

**RADVISION**  
**Second Quarter 2010 Conference Call**  
**August 4, 2010**

**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 2010 results and Third Quarter Outlook reported this morning. With us from management are Boaz Raviv, Chief Executive Officer, Adi Sfadia, Chief Financial Officer, and Bob Romano, Vice President of Enterprise Marketing. 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 Adi'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.

I would now like to turn the call over to Adi Sfadia.

**ADI SFADIA, CFO**

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 turn to the results of the second quarter of 2010. Total revenues were \$23.3 million, which was \$1.3 million higher than forecast, 19 percent above the same quarter of last year, and 12 percent above the previous quarter.

Our NBU revenues, which include our infrastructure products, and our endpoint products, were \$19.2 million, 28 percent above Q2 2009 and 15 percent above the previous quarter.

- Our infrastructure revenues were \$17 million, 13 percent above the same quarter last year and 7 percent above the previous quarter.
- Our End Point revenues were about \$2.2 million, nearly three times the level of the First Quarter.

Our TBU had revenues of 4.1 million dollars slightly higher than forecasted.

As for the geographic revenue mix, Americas represented 60 percent of revenues, EMEA 20 percent and APAC 20 percent. Looking at customer concentration, our top ten customers generated 62 percent of revenues versus 65 percent in the previous quarter. Cisco revenues in the Second Quarter remained at the same level of the First Quarter, about 40 percent of total revenues. Cisco was once again the only customer above 10 percent of revenues.

I will now move to expenses in the second quarter of 2010. All numbers that I will discuss are non-GAAP and exclude the effect of stock based compensation as well as amortization of intangible assets related to the Aethra acquisition. These effects also can be found in the press release.

Gross margin for the second quarter was 74.2 percent, slightly below our forecast.

Operating expenses this quarter were \$16.7 million, slightly higher than our forecast. Second quarter sales and marketing expenses was \$7.8 million, or 33 percent of revenues. R&D was \$7.7 million, or 33 percent of revenues, and G&A was \$1.2 million, or 5 percent of revenues.

The Second quarter non-GAAP operating profit was \$600,000, which was \$500,000 above our forecast. Non-GAAP net income was \$500,000, or 2 cents per diluted share, which was 1 cent better than our forecast.

The effect of stock based compensation was \$600,000, or 3 cents per diluted share. During the quarter we recorded amortization of acquired intangibles of about \$600,000 or 3 cents per diluted share. The GAAP loss including stock based compensation and amortization of acquired intangibles was \$700,000 or 4 cents per diluted share.

Looking now at our balance sheet, we ended the quarter with cash and cash equivalents of approximately \$122 million, or \$6.26 per basic share. This was a decrease of \$1.1 million from the previous quarter. This reflects \$400,000 used for operations and \$800,000 used for CAPEX, offset by \$100,000 received from options exercised. Inventory turns are 29 days and DSOs are 34 days.

The rest of the balance sheet remains very strong as well. We have no debt and our cash and equivalents, including long-term investments, represent 75 percent of our total assets.

Turning to third quarter 2010 guidelines, we expect total revenues to be \$24 million, which represents a 3 percent increase over the second quarter. This takes into account lower Cisco revenues, which are expected to be about 30 percent of total revenues, in line with the progressive decline previously forecasted.

Our gross margin is expected to decrease to approximately 71 percent reflecting an increased portion of endpoint sales to our revenue mix. OPEX is expected to be \$300,000 lower than the second quarter at about \$16.4 million.

As a result, we are forecasting an operating profit of about \$550,000. We project a net profit, excluding the effect of option expenses and the amortization of purchased intangibles, of about \$500,000, which is 2 cents per diluted share. This compares with a net profit of \$2.5 million or 13 cents per diluted share in the same quarter of last year. We estimate option expenses at approximately \$600,000 and amortization of purchased intangibles of about \$500,000. As a result, we forecast net loss on a GAAP basis of \$642,000, or 3 cents per diluted share.

Before I turn the call over to Boaz, I would like to comment on the announcement we made last week regarding the Self-Tender Offer. RADVISION is offering to buy 5 percent of its shares at a share price of \$7.30, representing a 10 percent premium on the closing share price on the date prior to the announcement.

There are a number of reasons why the Company decided to carry out the Self-Tender Offer:

- The current market price of the Company shares is low and we believe it does not fully reflect the value of the Company.
- The decline in the share price presents an opportunity for the Company to make purchases at an attractive price.
- This Self-Tender offer serves to benefit all shareholders, as it enables them to monetize holdings in the Company if they want to.

- The purchase of the shares will reduce the number of “floated” shares on the market and, while not the purpose, it will therefore increase the profit per share as well as the yield on the capital that will remain following the completion of the transaction.

Our Chairman of the Board, Zohar Zisapel, has almost reached a threshold of 25 percent holdings of our shares. According to the Israeli Company Law, in order for RADVISION to continue with the Company buy-back plan, the Company must do so first through a tender offer for no less than 5 percent of our stock. We believe it is in the best interest of the shareholders, for the Company to be able to buy-back shares when appropriate and as approved by our Board.

