FINAL TRANSCRIPT

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the RadiSys fourth quarter earnings conference call with Scott Grout, President and CEO of RadiSys. As a reminder, today, Tuesday, February 3rd, 2009, this call is being recorded. Later, we will conduct a question and answer session. (Operator Instructions) Mr. Grout, please go ahead.

Scott Grout - *RadiSys Corporation - President & CEO*

Thank you, Jennifer. Good afternoon, and thank you for participating in our fourth quarter conference call. In this call, we will review our results for the fourth quarter, and for the full year 2008 as well as our outlook for the first quarter and then open the call up for questions.

Participating on the call today are Holly Stevens, Finance and Investor Relations Manager; Brian Bronson, our Chief Financial Officer; and myself, Scott Grout, President and CEO. Before we get started, I would like to turn the call over to Holly for a caution about forward-looking statements.

Holly Stephens - *RadiSys Corporation - Finance & IR Manager*

Thanks, Scott. These statements in this call regarding future expectations for the business of RadiSys constitute forward-looking statements that involve a number of risks and uncertainties. We caution you not to place undue reliance on these statements. Factors that could cause actual results to differ materially from those in the forward-looking statements are discussed in our earnings release today and in our SEC filings. All information provided in this call is as of today. RadiSys undertakes no duty to update any forward-looking statements to conform the statement to actual results or changes in the Company's expectations.

In addition, during the call, we will refer to some non-GAAP measures. We have provided a GAAP to non-GAAP reconciliation for these measures in our earnings release issued today. Now I'll turn the call back over to Scott.

Scott Grout - *RadiSys Corporation - President & CEO*

Thanks, Holly. So I am pleased we delivered better revenues and non-GAAP earnings than we had expected for the fourth quarter, and we had notable strengths in our media server business. Our Q4 revenue was $88.7 million. Our revenue for the full year 2008 was $372.6 million, which was up 15% over the prior year.

In 2008, we made meaningful progress on a number of our core strategies and grew our overall next generation communications revenue to approximately $100 million. This $100 million was up significantly over the $36 million that we delivered in the prior year. We saw good growth in demand for our ATCA products in 2008 as some of our new customers began deploying ATCA products in production volumes. Likewise, we saw good growth in our media server business including IP conferencing in North America and messaging in Asia. We continue to see new opportunities for our media server products across all geos for call center, voice services, and interactive voice recognition applications as more networks move from TDM to IP.

Our strategic focus is and has been to provide more complete and more valuable solutions to our customers. Our progress on this strategy combined with ongoing improvements in operations allowed us to increase our gross margin rate every quarter in 2008.

We ended the year with non-GAAP gross margin rate of 31.6% in Q4, which was up 6.3 percentage points from a low of 25.3% in the second quarter of 2007. These expanded margins along with spending reductions that we implemented in the summer of '08 and through the year, allowed us to meaningfully increase our non-GAAP operating income to $19.9 million for the year.

We also had an excellent year from a cash perspective as we generated over $34 million of operating cash flow during the year, including $11 million of cash flow in the fourth quarter. Our operating cash flow along with a number of actions to improve our balance sheet throughout the year, resulted in a year-end cash position of $74 million. Some of these balance sheet actions were a new $55 million convert offering in February of '07, establishing a $30 million line of credit with Silicon Valley Bank, and reaching an agreement with UBS to pay back our $62 million in ARS's and borrow against a majority of the value in the meantime.

While we had a good overall 2008 and come into 2009 with a strong cash position, we are very mindful of the importance of managing our cash and balance sheet carefully in these uncertain times. We are watching our markets very closely and are prepared to be agile as the year unfolds in front of us.

Moving to our customers, this past year, we made good progress in diversifying our customer base. We expanded our top 10 customer list to include new Tier 1 and Tier 2 telecom customers as well as some new commercial customers in both Asia and North America.

Our top five customers for the fourth quarter in alphabetical order were Avia, Danaher, Nokia Siemens Networks, Phillips Healthcare, and a new North American Tier 1 telecom equipment maker that is deploying our ATCA platforms in a wireless application. Collectively these top five customers represented 55% of our revenue in the quarter. Our revenues to Nokia Siemens Networks in the fourth quarter were 36% of total Company revenues. Avia came back as a top five customer in Q4 as we shipped them a large order against a legacy enterprise application.

