



## **QUARTERLY REPORT**

**Fourth quarter 2006**

**February 7, 2007**

# Tandberg Data ASA – Fourth quarter 2006

## HIGHLIGHTS

- Revenue for the fourth quarter is USD 46.3 million (including the Exabyte business for 6 weeks), a revenue growth of 59.9 per cent compared with Q4 2005.
  - Non-recurring revenue items: Sale of [www.tandberg.com](http://www.tandberg.com) for USD 1.5 million
- Gross margin increased to 25.9 per cent, up from 22.5 per cent in the previous quarter.
- Operating profit of USD 5.1 million before depreciation.
  - Operating profit is affected positively by IFRS adjustments of USD 1.1 million
- Acquisition of Exabyte completed on November 17 2006.
- Cost synergies are achieved in accordance to plan
- Bond issue successfully placed:
  - first tranche of NOK 130 million in November 2006
  - second tranche of NOK 25 million in February 2007
- RDX: Successful qualification by OEM and introduction in the channel. . Several thousand items sold in the fourth quarter.
- Introduction of StorageLoader LTO-3 in automation products

## Key figures \*)

Profit and loss (USD million)	Fourth quarter		Full year	
	2006	2005	2006	2005
Operating revenues	47 804	28 937	138 118	100 433
Operating profit before depreciation	5 065	-1 182	-1 587	-4 713
Depreciation and amortisation	-2 630	-1 142	-6 311	-3 116
Operating profit	2 435	-2 324	-7 898	-7 829
Net financial items	-811	80	-3 375	255
Profit before tax	1 432	-2 452	-12 088	-7 876

\*) Exabyte figures included from November 17, 2006

## OPERATIONAL REVIEW

### Regions and customers

	Distributors				OEM			
	Fourth quarter		Full year		Fourth quarter		Full year	
	2006	2005	2006	2005	2006	2005	2006	2005
<b>EMEA</b>	13.6	11.8	46.1	43.6	1.0	1.0	3.8	2.6
<b>Japan</b>	0.5	0.3	1.5	2.1	2.6	3.7	12.1	12.4
<b>APAC</b>	4.5	2.8	17.0	13.5	0.0	0.0	0.0	0.0
<b>Americas</b>	13.6	3.4	23.3	12.1	10.5	5.9	32.9	14.2
<b>Total</b>	<b>32.2</b>	<b>18.3</b>	<b>87.9</b>	<b>71.3</b>	<b>14.1</b>	<b>10.6</b>	<b>48.7</b>	<b>29.2</b>

Sales through distributors amounted to USD 32.2 million or 69.6. per cent of total revenues in fourth quarter, which is an increase of USD 13.9 million compared with corresponding quarter in 2005. Sales revenues in Europe, Middle East and Africa (EMEA) increased by 15 per cent and Asia Pacific (APAC) by 60.7 per cent, while Americas increased by 300 per cent. The increase in the Americas is explained by the acquisition of the former Exabyte business. Compared with the previous quarter, sales through distributors is up by USD 14.1 million.

Sales to Original Equipment Manufacturers (OEM's), or companies that acquire TAD products to embed or sell under own brand, amounted to USD 14.1 million in the quarter, corresponding to 30.4 per cent of total revenues. The OEM sales' relative share of the total revenue has decreased due to the high growth in the US channel. The OEM sales in Americas increased by USD 4.6 million or 78 per cent compared with corresponding quarter in 2005. OEM sales of LTO2 tape drives have increased with USD 4.1 million compared to corresponding quarter in 2005.

RDX® QuikStor was officially launched on the last day of the third quarter. The product has been very well received in the sales channel. An OEM contract for the company's RDX® QuikStor product is entered into and deliveries under this contract started in November. Removable disk solutions are expected to take volumes from mature technology in the low end, entry level segments, and segments which are currently not backing up due to high costs in back up solutions so far.