Another effect of the Self-Tender Offer if it is successful, is that Mr. Zisapel will hold over 25 percent of the Company’s shares. This will allow both the Company and Mr. Zisapel to continue purchasing shares on the open market.

Our Board of Directors has approved the Self-Tender Offer. However, I would like to emphasize that neither the Company nor our Board of Directors makes any recommendation as to whether shareholders should tender RADVISION shares. Moreover, we have not authorized any person to make any such recommendation. Shareholders should carefully evaluate all information in this offer and other related documents, as well as consult their own investment and tax advisors.

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

## **BOAZ RAVIV, CEO**

Good morning and good afternoon everyone. Adi, thank you for your report today.

As Adi said, our Second Quarter revenues were \$23.3 million, an increase of 19% from the Second Quarter of 2009 and 12% higher than the 2010 First Quarter. That was better than we expected, as was the performance of both our NBU and TBU.

The success of our SCOPIA Elite platform continues to drive the results of our NBU. In the past several months, we announced new capabilities for the SCOPIA Elite, including advanced telepresence interoperability as well as advanced data collaboration and video conferencing control using the Apple iPad, iPhone and iPod touch through the free SCOPIA Mobile applications.

The success of the SCOPIA Elite also contributed to higher than expected Cisco revenues in the Second Quarter. Cisco revenues were about the same percentage of total revenues as they were in the First Quarter. Despite this, we fully expect Cisco revenues to decline progressively.

Our reliance on Cisco as an OEM partner is part of the “old” RADVISION story. For the past four quarters, we have fully focused on building RADVISION for a new future as an end-to-end video solutions company.

That is why the ramp-up in endpoint sales we achieved in the Second Quarter, which reached \$2.2 million or 12% of NBU revenues, is so important. They also contributed to the 28% year-over-year growth and 15% sequential growth of our NBU.

Our endpoint revenues included a second quarter of sales of the SCOPIA VC240 all-in-one desktop endpoint. Those sales were nearly double their level in the First Quarter, when we began shipping the product. Version 2.0 was introduced in May as I discussed last time. We added SAMSUNG channel

partners in the Second Quarter too. The true potential of this product is to break through the executive desktop category to bring the SCOPIA VC 240 to employee desks throughout the enterprise.

I am also pleased to report that our endpoint revenues included, for the first time, sales of our SCOPIA XT1000 high definition room conferencing system. Those revenues exceeded \$700,000 in the Second Quarter, even though shipment began only two days before the end of the period. I must admit that this early success of the SCOPIA XT1000, which we brought to market just four months after acquiring the technology from Aethra, was better than we had hoped. Let me add that market traction for the SCOPIA XT1000 has been so positive that we received more orders than we could fill during operational ramp-up. As a result, we expect XT1000 sales to increase nicely in the coming quarter.

We did not simply stop with the introduction of one room conferencing system. In June, at InfoComm, we introduced a version of the XT1000 especially designed for Small and Medium Businesses. It is the SCOPIA XT1000 SMB, and with it, we have created a new product class.

What makes the XT1000 SMB unique is its combination of HD room system capabilities, embedded multi-party conferencing, desktop conferencing and firewall traversal. It is the only integrated solution of its kind available in the market.

The SMB market historically has been underserved by the videoconferencing industry because of high priced systems that are complex to install. Now, the SCOPIA XT1000 SMB provides an affordable and deployable solution, directly suited for the requirements of the SMB market. Channel response has been enthusiastic.

In a further advancement in “ease of use”, we introduced SCOPIA Control for the XT1000 at the Wainhouse Summit in late July. SCOPIA Control is the first Apple iPad application for the control of video conferencing room systems. First time users can initiate calls, control their video conferencing systems and moderate meetings without any training or introduction.

It is important to note that the SCOPIA XT1000 is not just an additional product line. In fact, its introduction along with the SCOPIA VC240 has transformed the position of RADVISION in the video marketplace. Our past image as a respected but mainly behind-the-scenes infrastructure company is quickly being replaced by our new position as a full end-to-end video solutions company. With industry consolidation reducing the number of full end-to-end solution providers, we have been able to deepen our relationship with many of our existing reseller partners. We also find ourselves in the exciting position of being sought after by new resellers with the experience and quality to be true channel partners. We are supporting this interest with roadshows and demos globally.

In the Second Quarter of 2010, we realized tangible and important results in the reseller channel.