I would now like to discuss some of the new product and application highlights from the fourth quarter. In our ATCA product family we were awarded new business in network testing, optical networking, network security, router co-processing and next-generation radio node controllers. In addition, we were selected for a new ATCA integrated platform application in China. One of our new ATCA platform customers also achieved carrier approval in the fourth quarter to deploy their wireless network products in volume. As of November, the carrier had hosted over 5 million calls on our ATCA platform.

In November, we also hosted the industry's first online ATCA virtual trade show, including live web-based presentation, panel discussions, and exhibitor booths, much like you would see if you went to a conventional show. The web-based trade show provided real time insight from ATCA experts in the industry, and we saw quite a bit of interest in the trade show with over 1,000 qualified registrants.

In our media server product family, we won new business with ZTE, one of the major telecom equipment manufacturers in China. ZTE selected us for a unified communications application for color ring-back tones. This solution is currently deployed and generating revenues for leading service providers in China. Combining our media servers with ZTE's unified service platform creates a very versatile infrastructure for VoIP, video and IMS applications. We are now jointly developing additional service capabilities on this platform and I'm pretty excited about our relationship with ZTE and the opportunities that may be ahead for us.

In our commercial business we had a number of awards for medical imaging applications, including a top medical equipment provider in China. Also in the medical market, our new rackmount server, the 420 image processor, began shipping in the fourth quarter to two of our Tier 1 medical imaging customers. Other commercial wins in the quarter included military communications and data-collection applications.

Finally, in November, we brought on a new member to our leadership team here at RadiSys, John Major. John is our new Vice President of Global Operations, and brings over 20 years of high-tech and global manufacturing experience with companies such as Xerox and Tektronix. We think John is an excellent addition to our team, and he will be instrumental in taking our supply chain and global operations capabilities to the next level. So very nice add for our team.

With that I would now like to turn the call over to Brian, who will chat a bit more about our fourth quarter financial results and projections for the fourth quarter.

Brian Bronson - *RadiSys Corporation - CFO*

Thanks, Scott. As previously mentioned, our fourth quarter revenue was $88.7 million, which is down 11% from the prior year and 12% from the prior quarter. As we originally expected the sequential decline was due to a lower wireless revenue along with the decrease in revenue associated with ATCA deferrals relative to the third quarter. Our revenue was $372.6 million for the year, which was up about 15% from the prior year.

Our GAAP gross margin percent was 28.5%, up 7.2 percentage points year-over-year. Our non-GAAP gross margin rate was 31.6%, up 5 percentage points year-over-year, and up from 30.8% in the third quarter. The increase was mainly due to a greater mix of next generation higher-margin products, as well as continued cost improvements in our manufacturing operations. We currently expect our first quarter GAAP gross margin percent to be higher than the fourth quarter by about 70 basis points due to lower intangible amortization.

We expect first quarter non-GAAP gross margin percent to be similar to the rate in the fourth quarter at the midpoint of the guidance range. Total GAAP, R&D, and SG&A expenses totaled $23.9 million in the fourth quarter, non-GAAP R&D and SG&A expenses totalled $21.9 million, which was down about $600,000 from the prior quarter. We currently expect first quarter R&D and SG&A expenses to be down again sequentially by about $500,000. By the end of Q1, our operating expenses will be down $2.5 million per quarter relative to the summer of last year.

Our Q4 non-GAAP operating income was $6.1 million or 6.9% of revenue, which equals 3.2 percentage points of improvement, since the 3.7% of revenue in the same quarter last year. Net non-operating income which includes interest income, interest expense and other non-operating items was a positive $330,000 in the fourth quarter. This amount includes a net gain of $800,000 associated with the 2013, and 2023 debt repurchases along with a non-cash net loss associated with our option-rate securities of approximately $400,000. The loss of $400,000 is the difference between the par value of $62.7 million, and the sum of the market value of $51.2 million, and the settlement right of $11.1 million.

The market value of the ARS's will fluctuate each quarter and the change will most likely be offset by the change in the value of our settlement right. So by the time we get to June 30, 2010, we expect the sum of the right and ARS value will equal the par value of $62.7 million. We currently expect our non-operating line to be an expense of around $300,000 in the first quarter.

In the fourth quarter, we recorded a non-cash goodwill impairment charge of $67.3 million before tax. The charge was a result of performing an analysis that compared our estimated fair market value to our net asset book value at the end of the year. This analysis was triggered by a decline in our stock price in the fourth quarter.

