TANDBERG DATA
Securing your Information

QUARTERLY REPORT

Third quarter 2006

November 2

Tandberg Data ASA – Third quarter 2006

Highlights

- Acquisition of Exabyte. Final closing in November according to plan.
- Cost synergies identified are exceeding USD 15 million
- Revenue growth of 22 per cent to USD 29.2 million compared to Q3 2005. The gross margin is increasing after the low level in the second quarter
- Operating loss are affected by extraordinary activities related to the acquisition of Exabyte and weaker sales than usual in July
- Non-recurring costs of USD 1.2 million booked mainly due to discontinuation of CDG business (BAKStor)
- Successful launch of disc solution RDX® QuikStor

Key figures

Profit and loss (USD million)	Q3 06	Q3 05	YTD 06	YTD 05	2005
Operating revenues	29.2	23.9	90.3	71.5	100.4
Operating profit before depreciation	-1.4	-1.5	-6.7	-3.5	-4.7
Depreciation and amortisation	-2.2	0.8	-3.7	-2.0	-3.1
Operating profit	-3.6	-2.3	-10.3	-5.5	-7.8
Net financial items	-0.5	0.1	-3.2	0.1	-0.1
Profit before tax	-4.0	-2.2	-13.5	-5.4	-7.9

Operational Review

REGIONS AND CUSTOMERS

	DISTRIBUTION					OEM				
	Third quarter		YTD		Year	Third quarter		YTD		Year
	2006	2005	2006	2005	2005	2006	2005	2006	2005	2005
EMEA	10.5	9.2	32.5	31.8	43.6	1.0	1.0	2.8	1.6	2.6
Japan	0.3	0.5	1.0	1.8	2.1	3.2	3.0	9.5	8.7	12.4
APAC	4.4	4.0	12.5	10.7	13.5					
Americas	2.8	3.4	9.8	8.7	12.1	6.9	2.9	22.4	8.3	14.2
Total	**18.1**	**17.0**	**55.7**	**53.0**	**71.3**	**11.1**	**6.9**	**34.6**	**18.6**	**29.2**

Sales through distributors amounted to USD 18.1 million or 62 per cent of total revenues in third quarter, which is an increase of USD 1.1 million compared to corresponding quarter in 2005. Europe, Middle East and Africa (EMEA) increased by 15 per cent and Asia Pacific (APAC) by 11 per cent, while Americas was down by 16 per cent.

Sales to Original Equipment Manufacturers (OEM's), or companies that acquire TAD products to embed or sell under own brand, amounted to USD 11.1 million in the quarter, corresponding to 38 per cent of total revenues. The OEM sales increased by USD 4.2 million or 60 per cent compared to corresponding quarter in 2005. OEM sales of LTO2 tape drives have increased with USD 5.9 compared to corresponding quarter in 2005. Compared to the previous quarter OEM sales is down by USD 0.7 million. The automation business declined slightly in the period due to the acquisition of ADIC by Quantum.

RDX® QuikStor was officially launched on the last day of the quarter. The product has been very well received in the Tandberg Data sales channel. So far, the market for the product has been larger than previously anticipated. Tandberg Data are currently working to increase the production capacity to meet the unexpected high demand and orderes received so far. The new OEM contract for the company's RDX® QuikStor product is developing according to plan, and deliveries under this contract will start during the fourth quarter this year**.**

PRODUCTS

	Third quarter		YTD		Year
	2006	**2005**	**2006**	**2005**	**2005**
TAPE DRIVES					
SLR	5.1	7.0	18.3	24.6	32.7
DLT	1.4	2.9	6.2	10.5	12.9
LTO	11.8	3.7	32.7	7.2	15.4
	18.3	**13.7**	**57.2**	**42.3**	**61.0**
AUTOMATION					
SLR	0.0	0.1	0.1	0.2	0.3
DLT	0.0	0.4	0.5	2.6	2.8
LTO	5.2	5.0	15.2	12.1	17.0
	5.2	**5.4**	**15.8**	**14.9**	**20.1**
MEDIA					
SLR	2.7	3.1	9.4	9.5	12.1
DLT	0.9	0.8	2.7	3.2	4.3
LTO	1.7	0.7	4.1	1.4	2.3
	5.3	**4.7**	**16.3**	**14.0**	**18.8**
DISK BASED	**0.4**	**0.1**	**1.1**	**0.2**	**0.5**
TOTAL	**29.2**	**23.9**	**90.3**	**71.5**	**100.4**

