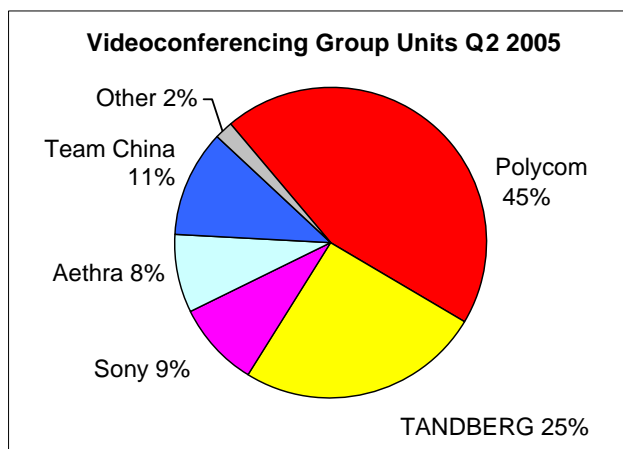


As always, please feel free to forward this newsletter to your colleagues. To be added to our **FREE** automated email distribution list, simply visit www.wainhouse.com/bulletin.

Andrew W. Davis, andrewwd@wainhouse.com

Vide Conferencing Industry Statistics Q2-2005



Q2-05 market shares for group and executive systems, by units shipped

As we reported last quarter, for 2005 we have changed our data collection format to represent what we believe are the new realities of the market. Group systems are no longer broken down into PC-Centric and Appliance, but we now break out “Executive” systems into a separate category. The exec systems are all-in-one videoconferencing systems with a built-in LCD display and are used both as personal systems and as small conference room systems. Hence, Total Group Videoconferencing Systems = Executive systems + Modular systems, where modular includes all room systems that are not all-in-one designs (set tops, rollabouts, etc). The personal videoconferencing market is now broken down simply into PC-based and appliance (videophone) categories.

Our report was compiled by collecting data from the top ten companies in the videoconferencing endpoint business as well as data and estimates from another half dozen or more smaller players. As you can see from the pie chart based on unit shipments (not revenues, which would look quite different), we have segmented the group videoconferencing system vendors into the top four vendors, a group of vendors we have dubbed “Team China,” and “other.”

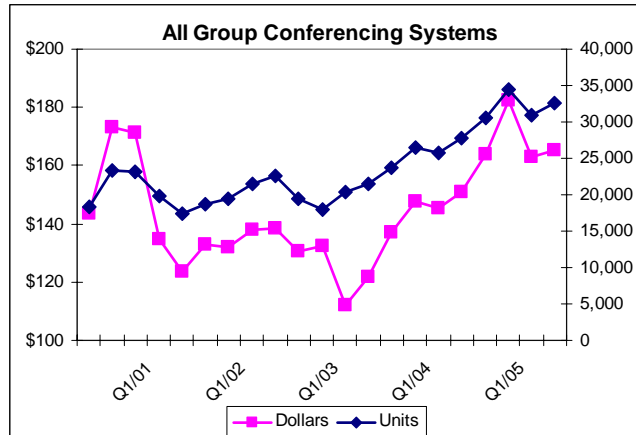
The complete story, including product line breakdowns, geographic analysis, and a look at the desktop videoconferencing component is covered in our quarterly [SpotCheck](#) report, available on a calendar year subscription basis. The full SpotCheck report also contains historical data that provides additional perspective into the raw numbers.

While we collect data for large group and executive systems separately, we are prohibited from reporting vendor market shares separately for these categories. And to be consistent with data collected in earlier years, we compare “total group” figures since in previous years we did not break out Executive Systems separately. When we do that, we see that Q2-05 was a strong quarter for the industry, with units and revenues up both sequentially and on an annual basis.

Summary	Q2/04	Q1/05	Q2/05	Sequential Growth	Annual Growth
Group Units	27,779	30,848	32,708	6.1%	17.8%
Group Revenues	\$150.7	\$162.9	\$165.6	1.7%	9.9%

The industry remains highly concentrated, with the top two vendors accounting for 70% of the units and 80% of the revenues on a worldwide basis. The battle continues between Polycom and TANDBERG for the number one slot, while Aethra and Sony fight it out to be number

three. Team China, however, continues to outperform the rest of the market by a wide margin whether growth is measured in units or revenues.



