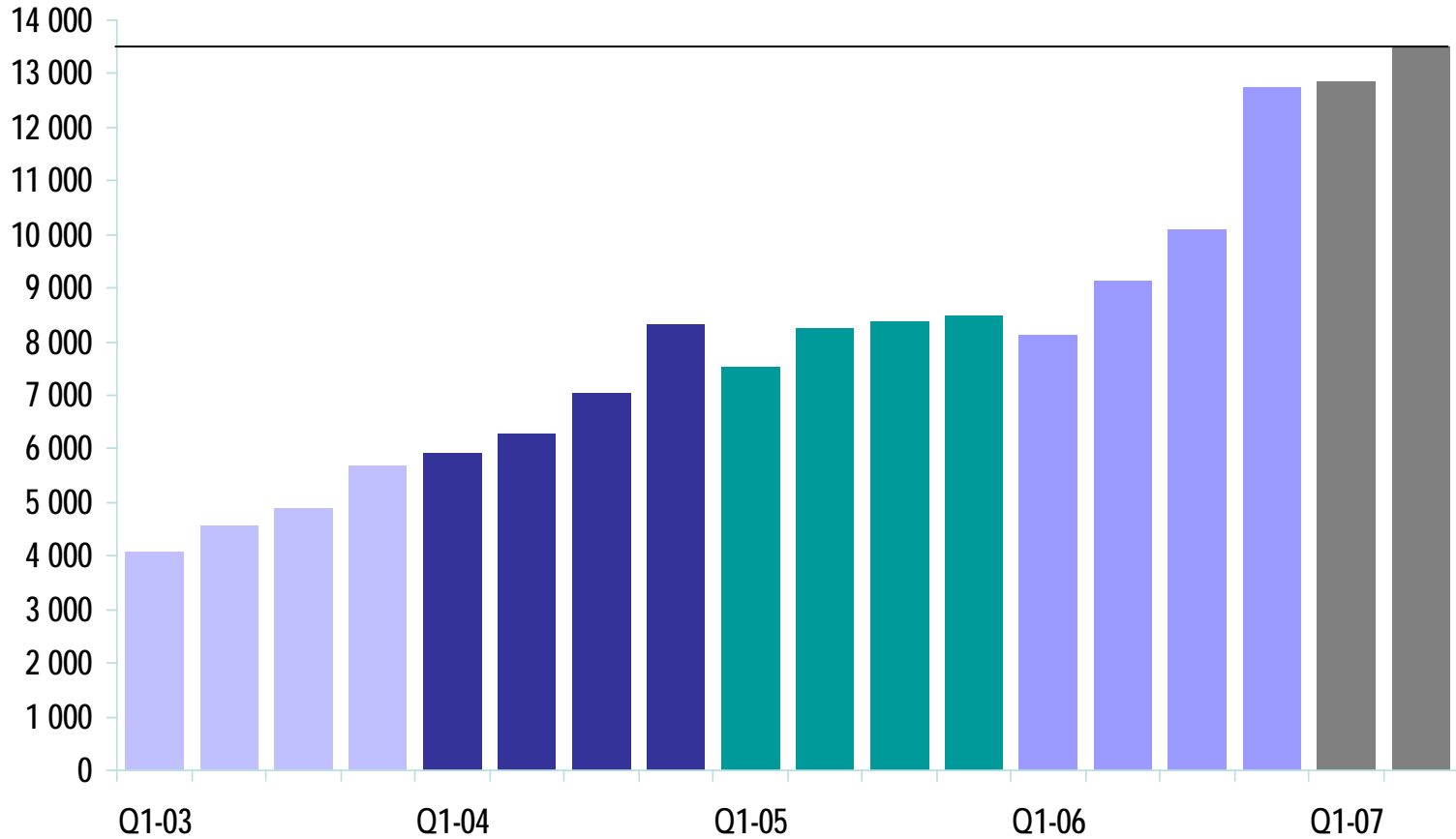
# Earnings Per Share after Tax



▪ \*Note: excludes non-recurring legal settlement costs amounting to 13.1 MUSD