Financial Review

Revenues and operating profit

Tandberg Data generated revenues of USD 29.2 million in the third quarter of 2006, an increase of 22.2 per cent compared with the USD 23.9 reported in the corresponding quarter in 2005. July was a particularly weak month, due to technical problems with the LTO product deliveries to OEM's in the period.

The operating loss before depreciation is USD 1.4 million in the third quarter 2006, compared with a loss of USD 1.5 million in the corresponding quarter 2005. Compared with the second quarter 2006 (exclusive restructuring expenses) it is a worsening of USD 0.3 million of the operating profit before depreciation.

Gross margin

It has been a drop in gross margin from the third quarter 2005 to 2006 by 2.2 percentage points, explained by aggressive pricing by competitors, a relatively high share of third party products and lower sales of the StorageLoader ® product than planned for. However, the gross margin is picking up again to 22.5 per cent in the third quarter 2006, from the low level of 21.3 per cent in the previous quarter. The gross margin will increase in the fourth quarter and remain at a higher level in 2007, due to changed product mix, strengthened market access and cost of goods reductions.

OEM sales see a steady development as deliveries under all OEM contracts have started. Full effect on all ongoing contracts is expected at the end of fourth quarter this year.

RDX® QuikStor is launched, and is so far very well received in all markets. Tandberg Data has received orders in excess of expectations. This product will contribute to a positive development in the gross margin.

Operating costs

Operating costs were USD 7,9 million in the third quarter 2006, compared to USD 7.4 million in the third quarter 2005. The operating costs in the previous quarter were USD 12.5 million, including restructuring costs of USD 5.0 million reserved for the integration process with Exabyte started in October 2006.

The year-on-year increase in the company's cost level reflects high marketing costs in connection with the launch of new products and less capitalised product development costs compared to corresponding quarter in 2005.

Depreciation

Ordinary depreciation and amortisation of acquired technology, fixed assets and product development costs is included with USD 1.0 million. Ordinary depreciation has increased this quarter due to the launching of the 4U StorageLibrary.

Product development costs of USD 0.6 million have been capitalised during the quarter.

Non-recurring cost (impairment of asset) of USD 1.2 million is booked in third quarter. The non-recurring cost relates mainly to the discontinuation of CDG business (BAKStor) with USD 1.1 million and USD 0.1 million is due to the loss of a contract with ADIC. A sales process for the BAKStor technology has been initiated, and would carry a potential upside for Tandberg Data.

Result of operations

Profit before tax was negative by USD 4.0 million, compared to a loss of USD 9.0 million previous quarter.

Net financial items

Net financial items were negative by USD 0.3 million in the third quarter 2006, of which USD 0.3 million reflects positive effects of currency fluctuations. Interest expenses related to the company's interest bearing debt amounted to USD 0.6 million.

For the first nine months of 2006, net financial items were negative USD 2.6 of which USD 1.2 million relates to borrowing cost in second quarter, USD 0.9 million relates to interest expenses and USD 0.5 million can be attributed to negative currency effects.

Tandberg Data had USD 23.6 million in interest bearing debt, and a net cash balance of USD 17.4 million at 30 September 2006.

Cash flow

The company's total cash flow was negative by USD 3.1 million (USD 16.0 million previous quarter). The cash flow from operating activities was negative with USD 0.9 million mainly as a result of the operating loss. The cash flow from investing activities was negative with USD 0.8 million, mainly due to capitalised product development costs of USD 0.6 million. Net cash flow from financing activities was negative with USD 1.5 million and relates to instalments on external debt with USD 0.5 million and the bridge financing to Exabyte of USD 1.0 million. Cash balance at the end of the quarter was USD 17.4 million.