We also tested our intangible assets for impairment, and determined that these assets were not impaired. Our fourth quarter GAAP tax rate was 15%, and our non-GAAP tax rate was 55%. Our non-GAAP effective tax rate was much higher than expected, due to a decrease in the value of our Canadian dollar denominated deferred tax assets. The Canadian dollar decrease in value relative to the US dollar by over 15% sequentially. It is likely that we will be able to lock in a permanent exchange rate with the Canadian tax authorities in the first quarter, which would result in a non-cash tax benefit in the first quarter of between $1.5 million, and $2 million. Excluding this benefit, we are projecting our non-GAAP tax rate to be around 20%, and our GAAP tax rate to be approximately 25%. As always, all of this is about adjusting our net deferred tax assets, as we are currently not a taxpayer due to our significant DTA balances.

Our GAAP net loss was $2.47 per share in the fourth quarter, and our non-GAAP net income was $0.12 per share. Full year non-GAAP EPS was up nicely at $0.49, versus $0.34 last year. Our basic weighted average shares increased to $22.9 million in the fourth quarter from $22.7 million in the third quarter.

Fourth quarter non-GAAP diluted weighted average shares were $28.2 million, which included 800,000 shares for the old converts that were repurchased in November, and 4 million shares for the new converts. In the first quarter we expect the net income threshold to be $1.8 million to require inclusion of the $3.8 million convert shares, and associated interest add-back of $291,000 in the EPS calculation. As such we project the waited average diluted shares to be $27.4 million in the first quarter including the convert shares.

As Scott mentioned earlier cash flow from operations was $11.6 million in the fourth quarter and was $34.9 million for the year, which was up nicely from $20 million a year ago. Our strong operational cash flow and overall improved balance sheet resulted in $74 million of cash and cash equivalents at the end of the year.

In the quarter, we entered into a contract with UBS that requires them to repurchase at par our $62.7 million of auction-rate securities, again, no later than June 30, 2010. As part of the agreement we received a no net interest loan from UBS for approximately $40 million, which represents 75% of the market value of our ARS's held by UBS and then subsequently, we've taken down the full $40 million. Back in the third quarter if you recall, we borrowed $20 million on a $30 million line of credit with Silicon Valley Bank for precautionary reasons. This past quarter, we repaid the $20 million to SVB with a portion of the proceeds from the no net-interest loan from UBS.

In November, all $37.5 million of our old converts were put back to us at par per the original agreement. Also in the quarter we repurchased $5 million of our new converts at a purchase price of $3.1 million, leaving $50 million outstanding. DSO was 47 days in the fourth quarter, compared to 45 days in the third quarter. Despite an increasingly difficult environment to collect receivables, we had good collection performance, and great shipment linearity in the quarter. I expect DSO to move back in to the 50s in 2009.

Net inventory decreased $1.9 million due to lower levels of revenue and increasing scrutiny on demand planning. Inventory turns were 8.3 turns in the fourth quarter, which was down from 8.9 turns in the third quarter. I expected to continue to see gradual improvement in our inventory position over the next few quarters.

We currently expect to generate operating cash flow in the first quarter. Our current cash flow break-even equates to revenue of between $63 and $65 million depending on product mix. Given the tough economic climate and limited visibility, we will continue to closely monitor spending levels to insure we generate cash flow every quarter.

Now I'll turn the call back over to Scott to talk about the revenue and per-share outlook for the first quarter.

Scott Grout - *RadiSys Corporation - President & CEO*

Thank you, Brian. So regarding our outlook for the first quarter, please note that this is our view as of today, and it's a forward-looking statement subject to risks and uncertainties as discussed previously, and in our press release made available earlier today. Given the ongoing economic downturn, our estimates are subject to a higher level of uncertainty than usual.

So we currently expect first quarter revenues to be between $73 and $79 million, which is down sequentially as a result of lower wireless revenues and softness in our commercial markets. We currently expect first quarter GAAP net loss to be between $0.10 and $0.03 per share. Non-GAAP EPS is expected to be between $0.05 and $0.11, excluding the possible tax benefit that Brian discussed previously.

As I mentioned before, I'm very pleased with our strategic and our financial progress in 2008. We meaningfully grew revenues for our higher-value products, we added a number of new customers, and extended our market presence nicely. From a financial perspective, we expanded our gross margin rates, we generated meaningful operating cash flow, and we ended the year with a strong balance sheet.