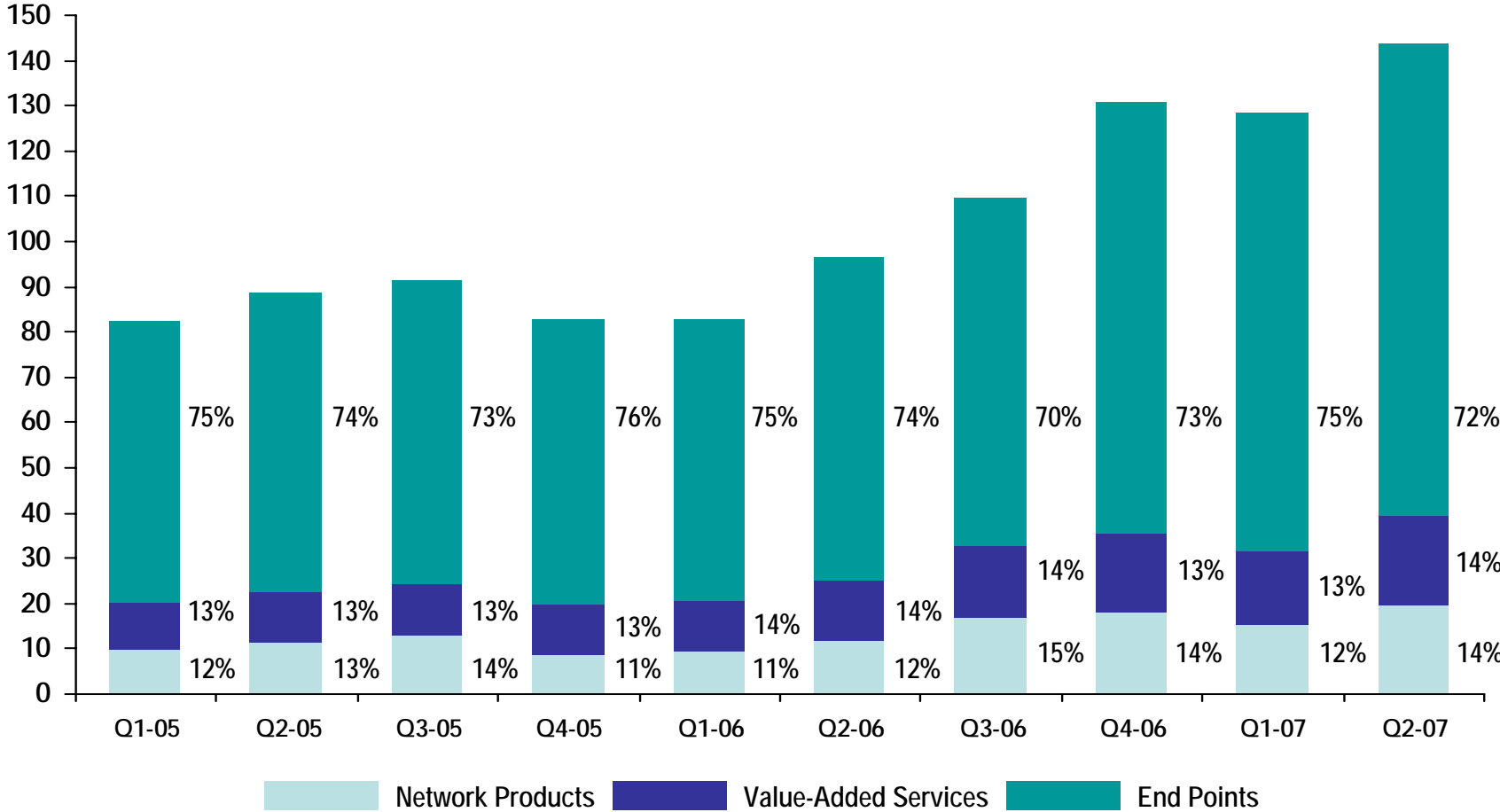
# Volume – Number of Units

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# Revenue Mix by Product Category

