RADVISION
Second Quarter 2007 Conference Call

Coordinator: Good morning, and welcome to the RADVISION conference call. All participants will be in a listen-only mode until the question and answer session of the conference call. This conference call is being recorded at the request of RADVISION. If you have any objections, you may disconnect at this time. I would like to introduce your Host for today, June Filingeri of Comm-Partners. Ma'am, you may begin.

June Filingeri: Thank you. Good Morning. This is June Filingeri of Comm-Partners. Thank you for joining us today. We are here to discuss RADVISION's Second Quarter 2007 results. With us from management are Boaz Raviv, Chief Executive Officer, and Tsipi Kagan, Chief Financial Officer. Today's earnings release can be found in the Investor Relations section of the company's Web site at radvision.com. A copy of Boaz and Tsipi's formal remarks will be posted on the Web site later today.

Before beginning the call, I would like to remind everyone that management will make forward-looking statements. These are subject to risks and uncertainties that may cause actual results to differ materially from the forward-looking statements. These risks and uncertainties include, but are not limited to, general business conditions in the industry, changes in demand for products, the timing, amounts, or cancellation of orders, and other risks detailed from time to time in RADVISION's filings with the Securities and Exchange Commission, including the company's form 20-F annual report. In addition, all the information provided today is current as of this date, and management assumes no obligation to update in the future, any of the information provided on the call.

With these formalities out of the way, I would now like to turn the call over to Tsipi Kagan. Tsipi, you may begin.

Tsipi Kagan, Chief Financial Officer

Thank you, June, and good morning everyone. Thank you for joining us for our Second Quarter conference call.

Allow me to remind you that we are posting a power point presentation on our WEB site with all the figures that I will present today.

Let's look at the results of Q2. Total revenues were 24.7 million dollars, a 12% increase over Second Quarter 2006 revenues. It was another record Second Quarter for RADVISION.

Our NBU, which sells network infrastructure for multimedia and visual communications, had revenues of 18.8 million dollars, a 17% increase over Q2 2006. Excluding 2.7 million dollars of revenues from the DISA project in Q2 06, NBU revenues grew by 41% over the same quarter of last year.

- NBU revenues benefited from a strong quarter in the US Federal Market and included a large purchase of gateways and gatekeepers for the Battlefield videoconferencing program.
- The Second Quarter of 2007 included revenues of 1.6 million dollars from Click to Meet, an increase of 500 thousand dollars from the 2007 First Quarter, which was again a result of a strong quarter in the Federal.

3G revenues were 2.6 million dollars in the Second Quarter vs. 1.8 million dollars in the same quarter of last year. We see an increased demand for our Interactive Video Platform, and Boaz will discuss it in more detail in a moment.

Our TBU had revenues of 5.9 million dollars, down slightly from revenues of 6 million dollars in Q2 of 06. The TBU unit sells developer toolkits and solutions for voice and video over IP, 3G and Next Generation Networks.

As for the geographic revenue mix, Americas represented 56% of revenues, EMEA 22% and APAC 22%. The sequential decrease in the Americas represents a smaller quarter with Cisco, which we expect to grow in the coming quarters. APAC had a record quarter.

Looking at customer concentration, our top 10 customers generated 64% of revenues vs. 67% in the prior quarter.

I will now discuss the expenses in the Second Quarter of 2007. All numbers that I will discuss are Non-GAAP and exclude the stock based compensation expenses according to FAS 123R. Numbers including the effect of stock based compensation are presented in the press release.

Gross margin for the Second Quarter was 80.8%, slightly better than forecasted, versus 80.3% last year.

Operating expenses this quarter were 16.9 million dollars, 400 thousand higher than guidance as a result of legal fees relating to a lawsuit that originates back to FVC.

Second Quarter sales and marketing totaled 7.7 million dollars, representing 31% of revenues. R&D was 7.2 million dollars, representing 29% of revenues, and G&A was 1.9 million dollars, or 8% of revenues.

Excluding stock based compensation, Second Quarter operating profit was 3.1 million dollars. Net income for the quarter was 5 million dollars, which represents 22 cents per diluted share, as guided. This compares with net income of 4.4 million dollars or 19 cents per diluted share in the same quarter last year. Net Income represents a 12% increase over the same quarter last year.

The effect of stock based compensation was 1.3 million dollars on the quarter's net income, or 6 cents per diluted share. Net income including stock based compensation was 3.6 million dollars or 16 cents per diluted share, as forecasted.