Although the current economic environment has resulted in increased uncertainty and projected softening in customer demand, we intend to focus on our core strategies, while at the same time closely monitoring our expenses to continue to generate free cash flow and maintain a strong balance sheet.

With that, I'd like to thank you for participating on the call and at this point Jennifer I think we are ready to open up for questions.

QUESTIONS AND ANSWERS

Operator

Our first question comes from Matt Petkun from Davidson and Company.

Matt Petkun - *Davidson & Company - Analyst*

Hi, good afternoon, and congratulations on a nice quarter.

Scott Grout - *RadiSys Corporation - President & CEO*

Hi, Matt.

Matt Petkun - *Davidson & Company - Analyst*

Scott, I was wondering, you disclosed a new top five customer, which is great, and I think you said that that customer was in the wireless area, although it doesn't look like that was embedded in your Q4 revenues, at least if we assume that Nokia Siemens Networks was the majority of that. Did that fall in to the IP network and messaging space or how are you accounting for that?

Scott Grout - *RadiSys Corporation - President & CEO*

The new customer is both wireless and wire line. The application they are working with us on is on wireless. Unfortunately as you probably deduced, we can't disclose name, and the revenue is included in the other --

Brian Bronson - *RadiSys Corporation - CFO*

Other communications.

Scott Grout - *RadiSys Corporation - President & CEO*

Other communications bucket.

Matt Petkun - *Davidson & Company - Analyst*

Okay. So like just general network and switching and those types of things?

Scott Grout - *RadiSys Corporation - President & CEO*

Is that correct, Brian?

Brian Bronson - *RadiSys Corporation - CFO*

Yes.

Matt Petkun - *Davidson & Company - Analyst*

Okay. And then in years past, you guys have provided at least at this point a general sense of what the full year is going to look like, and obviously this year, that's probably more challenging than ever, but, when we look at your largest customer, and their assumptions for business to be down, at least 5%, do you think you have an opportunity to do better than that, worse than that? Can you give any color about the full year?

Scott Grout - *RadiSys Corporation - President & CEO*

Couple of comments, as you had mentioned, visibility out in time is much more challenging than it has been in the past. I think we feel pretty good about Q1, rest of year is still yet to unfold in front of us. As relates to Nokia Siemens Networks, I think it's fair as they go up and down, there's no meaningful reason that business with them would be materially different, so I would expect us to track reasonably well.

Matt Petkun - *Davidson & Company - Analyst*

Okay. And then Brian, the historic lumpiness that we have seen in that customer, have you solved some of the issues, or do you believe they have solved some of the issues surrounding the lack of linearity in that business?

Brian Bronson - *RadiSys Corporation - CFO*

Well, a couple of things, I would say -- I still go back and point to a couple of pretty specific reasons why there was lumpiness historically with that customer. But fast-forward now, merger integrated, et cetera, and have done a really nice job, and continue to be relatively accurate under forecast. But I'm talking about out of quarter, right? So it goes back to out of quarter okay, full year can be roughly right, but if you get to that second, third, or fourth quarter, it's still can be pretty volatile. And, volatile meaning it's still pretty deal centric in emerging countries.

Matt Petkun - *Davidson & Company - Analyst*

Right. Okay. That's all for me. It's nice to see some of these intangibles at least out of my P&L for a while.

Scott Grout - *RadiSys Corporation - President & CEO*

Thanks, Matt.

Operator

Your next question comes from George Notter of Jefferies, your line is now open.

Rajiv Jenveja - *Jefferies - Analyst*

Thanks, this is actually Rajiv Jenveja for George Notter.

Scott Grout - *RadiSys Corporation - President & CEO*

Hi, Rajiv.

Rajiv Jenveja - *Jefferies - Analyst*

Hi. Couple of questions. I guess I want to start with Nortel. What impact if any do you guys expect from the Nortel bankruptcy, obviously it is not a big piece of the revenue, but has that changed how you think about those revenues and the pace at which they will decline through 2009?

Scott Grout - *RadiSys Corporation - President & CEO*

Yes, as you have identified our exposure is relatively limited at this point, so --

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Brian Bronson - *RadiSys Corporation - CFO*

I'll butt in and then I'll be quiet. The AR piece is less than $100,000. So, accounts receivable is very small. Inventory a bit bigger, but we think tied to some quote unquote older product that will continue as you mentioned toward the end of the life, and then the legacy revenue has been falling off for sometime, so relatively immaterial.

