



## **Polycom Reports Third Quarter 2009 Earnings**

Consolidated Revenues Grow Over 5 Percent Quarter-to-Quarter;  
All Product Lines and Geographic Theatres Generate Sequential Revenue Growth

**PLEASANTON, U.S. – Oct. 20, 2009** – Polycom, Inc. (NASDAQ: PLCM), the global leader in telepresence, video and voice communications solutions, today reported its earnings for the third quarter ended Sept. 30, 2009.

Third quarter 2009 consolidated net revenues were \$243 million, compared to \$231 million for the second quarter of 2009 and to \$276 million for the third quarter of 2008. Non-GAAP net income for the third quarter of 2009 was \$27 million, or 31 cents per diluted share. This compares to Non-GAAP net income of \$24 million, or 29 cents per diluted share, for the second quarter of 2009 and to Non-GAAP net income of \$32 million, or 37 cents per diluted share, for the third quarter of 2008. GAAP net income for the third quarter of 2009 was \$14 million, or 16 cents per diluted share, compared to \$15 million, or 18 cents per diluted share, for the second quarter of 2009, and to \$18 million, or 21 cents per diluted share, for the third quarter of 2008.

For the nine months ended Sept. 30, 2009, net revenues were \$699 million, compared to \$806 million for the first nine months of 2008. Non-GAAP net income for the period was \$74 million, or 86 cents per diluted share, compared to \$95 million, or \$1.08 per diluted share, for the first nine months of 2008. GAAP net income for the nine months ended Sept. 30, 2009 was \$37 million, or 44 cents per diluted share, compared to GAAP net income of \$50 million, or 57 cents per diluted share, for the same period last year.

The reconciliation between GAAP net income and Non-GAAP net income is provided in the tables at the end of this release.

On a product line basis, including applicable service revenues, consolidated net revenues for the third quarter of 2009 were comprised of:

- 68 percent video solutions, or \$165 million (53 percent video communications, or \$130 million, and 15 percent network systems, or \$35 million); and
- 32 percent voice communications, or \$78 million.

This compares to the third quarter of 2008, in which consolidated net revenues were comprised of:

- 65 percent video solutions, or \$178 million (52 percent video communications, or \$144 million, and 12 percent network systems, or \$34 million); and
- 35 percent voice communications, or \$98 million.

“We are particularly pleased with our results for the third quarter as recent initiatives to improve our go-to-market strategy, coupled with our steadfast commitment to delivering superior innovation, contributed to strong sequential revenue growth,” said Robert Hagerty, Polycom chairman and CEO. “Under the leadership of Andy Miller, our new executive vice president of

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Global Field Operations, we swiftly executed several actions to improve and intensify customer ownership and support across the enterprise, government, and service provider sectors. Specifically, we made sales management changes, drove new enhancements to our sales analytics, and developed specific programs with our various partners to improve both channel and Polycom margins through deeper customer engagement. These efforts have already yielded a higher level of visibility with our customers and partners alike and, for instance, contributed to the fast turnaround in voice revenue growth.”

“Polycom continues to lead the industry in product innovation, most recently with improvements to our higher margin network infrastructure solution, which contributed to our significant growth and key customer wins during the third quarter. High customer adoption is being driven by our platform’s unique advantages, namely superior HD video quality, flexible port configuration, scalability and redundancy. With this new platform, customers can easily manage large HD video networks across their telepresence, room-based, and desktop video installations. As a result of the early success of our new solution and driven by increased customer demand for even larger video networks, we announced the expansion of this product line with our new Polycom RMX and RSS™ 4000 products, which will begin shipping this quarter.”

“With an improving go-to-market execution, continued success in product innovation, broad strategic and service provider partnerships, and the industry’s most open solution, we believe Polycom is best suited to capture the rapid adoption of business-to-business (B2B) unified collaboration (UC) over the coming quarters and years,” Hagerty concluded.

“Broad customer demand drove sequential revenue growth, increased deferred revenues, and a sharp sequential increase in order backlog in the third quarter,” said Michael Kourey, Polycom senior vice president, finance and administration, and CFO. “As a result of this top-line performance and our proactive inventory reductions, we generated positive operating cash flow of over \$39 million, representing Polycom’s 47th consecutive quarter of positive operating cash flow. Our sound balance sheet continues to underpin solid fundamentals and, net of \$20 million in share repurchases in Q3, we exited the quarter with \$408 million in cash and investments and no debt.”

#### **About Polycom**

Polycom, Inc. (NASDAQ: PLCM) is the global leader in telepresence, video, and voice solutions and a visionary in communications that empower people to connect and collaborate everywhere. Please visit [www.polycom.com](http://www.polycom.com) for more information.

This release contains forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995 regarding future events, future demand for our products, and the future performance of the Company, including statements regarding the intended results of actions taken in the Company’s worldwide sales organisation, the factors believed to be contributing to turnaround in our voice revenue growth and to our revenue growth and customer wins generally, the drivers of customer adoption and Polycom as being best suited to capture the rapid adoption of B2B unified collaboration in future periods. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially, including the impact of competition on our product sales and for our customers and partners, the impact of increased competition due to consolidation in our industry or competition from companies that are larger or that have greater resources than we do, potential fluctuations in results and future growth rates, risks associated with general economic conditions, including the continuation and prolonged impact of the crisis in the worldwide financial markets and the global recession, the market acceptance of Polycom’s products and changing market demands, including demands for differing technologies or product and services offerings, possible delays in the development, availability and shipment of new products, increasing costs and differing uses of capital, changes in key personnel and our sales organisation that may cause disruption to the business, the impact of recent restructuring actions, and the impact of global conflicts such as those in the Middle East that may adversely impact our business. Many of these risks and uncertainties are

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discussed in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, and in other reports filed by Polycom with the SEC. Polycom disclaims any intent or obligations to update these forward-looking statements.

As has been noted on the Company's web site since Oct. 13, 2009, Polycom will hold a conference call today, Oct. 20, 2009, at 5 p.m. EDT/2 p.m. PT to discuss its third quarter earnings. Robert Hagerty, chairman, president and CEO, Michael Kourey, chief financial officer, and Andrew Miller, executive vice president of global field operations, will host the conference call. You may participate by viewing the webcast at [www.polycom.com](http://www.polycom.com) or, for callers in the US and Canada, by calling 800.950.7243; and for callers outside of the US and Canada, by calling 212.231.2901, with the passcode being Polycom. A replay of the call will also be available at [www.polycom.com](http://www.polycom.com) or, for callers in the US and Canada, at 800.633.8284; and for callers outside of the US and Canada, at 402.977.9140. The access number for the replay is 21438721. A replay of the call will also be maintained on our website for twelve months at [www.polycom.com](http://www.polycom.com) under Investor Relations – Earnings Calls-Archives.

Polycom reserves the right to modify future product plans at any time. Products and/or related specifications referenced in this press release are not guaranteed and will be delivered on a when and if available basis.

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