Looking now at our balance sheet, we ended the quarter with cash and cash equivalents of approximately 132 million dollars, a decrease of 24 million dollars from the prior quarter and equivalent to 5 dollars and ninety three cents per basic share.

In the Second Quarter we continued buying back our own shares and purchased about 814 thousand shares for approximately 16.7 million dollars. The average share price was 20 dollars and 52 cents. The Board has approved an increase of the program by an additional 30 million dollars.

- We spent 2.4 million dollars on capital expenditures which included a purchase of an ERP system and videoconferencing equipment for our R&D labs.
- We used 7.0 million dollars for operations, including a 4.0 million dollar payment for the purchase of a patent portfolio from Avistar.
- Proceeds from exercise of options were 2.2 million dollars.

Inventory turns decreased to 49 days and DSOs are at 65 days.

The rest of the balance sheet remains strong as well. We have no debt and our cash and equivalents, including long-term investments, represent 74 percent of our total assets.

Turning to Third Quarter 2007 guidelines: We expect total revenue to be 25 million dollars, which represents a 6% increase over the same quarter in the prior year. We will see the effect of new products introduction towards the end of the year and the beginning of 2008

We expect our gross margin to remain high at approximately 81 percent. Expenses are expected to be in line with the 2007 Second Quarter at 16.8 million dollars.

As a result, we are forecasting an operating profit of about 3.4 million. We project net income, excluding the effect of expensing options, to be 5.1 million dollars, or 23 cents per diluted share. This is same level of last year, before including the patent reserve we recorded in the third quarter of 2006. We expect to record option expenses of approximately 1.4 million dollars, which will result in net income of about 3.7 million dollars, or 16 cents per diluted share.

This concludes my financial review. I would now like to turn the call over to Boaz.

Boaz?

Boaz Raviv, Chief Executive Officer

Thank you for your report, Tsipi. Good morning and good afternoon everyone.

As Tsipi discussed, we achieved strong growth in the Second Quarter. Revenues reached 24.7 million dollars and earnings were twenty-two cents per share.

I will begin my Second Quarter review with the Networking Business Unit, where our sales in the **room conferencing** market continue to drive our growth. Room conferencing revenues rose 51% in the Second Quarter, before including the contribution of DISA in the prior year period.

We reached a major milestone in the Quarter with the release and general availability of **SCOPIA Desktop –** the first real solution for connecting room conferencing voice, video and data to the desktop.

SCOPIA Desktop was developed to specific customer requirements and was very well-received at Interop, InfoComm and Wainhouse. It overcomes problems such as complex software installation, expensive licensing fees and firewall transversal. SCOPIA Desktop, which is bundled with our SCOPIA MCU, is hitting a real market need because it extends room conferencing throughout the enterprise and beyond. There is no other complete solution like it on the market. SCOPIA Desktop is proving to be a major competitive differentiator for us in the room conferencing marketplace.

With SCOPIA Desktop:

- Employees on the road and Teleworkers can fully participate in a meeting room videoconference, share data or listen-only from anywhere by simply using their web browser.
- Data sharing is possible with any type of Endpoint including dual screen (video and data) meeting room, single screen (combined video/data) and Web based desktop.
- With SCOPIA Desktop, companies can collaborate with their suppliers, consultants and anyone else outside the Enterprise Network through their meeting room-based videoconference.

Although Scopia Desktop was released less than two weeks before the end of quarter, several major universities purchased multiple SCOPIA platforms because of the SCOPIA Desktop functionality. One of those wins was with the University of Houston Downtown, where we replaced an incumbent’s system. A second came through our partner LifeSize.
We expect additional deals based on SCOPIA Desktop this Quarter and more in the Fourth Quarter.

Strong direct sales to the **Federal** market also contributed to our room conferencing revenues in the Second Quarter. They included a large purchase of gateways and gatekeepers for the Battlefield Video Teleconferencing (BVTC) program for knowledge-sharing on the battlefield. We expect our Federal market revenues to remain strong in the Third Quarter, although they will come through Cisco, our major partner in both the Federal and Enterprise markets.

Our **total Cisco revenues** in the Second Quarter did not match the very strong First Quarter but grew substantially over the Second Quarter of 2006 before including the DISA revenues, which were recorded through Cisco. The most recent quarter included sales directly to Cisco related to their R&D. We are involved in a variety of development projects inside Cisco, which should further accelerate our sales through them beginning in the Fourth Quarter and in 2008. For example, we are enhancing the architecture of our SCOPIA MCU to support the handling of audio calls which require more capacity and ports.

