

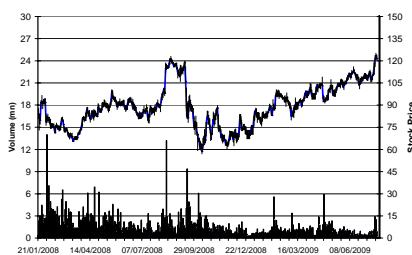
21 July 2009

Offer Terms

N.A.

Target: Tandberg

Country	Norway
Bloomberg	TAA NO
Sector	Telecom Equipments
Share price (NOK)	121
Market cap (NOK m)	13,594
Free float (%)	100

Acquirer: Silver Lake**Tandberg price chart****Deal Status**

Bid Rumour – 16 July 2009

Next critical date

Tandberg Q3 Results – 15 October 09

Polycom Q3 Results – 15 October 09

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Tandberg

Pre-event

- **Attractive stock from an M&A perspective although investors need to take a fundamental view as timing for a bid is uncertain.**
- **Target bid price of NOK160/share and counterbid from Cisco is possible if Silver Lake is the suitor.**

Summary

On July 16, 2009 the FT citing "reliable sources" reported that **Tandberg ASA ("Tandberg")** has received a NOK135/share expression of interest from Silver Lake Partners

- Tandberg's CEO said at Tandberg's teleconference that Tandberg sent out a press release in 2008 when it had been approached but has "not sent out any press release now about rumours in the marketplace".
 - "Not doing that is consistent with the policy" of Tandberg

In August 2008 Tandberg entered "preliminary discussions" about a bid

- Press reports mentioned Silver Lake as the potential buyer and a NOK125/share bid price
 - In October 2008 Tandberg decided to end talks "due to the turmoil in the financial market"

Conclusion

We regard Tandberg as an attractive pre-event stock in the Telecom equipments/services sector

- Although investors need to take a view on the fundamental value of Tandberg as it appears that no formal approaches have been made yet

We believe that the rumoured NOK135/share price is too low to attract interest from Tandberg's shareholders

- We estimate that at the current price Tandberg is trading fairly in line with Polycom (its main competitor) and larger players like Cisco
 - Although Tandberg's current price should not be regarded as a floor
 - Purchases of Tandberg's equipment are linked to the global economic conditions – although there are structural growth drivers for videoconference services
 - There is risk of competition from low cost or large producers
- We would target ~NOK160/share as a recommendable price
 - On the basis of BEST consensus for Tandberg's results we estimate that a bidder could target the following IRRs:
 - 20% IRR bidding at NOK135/share assuming no synergies
 - 20% IRR bidding at NOK152/share assuming pre-tax annual synergies of \$50m from an integration with an industrial buyer
 - 15% IRR bidding at NOK148/share assuming no synergies
 - 15% IRR bidding at NOK168/share post synergies

We believe that if Silver Lake approaches Tandberg, there would be a material incentive for Cisco to intercept the bid

- Cisco has a strategic partnership with Tandberg in which they both cross-sell products to the final users
- Silver Lake is the co-owner of Avaya, a strong competitor of Cisco in Voice communication
 - Cisco could risk losing a strategic partner going forward and see its main competitor strengthening itself in Unified Communication services (which includes Voice and Video)
 - On this basis we cannot rule out Cisco proactively approaching Tandberg

We would flag that a bid for Tandberg would have a direct read-through for Polycom (still the global #1 in terms of sales)

Tandberg

Tandberg is a leading global provider of tele-presence, high-definition videoconferencing and mobile video products and services

- Most of Tandberg's revenue comes from endpoint sales.
 - Endpoints include personal video systems, small and large meeting room video systems and vertical applications
 - Tandberg's global market share for endpoints in 2007 was 40.5% (FY2006: 37.1%) in terms of revenue and 27.6% (FY2006: 24.1%) in terms of units sold.
- However, the contribution from network infrastructure sales and value-added services is accounting for an increasing percentage of revenue
 - 40% of total sales as of Q2 09 (17% from value-added services, 23% from network products)
 - Value-Added services include service contracts tied to end-points and network product sales
 - Network infrastructure products include TMS, MPS, MCU, Gateways, VCS, Gatekeeper, Border Controller, Content Server, Video Switch and Codian products
 - Codian was acquired in Sept 2007 for \$270m in cash and shares
 - Codian is a leading provider of high definition videoconferencing infrastructure products
 - For the first 6 months of 2007, Codian posted revenues of ~\$13m
- Tandberg has strategic alliances with Microsoft, Avaya, IBM, Cisco and HP