Other issues

On August 30, 2006, Tandberg Data ASA disclosed the intention of acquiring the US based data storage company Exabyte Corporation. All conditions to closing will be lifted during November.

The merger will create a leading challenger in the tape drive industry. Apart from significant scope for synergies and complementary product portfolio, Tandberg Data and Exabyte will create an entity with critical mass and a better market fit.

The two companies have so far identified and quantified annual cost synergies exceeding USD 15 million which will be realised in 2007. In addition 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 is currently working according to a detailed integration plan to secure the realisation of identified cost and revenue synergies

Market update

The global market for tape drive and automation products has been challenging for a period. This has lead to poor earnings conditions and consolidation among the suppliers. The market leader Quantum acquired ADIC in May and the two companies are as of August operating as a single entity. Tandberg Data acquired Exabyte on August 30 and the two companies will be integrated in November.

The sales development in the first three quarters of the year show that there is a substantial growth potential in Tandberg Data's segments, midrange, low end and entry level, in the data storage industry. Tandberg Data is confident that further growth within these segments is possible. The product roadmap of the combined company with several new automation products will increase the company's competitiveness Furthermore the RDX® QuikStor is expected to take volumes from mature technology in the low end and entry level segments. Early sales volumes and demands are very promising for the product.

Outlook

In the short term, Tandberg Data will focus on integrating the two organizations and realising cost synergies exceeding USD 15 million. Both companies have started internal processes to make sure that the costs are reduced in accordance to plan. Notice has been given to most of the employees who are made redundant during October. 40 employees will leave the Norwegian entity during the next months, and additionally 70 will leave the combined company in the US and in other locations in Europe and Asia. According to this plan, 60 per cent of the proportional synergies for the first quarter will give effect already from the beginning of 2007. The company is currently working after a detailed integration plan to avoid delays in cost reductions and to ensure that all material business processes are taken care of. Tandberg Data is also working to reduce the cost of goods sold, and several measures and opportunities are explored. The gross margin will also improve as a result of the integrated product portfolio, the RDX® QuikStor product and as the automation products are picking up volumes.

The merger with Exabyte will strengthen Tandberg Data's position as a leading challenger in the tape storage industry. The merger will enable Tandberg Data to strengthen its market position and will open a significant potential for revenue synergies. The combined company has developed a new product roadmap. Joint market recourses will be allocated to the products and regions, and a new group marketing resource is in place to coordinate the group marketing efforts. Common sales meetings and product training sessions are planned for.

On longer term, synergies will be realised by utilizing the two companies' competence and experience in building world wide integrated systems for efficient and timely deliveries of the increased business volume.

As described in notices to the stock exchange on October 30 and 31, Tandberg Data issued a senior unsecured convertible bond facility of NOK 130 million on October 30. This secures the financing of the Exabyte transaction.

Oslo, November 2, 2006
Board of Directors

Consolidated Profit and Loss Statement - unaudited

(Amounts in USD 1000)	IFRS Q3 2006	IFRS Q3 2005	IFRS 9 months 2006	IFRS 9 months 2005	IFRS 2005
Sales Revenue	29 164	23 858	90 314	71 496	100 433
Cost of sales	-22 615	-17 967	-69 478	-53 100	-75 387
Gross Margin	**6 549**	**5 891**	**20 836**	**18 396**	**25 046**
Personnel cost	-4 999	-4 277	-13 522	-12 845	-17 360
Other operating expenses	-2 912	-3 075	-8 966	-9 082	-12 399
Restructuring expenses	0	0	-5 000	0	0
Operating profit before depr.	**-1 362**	**-1 461**	**-6 652**	**-3 531**	**-4 713**
Depreciation	-1 036	-840	-2 514	-1 974	-2 790
Impairment of assets	-1 167	0	-1 167	0	-326
Operating profit	**-3 565**	**-2 301**	**-10 333**	**-5 505**	**-7 829**
Net financial items	-331	81	-2 564	175	255
Loss-/Gain from associate	-116	40	-623	-94	-302
Profit/loss before tax	**-4 012**	**-2 180**	**-13 520**	**-5 424**	**-7 876**
Tax expense	44	-54	-343	-227	-456
Profit/loss for the period	**-3 968**	**-2 234**	**-13 863**	**-5 651**	**-8 332**
Earnings per share					
Basic (In USD)	-0,08	-0,05	-0,30	-0,13	-0,21
Diluted (In USD)	-0,08	-0,05	-0,30	-0,13	-0,21