## Products

	Fourth quarter		Full year	
	2006	2005	2006	2005
SLR	5.5	8.2	23.9	32.8
DLT	2.3	2.4	8.5	12.9
LTO	12.2	8.1	44.9	15.4
VXA	2.0	0.0	2.0	0.0
Other	0.3	0.0	0.3	0.0
<b>TOTAL TAPE DRIVES</b>	<b>22.3</b>	<b>18.8</b>	<b>79.5</b>	<b>61.0</b>
SLR	0.0	0.1	0.1	0.3
DLT	0.0	0.1	0.4	2.7
LTO	3.4	4.9	18.6	17.0
VXA	3.9	0.0	3.9	0.0
<b>TOTAL AUTOMATION</b>	<b>7.3</b>	<b>5.2</b>	<b>23.1</b>	<b>20.1</b>
SLR	2.8	2.7	12.2	12.1
DLT	0.9	1.1	3.6	4.3
LTO	1.6	0.9	5.7	2.3
VXA	5.6	0.0	5.6	0.0
Other	1.3	0.0	0.1	0.0
<b>TOTAL MEDIA</b>	<b>12.3</b>	<b>4.7</b>	<b>28.6</b>	<b>18.8</b>
RDX	1.7	0.0	1.7	0.0
Other Disk based	0.2	0.3	1.3	0.5
<b>TOTAL DISK BASED</b>	<b>1.9</b>	<b>0.3</b>	<b>3.0</b>	<b>0.5</b>
Service and other	2,5		2,5	
<b>TOTAL SERVICE AND OTHER</b>	<b>2,5</b>		<b>2,5</b>	
<b>TOTAL</b>	<b>46,3</b>	<b>29.0</b>	<b>136.6</b>	<b>100.4</b>

## FINANCIAL REVIEW

### Revenues and operating profit

Tandberg Data generated sales revenues of USD 46.3 million in the fourth quarter of 2006, an increase of 59.9 per cent compared with the USD 28.9 reported in the corresponding quarter in 2005. Sales revenue from the former Exabyte business contributed to the total revenue by USD 14.3 million. The total revenue is also affected positively by other operating income from the sale of the tandberg.com domain, improving the total revenue by USD 1.5 million.

The operating income before depreciation was USD 5.1 million in the fourth quarter 2006, compared with a loss of USD 1.2 million in the corresponding quarter 2005. Compared with the third quarter in 2006, this is an improvement of USD 6.4 million of the operating profit before depreciation.

## **Gross margin**

The growth in gross margin from the fourth quarter 2005 to fourth quarter 2006 of 2.9 percentage points, is mainly explained by the Exabyte business contributing during the last six weeks of the quarter. Excluding the new Exabyte business, the gross margin improved from 22.5 in the third quarter to 23.0 per cent in the fourth quarter. Through the new product mix, strengthened market access in the US and reductions in cost of goods, Tandberg Data aim to increase the gross margin further during 2007.

Tandberg Data experiences a steady development in OEM sales as deliveries under all OEM contracts have started.

## **Operating costs**

Operating costs were USD 8.4 million in the fourth quarter 2006, compared with USD 7.8 million in the fourth quarter 2005. The operating costs in the previous quarter were USD 7.9 million. The costs in the fourth quarter are positively affected by IFRS adjustments of USD 1.1 million. Cost related to the former Exabyte business is charged with six weeks only.

The average quarterly cost level based on proforma figures as of September 30 2006 indicates quarterly costs of USD 17.2 million. The corresponding figures for 2005 indicate an average quarterly cost level of USD 19.2 million. The company's expected average quarterly cost level is commented in the outlook.

## **Depreciation**

Ordinary depreciation and amortisation of acquired technology, fixed assets and product development costs is included with USD 1.7 million. Ordinary depreciation has increased this quarter due to the purchase of Exabyte assets and due to depreciations on the licence of the RDX technology.

Licenses, technology and development have been capitalised by USD 11.2 million during the quarter. Goodwill has been capitalised by USD 17.6 million.

## **Result of operations**

Profit before tax amounted to USD 1.4 million, compared with a loss of USD 4.0 million in the previous quarter.

## **Net financial items**

Net financial items were negative by USD 0.8 million in the fourth quarter 2006, of which USD 1.2 million reflects positive effects of currency fluctuations. IFRS effects on the two debt facilities established in 2006 amounted to USD 1.0 million. Interest expenses related to the company's interest bearing debt amounted to USD 1.4 million.

In 2006, net financial items were negative by USD 3.4 of which USD 2.5 million related to borrowing costs/derivative costs, USD 2.3 related to interest expenses and USD

1.4 million can be attributed to positive currency effects.

Tandberg Data had USD 47.1 million in interest bearing debt at 31 December 2006, and net cash balance of USD 7.4 million.

## **Cash flow**

The company's total cash flow was negative by USD 10.0 million, mainly as a result of the acquisition of the Exabyte business, in fourth quarter 2006 (negative by USD 3.1 million previous quarter). The cash flow from operating activities was negative with USD 2.4 million as a result of the takeover of the former Exabyte business which had a distressed liquidity situation at the time of the takeover.

The cash flow from investing activities was negative with USD 30.8 million in the quarter, due to the acquisition of all assets and selected liabilities from the former Exabyte business and also including all transaction costs.

Net cash flow from financing activities was positive with USD 23.2 million. This relates to the convertible loan equivalent to USD 20.6 million. The convertible loan of NOK 130 million was placed in November 2006. A second tranche of NOK 25 million was placed in February 2007. The cash balance at the end of the quarter was USD 7.4 million.