Tandberg – Segment Results (by Division and Geography)

JAN - JUN 2009 (\$ m)	Americas	EMEA	APAC	Products	Unall/Elim	Total
Endpoints	111	105	26			241
Network	48	33	9			90
VAS	35	23	9			67
Total	193	161	44	244	-244	398
Operating profit	15	15	2	64	-13	84
Accounts receivable	49	56	20			125
Accounts payable	27	30	7		-21	43
JAN - JUN 2008 (\$ m)	Americas	EMEA	APAC	Products	Unall/Elim	Total
Endpoints	114	109	29			252
Network	29	28	10			67
VAS	26	22	7			54
Total	168	160	45	225	-225	373
Operating profit	5	18	0	64	-7	79
Accounts receivable	51	60	15			126
Accounts payable	26	32	12		-24	45
JAN - DEC 2008 (\$ m)	Americas	EMEA	APAC	Products	Unall/Elim	Total
Endpoints	258	220	59			537
Network	72	62	21			155
VAS	56	46	14			116
Total	386	328	95	497	-497	809
Operating profit	14	30	0	156	-24	177
Accounts receivable	41	70	15			126
Accounts payable	25	30	4		-17	42

Tandberg – Shareholding

FOLKETRYGDFONDET JP MORGAN CHASE BANK NOR	12.25%
JPMORGAN CHASE BANK OPPENHEIMER LENDING NOM USA	5.89%
BANK OF NEW YORK BR TREATY ACCOUNT UNITE NOM USA	2.98%
STATE STREET BANK AND TRUST CO. A/C CLIENT OMNIBUS F, REF: OM06 NOM USA	2.60%
ORKLA ASA NOR	2.20%
STATE STREET BANK & TRUST CO. A/C CLIENT FUND NUMBER: OM80 NOM USA	1.92%
CLEARSTREAM BANKING CID DEPT, FRANKFURT NOM LUX	1.85%
HSBC BANK PLC CLIENTS' ACCOUNT 15% NOM GBR	1.76%
SOCIETE GENERALE BAN SGBT/ OWN ACC LUX	1.76%
BANK OF NEW YORK MEL S/A MELLON NOMINEE 1 NOM USA	1.68%
JPMORGAN CHASE BANK NORDEA TREATY ACCOUNT NOM GBR	1.66%
SIX SIS AG ACCOUNT 2 NOM CHE	1.59%
TANDBERG ASA NOR	1.49%
THE NORTHERN TRUST C NON-TREATY ACCOUNT NOM GBR	1.28%
STATE STREET BANK AND TRUST CO.A/C CLIENT OMNIBUS D, REF: OM04 NOM USA	1.18%
STATE STREET BANK AND TRUST CO. A/C CLIENT OMNIBUS I, REF: OM08 NOM USA	1.11%
CITIBANK N.A. NEW YORK BRANCH A/C UMB SCOUT WORLDWIDE FUND NOM USA	1.07%
SKANDINAVISKA ENSKIL A/C CLIENTS ACCOUNT NOM SWE	1.06%
OSLO PENSJONSFORSIKR NOR	1.06%
JPMORGAN CHASE BANK OMNIBUS LENDING ACCOUNT NOM GBR	0.98%
OTHER	52.63%

Silver Lake

Silver Lake is a leading private equity investor in technology, technology-enabled, and related growth industries.