Our data collection also includes numbers for group videoconferencing systems for select countries. The Q2 results are presented here.

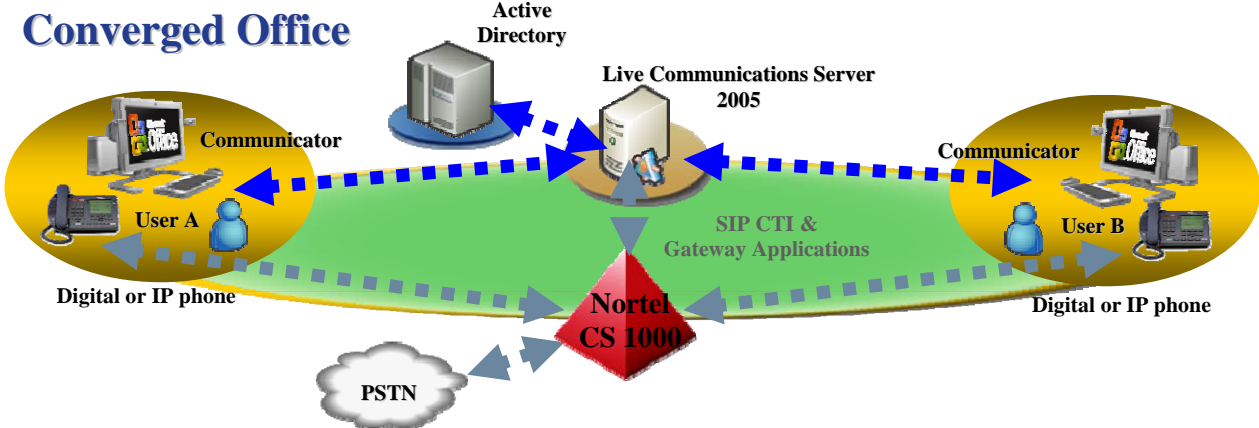
Total Group	France	Germany	UK
Units	719	804	1,917
Revenues	\$4.7	\$5.4	\$12.3
	Japan	China	Italy
Units	2,428	6,070	1,598
Revenues	\$8.3	\$20.8	\$6.2

Nortel and Microsoft Announce Collaborative Partnership

Nortel and Microsoft are expanding their strategic relationship, joining forces to provide collaborative real-time capabilities for businesses through the integration of Microsoft Office Communicator 2005 with Nortel's open, SIP-based communications solution. The Nortel / Microsoft Converged Office Solution will provide desktop call control (call forward, etc.) using Communicator with the Nortel Communication Server 1000 while also allowing enterprises to use Microsoft Active Directory to develop an enterprise-wide dialing plan that works with Nortel's IP PBX. Communicator client users will gain PBX functionality and can call IP or digital phones connected to the Nortel PBX as well as off-net PSTN users. Finally the solution also federates with Nortel's own Multimedia Communications Server 5100, a product that offers full multi-model presence and collaboration capabilities, so that customers that have already purchased the MCS 5100 will be able to exchange presence and IM with LCS users.