Rajiv Jenveja - *Jefferies - Analyst*

Okay. And then, I guess on the commercial side, as you look in to Q1, what end markets, specifically, are you seeing the weakness in? And, how much of this do you kind of take in to CapEx budgets, to customers who are showing you and discounting those budgets versus a customer actually saying, hey, I'm going to spend less money in Q1 and so forth.

Scott Grout - *RadiSys Corporation - President & CEO*

Yes, so we're seeing it across just about all of the subsegments within commercial, so test and measurement, and imaging and some of the transaction product, so each one of those end markets is feeling a little bit of softness. Some of the major systems, major medical imaging systems a little bit of softness as well, so I think some of it is related to end customers, the very end customers holding off a little bit on that capital expenditures.

Rajiv Jenveja - *Jefferies - Analyst*

Okay. I guess kind of on a similar note on the Convedia side, my understanding was some of that business goes in to Fortune 500 companies, and then in the press release it sounded like you were pretty positive on the Convedia revenue on the whole. Are you seeing any weakness on the enterprise side? And how do I think about the enterprise portion of the Convedia revenues versus the carrier portion?

Scott Grout - *RadiSys Corporation - President & CEO*

The revenue stream today, we have pretty significant content on carrier side -- what ultimately goes into carrier networks. Enterprise certainly represents some of the revenue, but we think carrier side looks a little bit better. On a go-forward basis, certainly enterprise is a target market for us to be able to grow that business. So, I imagine in the near term we'll feel some impact on growth size, but in the long term we still see it as a very interesting market.

Rajiv Jenveja - *Jefferies - Analyst*

Okay, and it's still accurate to say that that business is in the mid-single digits on a quarterly basis? In the millions?

Brian Bronson - *RadiSys Corporation - CFO*

Yes. Depending on the quarter.

Rajiv Jenveja - *Jefferies - Analyst*

Okay.

Brian Bronson - *RadiSys Corporation - CFO*

Very nice growth.

Scott Grout - *RadiSys Corporation - President & CEO*

Call it mid-to high.

Brian Bronson - *RadiSys Corporation - CFO*

Yes very nice growth year-over-year.

Rajiv Jenveja - *Jefferies - Analyst*

Great. That's all for us.

Scott Grout - *RadiSys Corporation - President & CEO*

Thank you Rajiv.

Operator

Your next question comes from Greg Mesniaff from Needham & Company. Your line is now open.

Greg Mesniaff - *Needham & Company - Analyst*

Thank you. I was wondering if you could give us some additional color on the media server revenues, as they came in in the fourth quarter. Some order of magnitude, and what kind of visibility you currently have on that segment of the business?

Brian Bronson - *RadiSys Corporation - CFO*

Couple of comments, Greg, first of all, hello. As you know, we don't really break out on a specific basis. I can tell you second half and fourth quarter in particular continued to grow pretty nicely. We saw strength in Asia. We saw strength in North America. From a design win perspective, we have a nice funnel growing in Europe for us, so I imagine that is going to matter a little bit more over time. Business across a number of different applications and geos and customers is growing. We feel relatively good about our first quarter plan for the media server business, so that feels reasonably solid.

Greg Mesniaff - *Needham & Company - Analyst*

Any comment or color on component pricing, raw materials or, that aspect of the business?

Scott Grout - *RadiSys Corporation - President & CEO*

Yes, we're starting to see some opportunities for improvement in cost as you would expect. I think Q4 there's a lot of the supply base is trying to figure out what is going on in the world. Now there is a little bit of more supply than there is demand so I would expect as we go through the quarter and the half that our position in terms of negotiating better prices will improve. So kind of cutting to the chase, we're just starting to see glimpses of that now and I would expect us to be able to capitalize a bit on that.

Greg Mesniaff - *Needham & Company - Analyst*

Would you say that some of that was behind the sequential gross margin improvement? Or was it mostly just a product mix?

Scott Grout - *RadiSys Corporation - President & CEO*

It's really dominated by product mix.

Greg Mesniaff - *Needham & Company - Analyst*

Okay. Thank you very much.

Scott Grout - *RadiSys Corporation - President & CEO*

Thanks, Greg.

