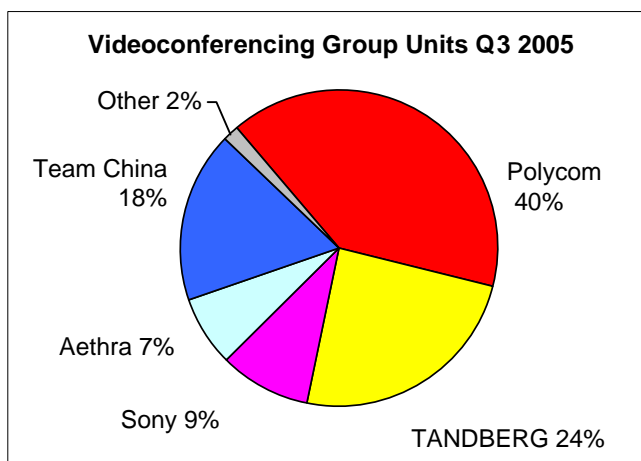


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Andrew W. Davis, andrewwd@wainhouse.com

Videoconferencing Industry Statistics Q3-2005



Q3-05 market shares for group and executive systems, by units shipped

For the second year in a row, the vendors we have grouped together as “Team China (TC)” reported spectacular results for the third quarter of the year, with units and revenues up sharply from Q2. We are aware that the Chinese seasonality is a bit different from that of North America, and that the reporting methods while self-consistent, are not necessarily the same as the methods followed in North America. We believe there is a difference between bookings and shipments which the Chinese tend to overlook. Nevertheless we continue to report what we believe are the most reliable figures available.

The bottom line is that 1) TC gained market share, primarily at the expense of Polycom, and 2) on a revenue basis TANDBERG gained the number one market share position, although the race with Polycom is almost too close to call.

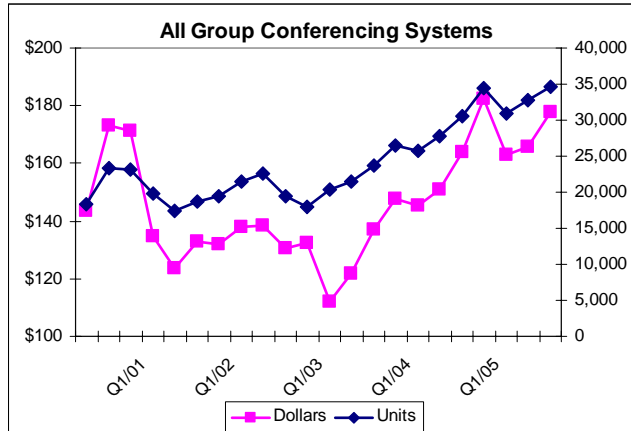
Our report was compiled by collecting data from the top ten companies in the videoconferencing endpoint business as well as data and estimates from another half a dozen or more smaller players.

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 modular systems and executive systems separately, we are currently prohibited from reporting vendor market shares separately for these categories. And to be consistent with data collected in earlier years, we report “total group” figures. All in all, we can see that Q3-05 was a strong quarter for the industry, with units and revenues up both sequentially and on an annual basis.

Summary	Q3/04	Q2/05	Q3/05	Sequential Growth	Annual Growth
Group Units	30,709	32,718	34,563	6.1%	17.8%
Group Revenues	\$164.8	\$165.6	\$177.6	1.7%	9.9%

The industry remains highly concentrated, with the top two vendors accounting for ~65% of the units and ~75% 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.



Q3 Group Videoconferencing Market Share Rank by		
	Revenues	Units
Polycom	2	1
TANDBERG	1	2
Sony	3	3
Aethra	4	4

Our data collection also includes numbers for group video systems for select countries. The Q3 results are presented here.

Total Group	France	Germany	UK
Units	766	692	1,327
Revenues	\$4.7	\$4.6	\$9.1
	Japan	China	Italy
Units	2,111	8,010	1,942
Revenues	\$8.9	\$28.6	\$7.4

Microsoft Acquires media-streams.com

Microsoft will acquire Zurich, Switzerland-based media-streams.com AG. Media-streams develops communications applications based on VoIP and will be tied into Microsoft's plans for unified communications – integrated e-mail; instant messaging; short message service; voice / telephony; and audio, video and web conferencing. You can figure this VoIP technology will work its way into Office Live Meeting (the service) and LCS (the server) over time.