Here's What Brent Thinks

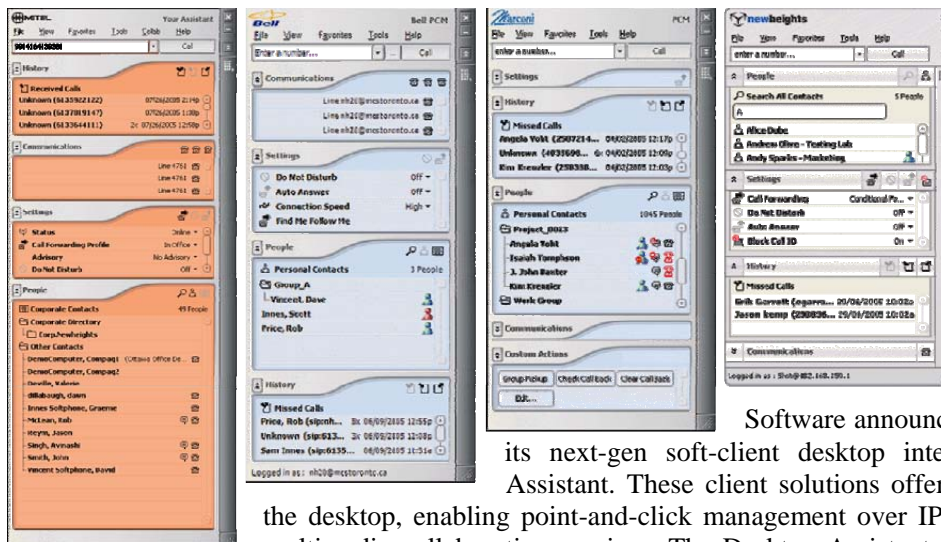
Nortel is the second of the "big IP PBX" vendors to announce integration with Microsoft's LCS



/ Communicator platform and a formal partnership with Microsoft (Siemens was the first). Nortel now has the capability to offer customers a collaboration suite based on Nortel's own MCS 5100 product or the Microsoft LCS product. Nortel is realizing that it is better to be in co-opetition with Microsoft than in direct competition. The integration with Microsoft will actually occur in phases; for example, this release of the Nortel / Microsoft Converged Office Solution does not support multipoint video nor does it support click-to-web-conference capability like Nortel's own MCS 5100 product does. However, these capabilities will be available in future releases.

kwucher@nortel.com

What Do These User Interfaces Have in Common?



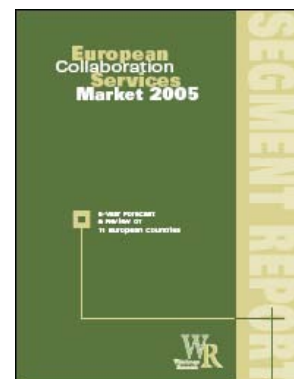
What do Mitel, Bell Canada, and Marconi all have in common? They all use a customizable client interface provided by a new company called NewHeights Software. Based in Ottawa, and owned by the same family that owns Mitel, NewHeights

Software announced general availability of its next-gen soft-client desktop interfaces branded Desktop Assistant. These client solutions offer an end-user interface at the desktop, enabling point-and-click management over IP telephony, presence and multimedia collaboration services. The Desktop Assistant supports both proprietary and open protocol signaling (SIP), and integrates seamlessly with offerings from carriers, CPE vendors and softswitch vendors. The Desktop Assistant clients offer default integration with applications such as Microsoft Office and Lotus Notes. Custom integration with other enterprise applications is available. One of the interesting capabilities is a knowledge window that users can configure to pop-up automatically on an incoming call to bring up email and other documents pertaining to the person who is calling. This is primarily an OEM play, and it will be interesting to see how NewHeights competes with Microsoft's own Communicator client interface. rmclean@newheights.com

Just Released!

Local Markets: European Collaboration Services Market - 2005

This is the 4th year Wainhouse Research has conducted an annual, independent assessment of the local conferencing services market in Europe. In our new 2005 report we assess, analyze, provide market sizing, and 5-year forecasts for 11 local markets – the UK, France, Germany, Sweden, Norway, Finland, Switzerland, Spain, Italy, Netherlands, and Belgium. This in-depth study provides the current state of the local European markets, reviews local providers, assesses current trends, identifies risks and opportunities, and includes recommendations on market approach, services, and prices. Data from this report will assist clients in determining and establishing local marketing strategies and product offerings and in setting in-country budgets and sales expectations. Additionally, the report includes a survey of European conferencing service users and provides insights on habits, trends, and usage.



This report is the first in a series of three reports that cover local markets in Europe, Asia Pacific and North America. Reports are available individually or as a bundle. See www.wainhouse.com/reports for table of contents and report summary. For further information: in US and APAC contact Sara Fargo, +1-781-934-6165, sfargo@wainhouse.com, in Europe contact Niels Kellerhoff +49-211-467-998, niels@wainhouse.com.

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