- \$14 billion in assets under management
- Manages large cap and middle market technology private investment strategies as well as a credit investment strategy
 - Large Cap Technology
 - Avago, Avaya, Flextronics, Gartner, Gerson Lehrman Group, Intelsat, IPC Systems, NASDAQ OMX, NetScout, NXP, Sabre Holdings, Serena Software, SunGard Data Systems
 - Avaya is a leading provider of Voice-Over-IP and Unified Communication solutions
 - Avaya was acquired by Silver Lake and TPG in 2007 for \$7bn in cash
 - EV/Sales: 1.5x
 - EV/EBITDA: 12.1x
 - Silver Lake Sumeru – Middle Market Technology
 - AVI-SPL, i2, Mobile Messenger, Power-One
 - Silver Lake Financial – Credit

Rationale for a bid

Tandberg is, in our view, a strategic target as it is effectively a technology leader in an industry dominated by two players (Tandberg and Polycom)

- In addition the industry in which Tandberg is operating (videoconferencing) has solid growth trends – although technological innovation and competition from low cost producers are risks that must always be taken into consideration in the software and devices sectors

Strategic market share

The videoconferencing arena is dominated by Tandberg and Polycom (together controlling ~70% of the market for videoconferencing devices and infrastructure)

- In the devices sector Cisco, Hewlett-Packard and a number of other companies including Aethra, Huawei, Kedadom Technologies, LifeSize, Sony and ZTE operate in the sector
 - Tandberg has a strategic relationship with Cisco, whereby Tandberg provides Cisco with technology that is co-branded and sold by Cisco
- In infrastructure products Cisco resells RADVISION's products and Huawei is also a competitor in addition to smaller entrants

In addition, Tandberg has a higher margin product base compared to Polycom and is more focused on quality and innovation

- Although large SW and equipment majors like HP or Cisco may step up their development effort to compete against Tandberg and Polycom if needed

Market growth

The videoconferencing market is worth more than \$6b and is expected to show solid growth trends over the next years

- This growth is driven by multiple factors.
 - The adoption of "Unified Communications"
 - An industry term used to describe all forms of call and multimedia/cross-media message-management functions controlled by an individual user for both business and social purposes
 - The drive to reduce corporate travel
 - In the current economic situation in which fuel costs are high and travel has become more expensive, many companies have mandated travel restrictions to cut costs
 - This increases the focus on videoconferencing solutions
 - The emergence of a new class of high performance systems
 - Until recently, video quality and voice synchronization were poor and the systems were difficult to set up
 - Now, the resolution is much sharper, there are no audio sync problems and the systems can reside in a boardroom or on desktop systems
 - In addition, the move to Internet Protocol has driven down costs
 - Many companies are aiming to reduce their carbon footprint through the use of video conferences.

Tandberg as a standalone entity

Multiples

	Ticker	Sh Price	Mkt Cap	EV/Sales		EV/EBITDA		EV/Op Profit		PER		Margins		Growth		
		local curr	\$ m	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	09/10	10/11	
Polycom	PLCM US	24.19	2,028	1.8	1.6	9.5	8.0	12.2	10.6	19.7	16.8	19%	21%	7%	11%	
Cisco	CSCO US	21.15	121,991	2.8	2.9	9.5	10.0	10.8	11.3	16.1	16.8	30%	29%	-1%	11%	
Tandberg	TAA NO	121.45	2,160	2.3	2.0	8.3	7.4	10.9	9.6	16.8	14.3	27%	27%	13%	14%	
Premium/(Discount) to Polycom					29%	23%	-13%	-7%	-11%	-9%	-15%	-15%				
Premium/(Discount) to Cisco					-20%	-30%	-12%	-25%	0%	-14%	4%	-15%				
RADVISION	RVSN US	8.05	163	0.7	0.7	5.8	4.5	12.3	7.2	23.5	17.5	13%	15%	10%		

Tandberg is the #2 player by sales in the market for videoconferencing solutions

- Polycom is the #1 worldwide player

We believe that the only suitable comparable for Tandberg is Polycom as Teleconferencing is a small part of the businesses of HP and Cisco

- Other competitors are either privately held or considerably smaller

Tandberg currently trades at a 9% – 11% discount to Polycom in terms of EV/Operating Profit and ~15% discount in terms of P/E ratios

- We believe that this discount is unjustified as Tandberg is forecast to grow faster and achieves considerably higher margins than Polycom
 - The companies are both leaders in the industry in which they operate and they have similar size
 - However we would notice that even in 2008 at the time of the disclosed approach for Tandberg we noticed that Tandberg was trading at a discount to Polycom
 - On this basis we can't rule out that US listed Technology stocks tend to trade at higher multiples than European stocks
- In addition since July 15, 2009 Polycom and Tandberg share prices have increased by 10% and 11% respectively
 - On this basis it is difficult to understand whether the share price appreciation is driven by strong Q2 results by Polycom and Tandberg (Polycom reported Q2 Results on 15 July 09 post closing and Tandberg on 16 July 09) or by bid speculation
- We have shown Cisco for reference
 - However only a small percentage of Cisco' revenue come from videoconferencing and the size and business mix of Cisco relative to Tandberg make them not good comparables