Scary thoughts: The onslaught of VoIP technology is relentless. And for many collaboration service providers, the freight train is coming. Today, many service companies provide PSTN voice services (bridging) as a natural accompaniment to web conferencing and collaboration services, often hosted by Microsoft or WebEx on the back end. This audio revenue stream will dry up when the web conferencing platforms support VoIP. This isn't rocket science. The hard part is figuring out how to move the business model to account for the technology shift. Any CSP that sees Microsoft and WebEx as strategic partners should look at the long term implications. They aren't pretty.

SiteScape Rolls Out Forum ZX

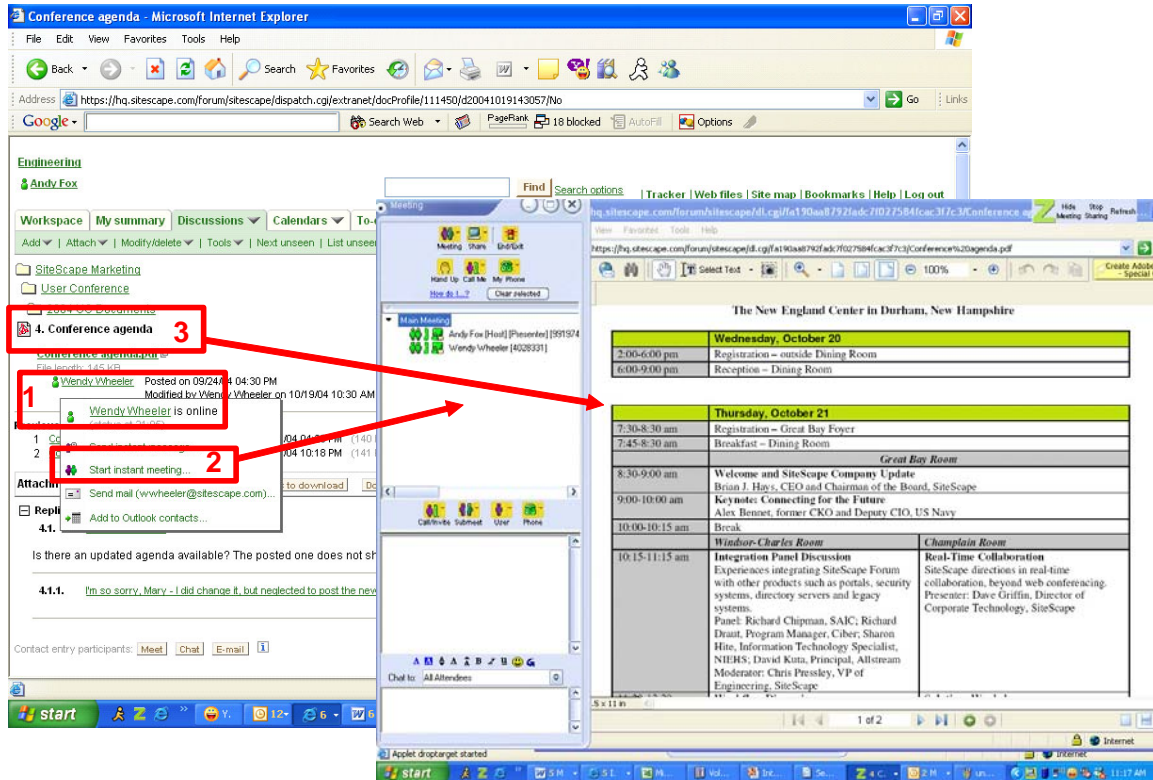
SiteScape has rolled out SiteScape Forum ZX, an all-in-one collaboration platform that allows team members to share information both in real-time and asynchronously. Forum ZX stems from the company's November 2004 acquisition of Imidio, an event we reported on at that time. Forum ZX combines presence detection, instant messaging and voice and web conferencing (but not video) with the traditional asynchronous collaboration tools of document management, threaded discussions, calendar sharing and workflow. With Forum ZX, users will be able to instantly launch web conferences, telephone conferences, and

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instant messages in the context of a Forum document library, task, threaded discussion or workflow. Furthermore, the telephone, whiteboard and chat exchanges can also be stored for future reference because users can record and playback online meetings. With this announcement comes some product name changes. The asynchronous product was called SiteScape Forum; the new name is now Forum ST. The real-time product is still called Zon and is still available separately. Zon has some unique capabilities – including the ability to tap presence information from all three major public IM networks, cross-reference contact information between disjointed address databases, and initiate audio conferences on its optional integrated audio conferencing bridge (using interface boards from NMS). Zon is also available on an OEM basis, and WR knows of at least one forward-looking CSP that has a service offering based on the technology.