## **Other issues**

Tandberg Data finalised the transaction of acquiring all assets and selected liabilities of the US based data storage company Exabyte Corporation on November 17 2006. The merger has created one of the leading players in the tape drive industry. Tandberg Data and Exabyte have created an entity with critical mass and good market fit.

The two companies have identified and quantified annual cost synergies exceeding USD 15 million which will have a full effect in 2007. Tandberg Data sees significant opportunities for increased sales and improved gross margin as a result of the integration of the two companies.

The expected improvements in margin are related to change in product mix, strengthened market access and reductions in cost of goods. Tandberg Data has since November been working according to a detailed integration plan to secure the realisation of identified cost and revenue synergies. At the end of 2006 all parts of the company had taken large steps towards a fully integrated entity.

## **Market update**

The global market for tape drive and automation products has been challenging for a period. This has led to poor earnings conditions and consolidation among the suppliers. We have seen a significant industry consolidation with seven mergers and acquisitions in the past years. The market leader Quantum acquired ADIC in May 2006 and the two companies have been operating as a single entity since August 2006. We expect the current industry player to shift focus to improved margins and robust earnings.

The sales development in 2006 shows that there is a substantial growth potential in Tandberg Data's segments in the storage industry, that is the midrange, the low end and the entry level segments. Tandberg Data is confident that further growth within these segments is possible with our current key technology products. The new product roadmap of the company with several new automation products has increased the company's competitiveness. Furthermore the RDX® QuikStor is expected to capture volumes from mature technology in the low end and entry level segments. Sales volumes and feed back from OEMs are very promising for the product.

**Outlook -**

The merger with Exabyte has strengthened Tandberg Data's position as one of the leading player in the tape storage industry with great growth potential. The merger will enable Tandberg Data to strengthen its market position and is expected to open a significant potential for revenue synergies. The combined company has developed a new product roadmap. Joint market resources are allocated to products and regions, and a new group marketing resource is in place to coordinate the group marketing efforts.

Tandberg Data is determined to still improve the gross margins for their overall product portfolio. This is also a long term challenge, and includes efforts and changes for both the supply chain and the sales departments of the company. We believe that the gross margin will improve further from end of 2006 level as a result of the new, integrated product portfolio, the RDX® QuikStor product and as the automation products are picking up volumes.

Tandberg Data will keep focus on integrating the two organizations and realising cost synergies exceeding USD 15 million which would lead to an average quarterly cost of approximately USD 13 million. The company is following a detailed integration plan going forward to avoid delays in cost reductions.

This report contains forward looking statements. These statements are based on various assumptions, many of which are based, in turn, upon further assumptions, including Tandberg Data's management's examinations of historical operating trends. Although Tandberg Data believes that these assumptions were reasonable when made, because assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond its control, Tandberg Data cannot give assurance that it will achieve or accomplish these expectations, beliefs or intentions.

Oslo, February 7, 2007

Board of Directors

# Consolidated Profit and Loss Statement - unaudited

(Amounts in USD 1000)

	IFRS		IFRS	
	Q4 2006	Q4 2005	12 months 2006	12 months 2005
Sales Revenue	46 281	28 937	136 595	100 433
Other operating income	1 523		1 523	
Cost of sales	-34 308	-22 287	-103 786	-75 387
<b>Gross Margin</b>	<b>13 496</b>	<b>6 650</b>	<b>34 332</b>	<b>25 046</b>
Personnel cost	-5 966	-4 515	-19 888	-17 360
Other operating expenses	-2 817	-3 317	-12 045	-12 399
Restructuring expenses	352		-3 986	0
<b>Operating profit before depr.</b>	<b>5 065</b>	<b>-1 182</b>	<b>-1 587</b>	<b>-4 713</b>
Depreciation	-1 723	-816	-4 237	-2 790
Impairment of assets	-907	-326	-2 074	-326
<b>Operating profit</b>	<b>2 435</b>	<b>-2 324</b>	<b>-7 898</b>	<b>-7 829</b>
Net financial items	-811	80	-3 375	255
Loss-/Gain from associate	-192	-208	-815	-302
<b>Profit/loss before tax</b>	<b>1 432</b>	<b>-2 452</b>	<b>-12 088</b>	<b>-7 876</b>
	0			
Tax expense	686	-229	343	-456
	0			
<b>Profit/loss for the period</b>	<b>2 118</b>	<b>-2 681</b>	<b>-11 745</b>	<b>-8 332</b>
<b>Earnings per share</b>				
Basic (In USD)	0,05	(0,07)	(0,25)	(0,19)
Diluted (In USD)	0,05	(0,07)	(0,25)	(0,19)