MUSD

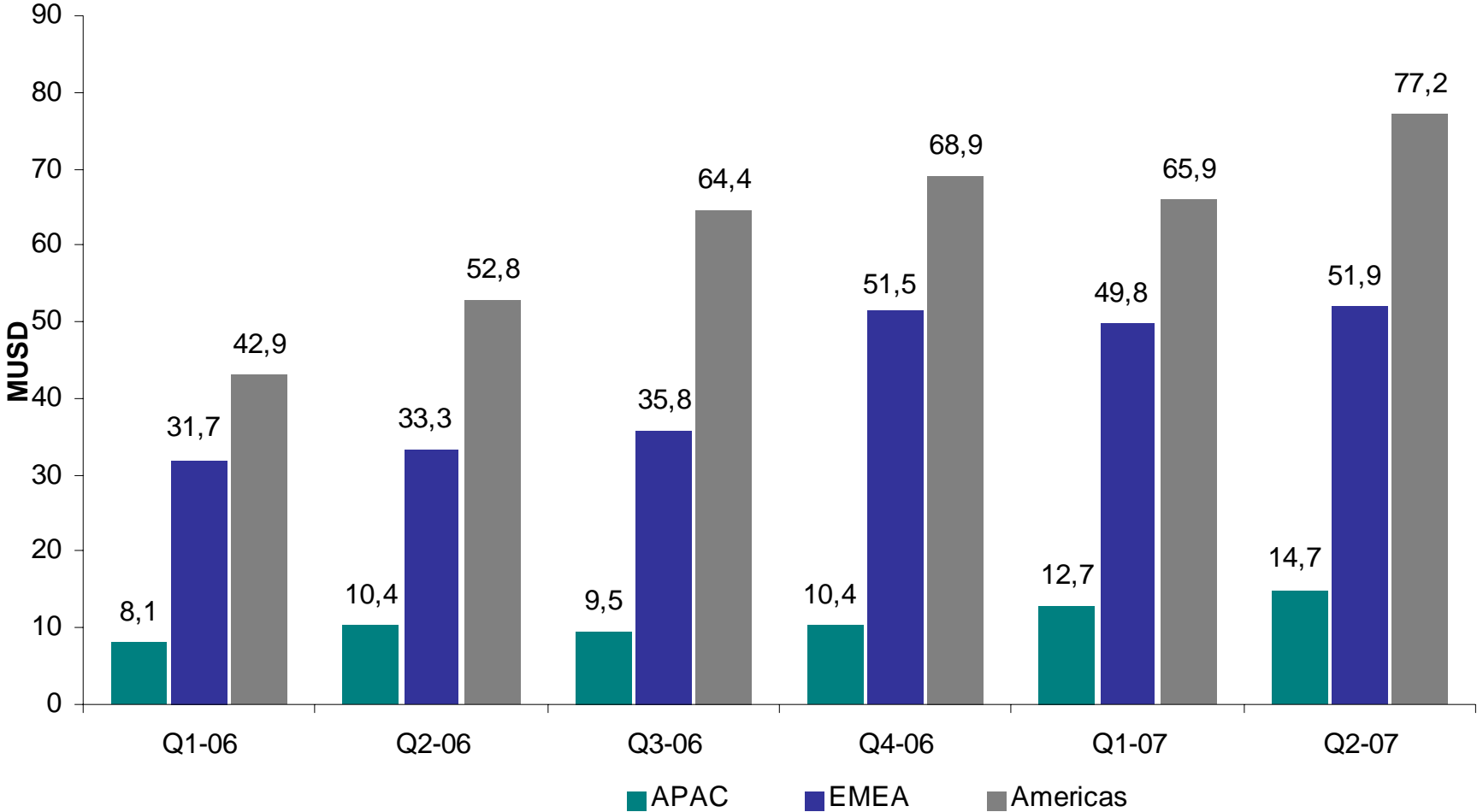


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# Revenue Mix by Theatre



# Americas Review

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## ■ Performance

- Continued strong sales performance as revenues increased to 77.2 MUSD, up 46.1 % year-over-year
- Balanced growth and consistent execution across the theatre
- Strong growth in network and services sales

## ■ Areas of strength

- Good industry momentum carried over from 1Q including development in Telepresence space, as executive buyers are actively evaluating Experia and HP Halo solutions
- Partner summit and trade shows attracted record levels of interest
- 1700 MXP, the only HD executive workstation in the market, continues to outpace projections

## ■ Areas for improvement

- Channel development in enterprise remains key area of focus

# EMEA Review

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## ■ Performance

- Revenues increasing 55.8 % year-over-year to 51.9 MUSD
- All regions performed well, particularly Northern Europe and Spain

## ■ Areas of strength

- Channel development program progressed well
- Strong performance in global accounts
- Increased interest in the total solution, including telepresence

## ■ Areas for improvement

- EMEA will continue to invest to strengthen the organization

# APAC Review

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- **Performance**

- Revenues increasing 41.6 % year-over-year to 14.7 MUSD
- On track performance in the quarter, with particularly strong results in Australia.

- **North Asia**

- Progress made in building the organization in both China and Japan
- Continued investments in growing presence and increasing competence.

- **South Asia**

- Focus throughout region on large enterprise and government

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# 2007 Priorities

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## **Sustain strong operating fundamentals**

- The Company maintained its focus on consistent execution in the field

## **Address areas of opportunity in core business in 2007**

- Launched Experia
- Launched Movi
- Launched Entrypoint

## **Invest aggressively to capture the converged IP communication opportunity**

- SIP strategy that includes making video available and accessible on any enterprise network. Execution through tighter integration of TANDBERG video systems with existing VOIP offerings and internal development

**Achieving our  
vision for Natural  
Communication**

# Summary

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- Strong and healthy top line growth driven by continued market momentum and good execution
- Continued to execute along business priorities outlined for 2007
- Further investment opportunities initiated
- The third quarter update will be held on October 15 at 5:00 pm CET / 11:00 am ET

# Thank you

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**TANDBERG**

**See: productivity**

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**See: performance**