- We have now signed reseller agreements with approximately 70 percent of the former Aethra channel in CALA, as we had targeted.
- Last quarter we also announced our new partnership with Minneapolis-based HD Distributing. The fast pace at which they are expanding their sales network to focus on selling the RADVISION solution is impressive.
- We also added a major new channel in the UK in the Second Quarter, Midwich Ltd., which is one of the largest distributors to the SMB market there. Midwich is also one of SAMSUNG’s largest distributors in the EU. Midwich made a major announcement about the availability of RADVISION videoconferencing equipment to their customers. In it, they said they are making a significant investment in videoconferencing and have appointed a team of video conferencing specialists to support their customers. This is an exciting level of commitment. Our partnership with Midwich is

- We also signed a distribution agreement with a major Alcatel-Lucent distributor in Spain that switched to promoting RADVISION products instead of those of our competitors.
- In APAC, we added new channels in most territories including a major reseller in Japan.

Industry consolidation has also created opportunities for RADVISION in the Unified Communications marketplace. We are continuing to develop infrastructure solutions for industry leaders to add video and interoperability to their proprietary systems.

For example, the new version of IBM Sametime, which is scheduled for release later this quarter, is powered by our SCOPIA Elite platform, providing it with HD conferencing, telepresence connectivity, and high error resiliency. It is now in Beta with several customers.

Our relationship with IBM also enabled us to add another major customer in Europe, a leading pharmaceutical company that is using our SCOPIA Elite as part of their Sametime adoption.

I have spoken on past calls about our Microsoft development effort. We are moving forward with that effort to align our technology for OCS Wave 14.

Let me add a few highlights in Q2 by region:

We had a very good quarter in the Americas. Working together with HD Distributing, we won a highly competitive bid from a university. The customer decided that the features and quality of the SCOPIA Desktop, including its support of the MAC client, made SCOPIA Elite the right choice for the university.

In addition to important channel expansion, we won a very large and competitive project in the financial services sector, based on SCOPIA Desktop and our ability to support extensive worldwide deployment.

Our revenues in the Americas through Cisco included a very large follow-on order to a major federal customer, which has standardized on our solution. Separately, we won a competitive bid with another large federal agency to provide videoconferencing to multiple international locations.

Our strong results in APAC included the continued upgrade to SCOPIA Elite by a major Service Provider in Australia. A construction company in Korea chose the SCOPIA Elite solution for an internal deployment, replacing a competitor's product.

We recently announced a major project in New Zealand that we won and implemented through our long-time reseller partner in Australia, Broadreach. The project was for REANNZ, which owns and operates the KAREN broadband network, linking universities, research organizations and government agencies. They have now deployed our SCOPIA Elite MCUs coupled with SCOPIA Desktop to support more than twenty-two thousand users.

In EMEA, in addition to the progress I have already mentioned, a major Service Provider in Europe launched a hosted solution for the SMB market. Its videoconferencing offering is based on our technology. We had strong sales for this project in the First Quarter and additional sales in Q2. It has important future potential for us as the service is adopted. In another win, our SCOPIA Elite is replacing a competitor's MCUs in a multi-location contact center deployment.

In the UK, one of the world's leading communications services companies decided to extend their existing SCOPIA Desktop deployments to all employees worldwide in a large deal. Their decision was

based on the fact that our offering for desktop users including the MAC client and the VC240 is unique. It is the fastest growing service within their organization.

Turning to our Technology Business Unit, our TBU revenues were 2% ahead of forecast. A pick-up in the U.S. and strong performance in APAC offset soft results in EMEA, which we are working to improve.

We issued a major joint press release with Texas Instruments in Q2, in which we announced our partnership in the development of a new chipset framework. This solution is based on the RADVISION BEEHD, and provides TI customers with a video processor chip, fully loaded with RADVISION software. Through this partnership, customers now have an easy path to build and release High Definition video-enabled products to the consumer market. As a result, once the product is released, we expect TBU to benefit from a nice royalty stream.

We continue to see increasing interest in our BEE client framework for Android. It includes solutions for mobile phones, media phones, and tablets. We also had a recent win for BEEDESK with a Service Provider that is using this product for its next generation video solution.

Also, we recently reported that TrendChip Technologies, a Taiwanese company that designs and manufactures ADSL chipsets, is using our technology in their latest integrated access device.

Turning to my conclusion, we made tangible progress in the Second Quarter in building a new future for RADVISION. It is a future that will be beyond Cisco for sure.

There is no doubt that replacing Cisco revenues is a serious challenge and our main priority, as we expect the pace of their move to Tandberg products to quicken.

Our entry into the video endpoint marketplace, both desktop and room conferencing, has given us a new source of revenues to replace Cisco. We are pleased with the fast traction we have achieved, but we are still at an early stage.

Beyond entering a new product category, our addition of a portfolio of endpoints is transforming our Company, our brand, and our channel relationships, as I have tried to describe today.

In an industry that has rapidly consolidated, we are winning growing recognition as a competitive end-to-end video solution provider, one of only three with its own full solution.

We are also continuing to leverage our TBU experience and presence to bring to market a wide range of video products that offer high performance, distinguishing features, ease of use, and pricing - with the potential to expand our market.

We know we have much more progress to make and are executing our plan to do so with full energy.

I look forward to giving you a report on our progress next quarter.

This concludes my formal remarks. Thank you for your attention.