Potential synergies in a bid for Tandberg

We believe that large entities like Cisco, HP or Avaya (owned by Silver Lake) could extract both revenue and cost synergies from integrating Tandberg into their operations

- Revenue synergies are hard to quantify but would come from cross-selling Tandberg's products through the customer's base of the acquiring company (and vice-versa)
 - In our view Cisco already extracts some of these synergies from Tandberg due to their existing strategic partnership (although not all of them as a brand label agreement is unlikely to deliver the same upside of a full integration)

- Although an acquisition of Tandberg by Silver Lake may result in Cisco losing this revenue line as Silver Lake may be keen in shifting Tandberg's customers from Cisco based product to Avaya's products
 - Avaya operates in voice over IP a sector in which competes head to head with Cisco (co-market leader together with Avaya) but also other players like Nortel, Alcatel Lucent or Siemens
- Cost synergies could also be available as there would be overlaps in central/sales/support functions and Tandberg's production costs could also lower due to the economies of scale that a large buyer could enjoy
 - Although the vast majority of Tandberg's hardware is highly specialised and therefore it may be harder for a buyer to extract production costs purely through volume orders from the first day following the integration
 - As a reference we compared the 2008 cost base of Cisco and Tandberg
 - We are aware of the differences between Cisco and Tandberg in terms of size and product mix
 - However the exercise is, in our view, useful to assess what impact economies of scale would have on the profitability of Tandberg post integration with a large equipment vendor
 - We are in fact assuming that post combination Cisco would bring down Sales, Marketing and Admin costs at Tandberg to levels in line with Cisco's (in term of percentage of sales)
 - At the Cost of Sales and Operating Profit level the two companies appear to have similar profitability
 - Gross margins are 66% for Tandberg and 64% for Cisco
 - Operating profit margin was 22% for Tandberg and 24% for Cisco
 - 2008 R&D expenditure for Cisco was equivalent to 33% of sales while the figure was only 8% of sales for Tandberg (of which 5% was capitalised as development cost)
 - Assuming that Tandberg and Cisco post integration would maintain the same level of R&D and cost of sales, we believe that Tandberg could achieve a similar cost structure in terms of Sales, Marketing and General & Admin of Cisco (or a large buyer in general) post integration
 - On this basis we estimate that a combination could improve Tandberg's operating profit margins from 22% (2008 figure) to ~29% delivering pre-tax annual synergies of \$54m

IRR

Currency effects

In August 2008 Silver Lake was rumoured to have offered NOK125/share for Tandberg

- The core of Tandberg's revenue is US\$ denominated and at the time of the approach 1 NOK was worth ~ 0.185 US\$ (i.e. the bid was worth \$23.125/share)
 - Today 1 NOK is worth ~ 0.158 US\$ and on this basis we would tend to assume that the rumoured bid price would look close to NOK146/share if we keep the bid price constant in US\$ terms

Target bid price

We believe that the NOK135/share approach mentioned by the FT is too low, in our opinion, to attract interest from Tandberg's shareholders

- In our core case scenario we estimate that a financial bidder could achieve an IRR of 19% by bidding NOK135/share and conservatively fund the transaction 60% equity / 40% debt
 - This IRR can be achieved without assuming any material restructuring or revenue acceleration at Tandberg
 - On this basis we believe that there would be little reason for Tandberg's existing shareholders to tender to a bidder at valuations in line with the rumoured bid price of NOK135/share
- We estimate that a bid at ~NOK152/share would allow a financial bidder to target an IRR peaking at ~15% (before assuming integration synergies deriving from the ownership of other related businesses)
 - However even this IRR is based on analysts' consensus of Tandberg's growth and profitability prospects and therefore we would not be surprised if Tandberg's shareholders (having a more optimistic view of Tandberg's further prospects) may hold to their stakes if a bid comes at this level
 - We regard bids north of NOK160/share as more appropriate as, in our view at this price range the bidder would payout to Tandberg shareholders a fair portion of the synergy potential available from an integration of Tandberg into a larger group and the scarcity value of Tandberg in a growth market effectively dominated by two players