Reviewing an item in SiteScape Forum FX: 1) Note if author is available via presence, 2) Start instant audio/IM meeting, 3) Collaborate on item via web conference

Haedenbridge wins Triple Play in Korea

Stacy Austin-Li, stacy@wainhouse.com

Korea Telecom (KT) and Samsung Electronics have selected Haedenbridge's TOMMS FACTORY Enterprise for demonstration of "Triple Play Services" over wireless broadband during the upcoming APEC 2005 Summit in Pusan, Korea. In addition to providing ubiquitous high-speed Internet access throughout the Hot Zone, the goal is to demonstrate commercial services based on voice, video, and data in the e-business, e-learning, surveillance/security, entertainment, and public service sectors. Korea-based Haedenbridge's software platform was selected after mobile and stationary tests within a Seoul hot zone because of the ability of the platform to support multi-party videoconferencing, multimedia broadcasting, and data communications as well as tunneling technology for multicasting over any IP network. TOMMS FACTORY Enterprise has also been deployed by Korea's National Emergency Management Agency (NEMA) to provide real time emergency management communications to mobile fire fighters over EVDO-based wireless networks. KT and Samsung have contracted with Haedenbridge to supply the platform for the full service rollout expected in early 2006.



The screen shot (above) shows the triple play as it will be experienced at the APEC Summit. The top of the screen is a streaming music video; the bottom is a web page being browsed. On the right is a four-way videoconference. Note the bottom video participant is in her car: Do NOT try this while driving....

Here's What Stacy Thinks:

This announcement highlights two trends that may be starting to bear fruit: 1) the change in focus from videoconferencing in the traditional sense to video-enabled applications either on a PC or a dedicated device; and 2) the need for these applications to seamlessly cross networks. With all the hype around the “triple play” in the service provider sector, video telephony and videoconferencing applications have not yet found a significant audience (paying subscribers) over broadband or 3G networks. Korea’s lead in broadband connectivity and apparent thirst for interactive multimedia provide an ideal proving ground for new applications, especially when combined with government support and very few regulatory issues regarding IP communications.

GlowPoint Partners with ON24

GlowPoint and ON24 are partnering to expand the use of video communication services throughout their customers’ locations. As part of the agreement, GlowPoint will bundle ON24 services into its current “All You Can See” Unlimited Video Calling plans and ON24 will provide GlowPoint's quality of service, IP-based video communication offering to its customers for ongoing and event-based broadcast quality content creation and delivery. ON24's webcast platform will be integrated into GlowPoint's global IP-video network to better enable service delivery and customer support.

PLATINUM

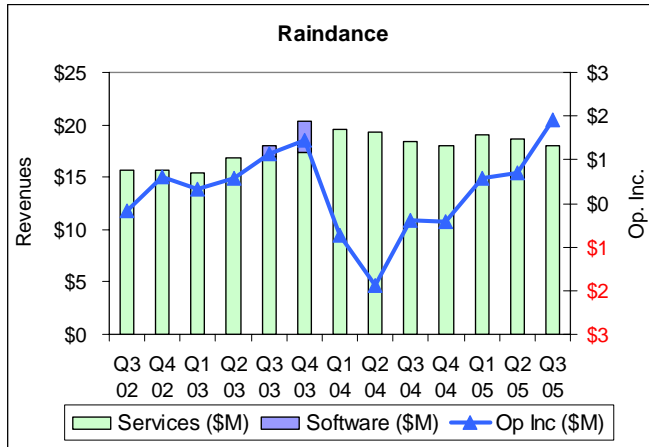
WR's on-line content subscription service that provides individualized in-depth information and analysis on conferencing and collaboration

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Dollars & Sense

Raindance – Q3/05

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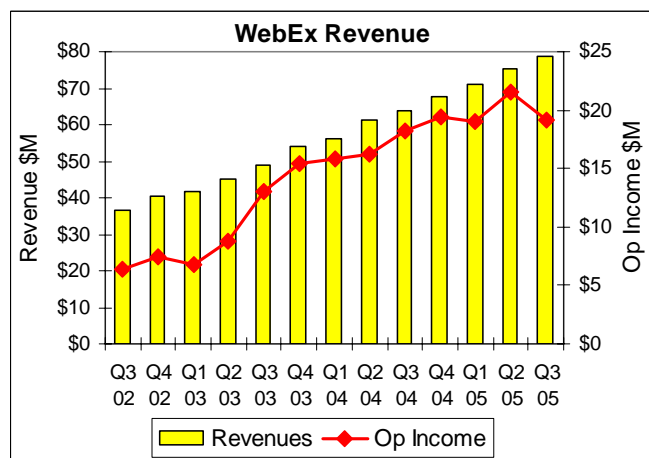


RNDC	Q3 04	Q2 05	Q3 05	Sequential Growth	Annual Growth
Revenue	\$18.40	\$18.69	\$17.98	-3.8%	-2.3%
Op Inc.	(\$0.39)	\$0.70	\$1.92	174.9%	NA

Raindance reported a decline in revenues for Q3-05, down both sequentially and on an annual basis. Nevertheless, the company increased its operating profit to \$1.92 million, thus achieving its third consecutive quarter of operating profit. Multi-media conferencing (audio with web) accounted for 23% of revenue.