Consolidated balance sheet - unaudited

(Amounts in USD 1000)	IFRS 30/09/2006	IFRS 30/09/2005	IFRS 31/12/2005
ASSETS			
Non-current assets			
Licenses	280	289	0
Goodwill	0	0	850
Technology	0	3 095	2 853
Development	7 422	5 172	5 920
Buildings	2 403	2 564	2 435
Tools and instruments	2 476	1 618	2 198
IT equipment and fixtures	713	735	713
Investment in associate	7 026	3 499	7 659
Other non-current assets	266	1 090	588
Total non-current assets	**20 586**	**18 062**	**23 216**
Current assets			
Inventories	7 597	10 444	9 523
Trade accounts receivable	27 045	21 783	28 218
Other current assets	3 690	843	2 509
Called up, alloted, but not paid equity	0	7 890	
Cash and cash equivalents	17 434	6 809	8 957
Total current assets	**55 766**	**47 769**	**49 207**
TOTAL ASSETS	**76 352**	**65 831**	**72 423**
EQUITY AND LIABILITIES			
Equity			
Share capital	15 540	14 097	15 540
Equity not registered	0	7 890	
Other equity	5 831	15 000	18 672
Total equity	**21 371**	**36 987**	**34 212**
Non-current liabilities			
Pension liability	600	461	581
Deferred tax	0	0	1 254
Interest bearing debt	23 555	0	1 574
Other non-current liabilities	0	2 200	1 603
Total non-current liabilities	**24 155**	**2 661**	**5 012**
Current liabilities			
Public duties payable	1 885	1 826	2 659
Tax payable	151	0	249
Trade accounts payable	16 621	14 096	17 302
Interest bearing debt	2 864	4 564	7 981
Other current liabilities	9 305	5 697	5 008
Total current liabilities	**30 826**	**26 183**	**33 199**
TOTAL EQUITY AND LIABILITIES	**76 352**	**65 831**	**72 423**

Consolidated statement of changes in equity - unaudited

(Amounts in USD 1000)	IFRS 9 months 2006	IFRS 9 months 2005	IFRS 2005
Equity at beginning of period	**34 212**	**28 985**	**28 985**
Share issue	0	14 270	14 270
Share based payment	17	67	72
Acqusition of minority Inostor	0	-1 053	-1 053
Net transactions own shares	0	1 246	1 246
Embedded derivative long term debt	1 143	0	0
Profit/loss for the period	-13 863	-5 651	-8 332
Exchange rate differences on translating foreign operations	-138	-877	-976
Equity at end of period	**21 371**	**36 987**	**34 212**

Consolidated statement of cash flows - unaudited

(Amounts in USD 1000)	IFRS Q3 2006	IFRS Q3 2005	IFRS 9 months 2006	IFRS 9 months 2005	IFRS 2005
Net cash flow from operating activities	-882	-2 568	-3 852	-3 625	-9 684
Net cash flow from investing activities	-767	-1 494	-3 490	-9 674	-11 927
Net cash flow from financing activities	-1 475	-260	15 819	13 063	23 523
Net change in cash	**-3 124**	**-4 322**	**8 477**	**-236**	**1 912**
Opening cash balance	20 558	11 131	8 957	7 045	7 045
Closing cash balance	**17 434**	**6 809**	**17 434**	**6 809**	**8 957**