We had another good quarter of sales through AETHRA in the Second Quarter, especially in Europe.

Our **Click to Meet** technology was successfully integrated with SCOPIA to create SCOPIA Desktop. We continue to have direct revenues from Click to Meet for desktop applications. Revenues increased to 1.6 million dollars in the Second Quarter mainly due to strong sales in Japan along with solid sales in the U.S. Federal market. Over the longer term, we expect our revenues from Click to Meet to benefit from the investments we have made in developing video desktop solutions for Microsoft and IBM.

Turning to our **Mobility and Service Provider** business, our revenues grew 44% from last year and also from the First Quarter. However, our run-rate has remained in the same bandwidth because the market has not yet matured. The positive news is that the market is focusing on new applications, which is driving our Interactive Video Platform sales both to Operators and to Application Vendors for cellular, Next Generation wireline and other networks. IVP sales now represent about half of total revenues in our Mobility and Service Provider business, with the balance from 3G Gateways.

As you know, our 3G Gateway was the first video solution developed for the 3G market. We introduced it four years ago and released the latest generation of our SCOPIA 3G Gateway in June. We continue to win gateway deals such as with DTMS, the leading provider of value-added telecom services in Germany, as announced last month. We just won another with a large cellular operator in Asia. We expect our 3G gateway sales to further benefit as the markets for 3G emerge in China, India and the U.S.

3G is in the process of launching in China. We are positioned well with partners and directly with operators in what will be the largest market in the world for 3G. We are also well-positioned for 3G in India when it is launched there. In the U.S., we have been working with major mobile operators on a variety of projects including the creation of mobile chat and video communities. Recent RFP activity in the U.S. offers further evidence that the U.S. market is more than just a curiosity to mobile operators.

In 2004, we introduced our SCOPIA Interactive Video Platform to help the 3G market develop more quickly by offering an easy-to-use platform for ASPs to create mobile applications and content. Version 2, which was released in the First Quarter, is IMS-ready and able to deliver carrier class features.

Increasingly our IVP is also being used as a multi-media server with specific applications residing on it for access by all endpoints, not just 3G mobile. Our iContact solution is one example. It is a total solution based on our IVP platform and enables systems integrators to bring video to contact centers. 4com, one of the largest suppliers of telecom technology to small and medium businesses in the U.K., is using our IVP and 3G Gateway to power their video communications solutions for this sector as we announced last week. Our IVP is also being used by CESTEL in Spain to power one of the largest and most advanced 3G access and control systems for home surveillance being deployed by Securitas Direct, a world leader in home security.

Turning to the **Technology Business Unit**, our revenues were 5.9 million dollars. We continued to make substantial progress in next generation technology and forge our industry leadership in the Second Quarter.

Our IMS sales and volume of deals reached a record level in the Second Quarter. Rather than developing IMS internally, major customers are buying IMS-enabling technology from us due to its increasing complexity. Our IMS technology was selected by one of the world's top mobile terminal vendors for its Next Generation handset, and by one of the largest Customer Premises Equipment Manufacturers in Europe for its Set-top Box. We continue to invest in IMS to ensure our market leadership and released a complete IMS Testing Suite two weeks ago. There will be further announcements this quarter.

We have also penetrated an important new market segment in TBU, Systems Integrators, through a significant VoIP project that will provide mission critical communication services to the U.S. federal market. The very large project involves our SIP Server and IMS technology together with our Professional Services.

The 3G market remained active for the TBU in the Second Quarter. We had several significant deals to provide handset ODM customers with our technology for mobile Video Telephony applications with complete integration to the Microsoft Windows Mobile environment. We announced one such deal for Arima last week. The future royalty potential of such deals makes them a very good opportunity for us.

In summary, we achieved strong growth in the Second Quarter of 2007 due to our continuing momentum in room conferencing. The market reaction to SCOPIA Desktop is proving that it is truly a competitive differentiator. SCOPIA Desktop has already begun to contribute to our growth. Our partners led by Cisco are fully committed to moving the marketplace to Unified Communications, thereby ensuring the future opportunity for video and for RADVISION. We are further enabling the market through our on-going technology development and leadership. Overall, we are fully optimistic about our prospects and our future.

That concludes my formal remarks. Thank you for your attention. Operator, we are now ready to take questions.