WebEx – Q3/05

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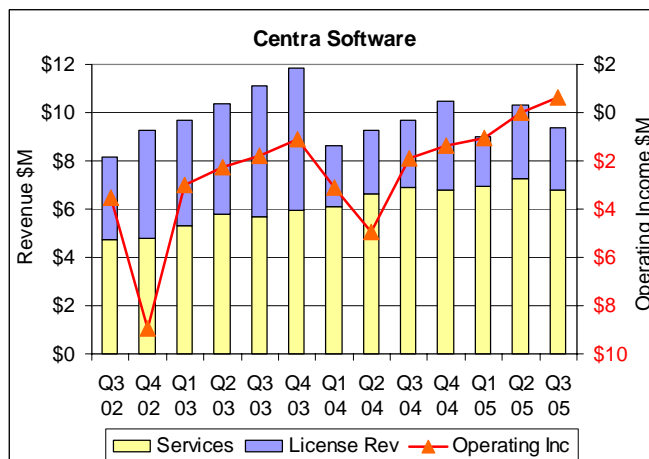
WEBX	Q3 04	Q2 05	Q3 05	Sequential Growth	Annual Growth
Revenue	\$64.0	\$75.3	\$78.6	4.3%	22.8%
Op. Inc.	\$18.2	\$21.5	\$19.1	-11.0%	5.1%

WebEx continued to deliver its near linear revenue growth by reporting Q3 2005 revenues of \$78.6 million and a very impressive annual growth rate of 22.8%. Operating income increased 5.1% on an annual basis but decreased 11.0% on a sequential partially due to one-time charges from the Intranets.com acquisition and a DOD pilot. The company emphasized that it is aggressively moving customers over to a new flat pricing model, which they claim now

accounts for 70% of new deals and 25% of the installed base. Also of note is the increase of revenue through indirect channels – accounting for 16% of sales, up from 12% a year ago.

Centra Software – Q3/05

Andy Nilssen, andyn@wainhouse.com



CTRA \$M	Q3 04	Q2 05	Q3 05	Sequential Growth	Annual Growth
Licenses	\$2.83	\$3.02	\$2.56	-15.0%	-9.4%
Software Svcs	\$2.67	\$2.64	\$2.50	-5.1%	-6.3%
Prof Svcs & Maint	\$4.20	\$4.65	\$4.31	-7.4%	2.5%
Total Rev	\$9.70	\$10.31	\$9.37	-9.1%	-3.4%
Op Inc	-\$1.89	-\$0.01	\$0.63	na	na

Centra reported Q3 2005 revenues of \$9.4 million, representing an annual decrease of 3.4% over Q3 2004, and a sequential decrease of 9.1% compared to Q2 2005. Operating

income improved sequentially to \$630,000. The company was profitable for the second sequential quarter in its history. Centra is in the process of being acquired by Saba which will result in “the largest enterprise learning software” company, with an anticipated \$100 million revenue run rate. We believe this is a good move, as Centra is clearly having difficulty expanding its business organically.

A Comparison – Web Conferencing

	Q2-05	Sequential Growth	Annual Growth
Centra revenues	\$9.4M	-9.1%	-3.4%
Raindance revenues	\$18.0M	-3.8%	-2.3%
WebEx revenues	\$78.6M	4.3%	22.8%
Centra op income	\$0.6M	n/a	n/a
Raindance op income	\$1.9M	174.9%	n/a
WebEx op income	\$19.1M	-11.0%	5.1%

Conferencing & Collaboration Event Calendar	
WHEN & WHERE	WHAT & WHO
November 9, 2005, 12:00 EST, online	WR Thought Leadership : Integrated Collaboration – Enhancing business communication through the integration of Presence, IM and Telephony
November 14, 2005, Ritz-Carlton Pentagon City, Washington DC.	Mitigating Security Risks in Videoconferencing , by Ira Weinstein, sponsored by TANDBERG and Criticom
December 1, 2005, 11:00 EST, online	December SpotLights : Engaging the User – The Wainhouse Research Point Nine User Forum
2006-April 19-20-21, Berlin, Germany	WR European Forum Conferencing, Collaboration, and Next Generation Meeting Tools
2006-July 19-20-21, Boston, MA	The Wainhouse Research Summit - 2006

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