## Consolidated balance sheet - unaudited

(Amounts in USD 1000)	IFRS	
	31.12.06	31.12.05
<b>ASSETS</b>		
<b>Non-current assets</b>		
Licenses	1 063	0
Goodwill	17 569	850
Technology and Development	18 924	8 773
Property, Plant and Equipment	7 726	5 346
Investment in associate	6 835	7 659
Other non-current assets	500	588
<b>Total non-current assets</b>	<b>52 617</b>	<b>23 216</b>
<b>Current assets</b>		
Inventories	15 780	9 523
Trade accounts receivable	41 451	28 218
Other current assets	6 548	2 509
Cash and cash equivalents	7 391	8 957
<b>Total current assets</b>	<b>71 170</b>	<b>49 207</b>
<b>TOTAL ASSETS</b>	<b>123 787</b>	<b>72 423</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	15 540	15 540
Other equity	6 433	18 672
<b>Total equity</b>	<b>21 973</b>	<b>34 212</b>
<b>Non-current liabilities</b>		
Pension liability	683	581
Deferred tax	0	1 254
Interest bearing debt	47 104	1 574
Other non-current liabilities	1 050	1 603
<b>Total non-current liabilities</b>	<b>48 837</b>	<b>5 012</b>
<b>Current liabilities</b>		
Public duties payable	1 176	2 659
Tax payable	464	249
Trade accounts payable	27 236	17 302
Interest bearing debt	4 213	7 981
Other current liabilities	19 887	5 008
<b>Total current liabilities</b>	<b>52 976</b>	<b>33 199</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>123 787</b>	<b>72 423</b>

### Consolidated statement of cash flows - unaudited

(Amounts in USD 1000)	IFRS		IFRS	IFRS
	Q4 2006	Q4 2005	2006	2005
Net cash flow from operating activities	-2 444	-4 817	-6 296	-9 684
Net cash flow from investing activities	-30 803	-5 916	-34 293	-11 927
Net cash flow from financing activities	23 204	12 881	39 023	23 523
<b>Net change in cash</b>	<b>-10 043</b>	<b>2 148</b>	<b>-1 566</b>	<b>1 912</b>
Opening cash balance	17 434	6 809	8 957	7 045
<b>Closing cash balance</b>	<b>7 391</b>	<b>8 957</b>	<b>7 391</b>	<b>8 957</b>

### Consolidated statement of changes in equity - unaudited

(Amounts in USD 1000)	IFRS	IFRS
	2 006	2005
<b>Equity at beginning of period</b>	<b>34 212</b>	<b>28 985</b>
Share issue	0	14 270
Share based payment	-23	72
Acquisition of minority Inostor	0	-1 053
Net transactions own shares	0	1 246
Profit/loss for the period	-11 746	-8 332
Exchange rate differences on translating foreign operations	-470	-976
<b>Equity at end of period</b>	<b>21 973</b>	<b>34 212</b>

## NOTE 1 CORPORATE INFORMATION

Tandberg Data ASA and its subsidiaries (the Group) is a global supplier of information storage products and solution.

The Company is a public limited company incorporated and domiciled in Norway. The address of its registered office is Kjelsåsveien 116, N-0411 Oslo. Tandberg Data has regional sales offices throughout the world, which are supported by subsidiaries in France, Germany, Japan, Singapore, the United Kingdom and USA.

The condensed consolidated interim financial information for 2006 closing December 31 includes the company and its subsidiaries. This condensed interim financial information has been authorized for issue by the Board of Directors on February 7, 2007.

## NOTE 2 ACCOUNTING POLICIES

Tandberg Data's condensed consolidated interim financial information is prepared in accordance with International Financial reporting Standards as adopted by the European Union in accordance with IAS 34, Interim Financial Reporting.

The accounting policies adopted are consistent with those of the financial statements for the year ended 31. December 2005, as described in the annual financial statements for the year ended 31. December 2005. This condensed information should therefore be read together with the annual financial statements for the year ended December 31, 2005.

## NOTE 3 EARNINGS PER SHARE

Earnings per share attributable to equity holders of the company arise as follows:

Amounts in USD	Q4 2006	Q4 2005	2006	2005
Basic earnings per share	0,05	-0,07	-0,25	-0,19
Dilted earnings per share	0,05	-0,07	-0,25	-0,19

## NOTE 4 ACQUISITION OF EXABYTE

17. November 2006 the acquisition of assets, rights and certain liabilities of Exabyte Corp., was completed. The acquisition was primarily financed by establishing a convertible loan of MNOK 130.