Core case – No synergies

We valued Tandberg as a bid target under the following assumptions

- BEST estimates for sales and EBITDA for 2009 and 2010
 - Growth smoothed down to 3% from years 2011 to year 2019
 - Long term growth: 3%
- EBITDA margin constant in line with 2010 BEST estimates
- No synergies
- Net cash: \$208m
 - In line with Tandberg H1 2009 results
- Capital expenditure of ~8% of Revenue
 - In line with FY2008 (mainly R&D expenditure)
- Tax rate: 29%
 - In line with tax rate for FY2008
- Cost of funding: 10 year US\$ swaps plus 400bp
- Exit multiple: 8.5 x EV/EBITDA
 - In line with Tandberg's current EV/EBITDA
 - It could be argued that in 5 years time, Tandberg will have gone through a significant part of its growth phase and should therefore be valued at a lower multiple than it is today
 - However we come from a trough in EV/EBITDA multiples for Tandberg and we would therefore regard the current EV/EBITDA as appropriate to value Tandberg when growth softens
- Transaction 60% equity funded, 40% debt funded

- Assuming a bid at NOK135/share leverage ratios would look manageable/conservative in our view
 - EBITDA/Interest: 3.8x
 - Debt/EBITDA: 3.1x

IRR – Core Case: Bid at NOK135/share

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cumulative IRR	10.2%	17.6%	19.0%	19.0%	18.5%	18.0%	17.4%	16.7%	16.0%	15.3%
Management Cut \$m	0	14	37	58	75	87	92	85	63	21
EV/EBITDA	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
EBITDA/Interest	3.85	4.73	5.95	7.75	10.79	17.18	40.12	-127.96	-24.41	-13.25
Debt/EBITDA	3.13	2.46	1.86	1.33	0.83	0.35	-0.11	-0.56	-1.02	-1.49

IRR – Core Case: Bid at NOK152/share

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cumulative IRR	-8.6%	7.7%	12.5%	14.2%	14.9%	15.0%	14.9%	14.5%	14.1%	13.6%
Management Cut \$m	0	0	0	0	0	0	0	0	0	0
EV/EBITDA	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
EBITDA/Interest	3.38	4.09	5.02	6.29	8.23	11.60	19.09	51.26	-74.67	-21.16
Debt/EBITDA	3.62	2.92	2.30	1.74	1.22	0.74	0.27	-0.18	-0.64	-1.10

Aggressive case – Synergies from integration with Avaya

In our aggressive scenario we assumed that an industrial bidder could extract synergies from an integration of Tandberg in the region of \$54m per annum (see section on synergies above)

- We also assume an upfront integration cost equivalent to 1 year of synergies
 - We have not changed the other assumptions made in the core case

In this case we estimate that at a bid price of NOK149p/share an industrial buyer could be able to target a 20% IRR from the transaction

- A 15% IRR would allow the bidder to offer up to NOK168/share based on our estimates

IRR – Aggressive Case: Bid at NOK149/share

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cumulative IRR	0.7%	16.4%	20.1%	19.4%	18.7%	18.0%	17.3%	16.6%	15.8%	15.1%
Management Cut \$m	0	9	55	74	90	99	101	90	62	13
EV/EBITDA	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
EBITDA/Interest	3.61	4.64	6.09	8.03	11.49	19.60	62.52	-53.40	-18.50	-11.00
Debt/EBITDA	3.35	2.49	1.78	1.23	0.72	0.22	-0.26	-0.74	-1.22	-1.73

IRR – Aggressive Case: Bid at NOK168/share

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cumulative IRR	-16.7%	6.7%	13.7%	14.8%	15.1%	15.0%	14.8%	14.5%	14.0%	13.5%
Management Cut \$m	0	0	0	0	2	1	0	0	0	0
EV/EBITDA	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
EBITDA/Interest	3.18	4.02	5.14	6.50	8.65	12.65	22.90	111.56	-38.48	-16.10
Debt/EBITDA	3.87	2.95	2.19	1.64	1.11	0.61	0.12	-0.35	-0.83	-1.33

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