Brian Bronson - *RadiSys Corporation - CFO*

Thanks, Greg.

Operator

Your next question comes from Ted Jackson from Cantor Fitzgerald. Your line is now open.

Ted Jackson - *Cantor Fitzgerald - Analyst*

Thanks very much. And I want to chime in and say it was a really nice quarter.

Scott Grout - *RadiSys Corporation - President & CEO*

Thanks, Ted.

Ted Jackson - *Cantor Fitzgerald - Analyst*

Very nice job in terms of executing and all the things you guys have said you were going to do over the last two years is basically done.

Brian Bronson - *RadiSys Corporation - CFO*

Thanks, Ted.

Scott Grout - *RadiSys Corporation - President & CEO*

Appreciate it.

Ted Jackson - *Cantor Fitzgerald - Analyst*

A couple of questions. One of them is, just a basic model question. What was the convert add-back in the quarter, and what will it be in the first?

Brian Bronson - *RadiSys Corporation - CFO*

The convert add-back in the fourth quarter -- I know the first quarter was 291. And let me get you the fourth quarter. I think it was three -- I have got it right here. It's three -- 354.

Ted Jackson - *Cantor Fitzgerald - Analyst*

And would that 291, would we use that on a quarterly basis, just kind of going forward.

Brian Bronson - *RadiSys Corporation - CFO*

Yes. That would be the go-forward rate.

Ted Jackson - *Cantor Fitzgerald - Analyst*

And then on the tax rate, you gave a 20% tax rate for the first quarter, would we assume that going forward also?

Brian Bronson - *RadiSys Corporation - CFO*

Yes. And again just to reiterate, that 20% would be without the tax benefit if we get a chance to lock in this volatility.

Ted Jackson - *Cantor Fitzgerald - Analyst*

But it does include [NOLs] and things along --

Brian Bronson - *RadiSys Corporation - CFO*

Yes.

Ted Jackson - *Cantor Fitzgerald - Analyst*

Okay. And then on the ATCA decline during the quarter, you talked about that being stuff that, you had things coming out of deferral. So if I'm understanding it right, could you view some of the ATCA revenue that you had in the third quarter, kind of like a bulge as you recognized revenue for things that you had shipped, but had not been able to book to revenue yet?

Scott Grout - *RadiSys Corporation - President & CEO*

That's absolutely right. And so you can characterize our deferred -- what we're calling income, by the way -- we take our deferred revenue, and then just book the deferred margin around that. But the bottom line is, it was a buildup of product that we had shipped but hadn't maybe necessarily production released. And the bigger piece was executing a service contract, so with some of our new cool products obviously the software content is much more rich, and therefore, we fall in to a different set of accounting rules. But I would tell you that moving forward in our Q4 deferred income balance, is more normal, so I wouldn't expect to see any meaningful blips up or down.

Ted Jackson - *Cantor Fitzgerald - Analyst*

And then my last question, just going back in to the media server business, just kind of knocking around the industry. I have had some sources tell me that you all had a large -- let's call double digit millions order -- within the media server business in the last quarter. Is that the kind of thing that's giving you so much confidence in the first quarter, and if so, do you have some concerns about that business maybe -- there being a pig in a python on that front? Being it's small, it's going to be a little lumpy -- that you might have some fall-off in the second quarter as a result.

Scott Grout - *RadiSys Corporation - President & CEO*

That's hard for us to comment specifically on specific pieces of business. First quarter, first half feels pretty good. Second half subject to same uncertainty we have in the rest of the business.

Brian Bronson - *RadiSys Corporation - CFO*

Exactly.

Ted Jackson - *Cantor Fitzgerald - Analyst*

Okay. Well, look, it was a great quarter. Thanks very much.

Scott Grout - *RadiSys Corporation - President & CEO*

Thank you, Ted.

Operator

We have a follow-up question from Matt Petkun from Davidson and Company. Your line is open.

Matt Petkun - *Davidson & Company - Analyst*

Hey, Scott, this data point you gave us about roughly $100 million in business coming from next generation platforms, versus $36 million a year ago. Would it be possible -- I know for all intensive purposes, the MCPD business has really been combined in the overall, family of products, but is it possible to get a sense or any flavor what the organic growth was without that acquisition? But including media server?

Scott Grout - *RadiSys Corporation - President & CEO*

The organic ATCA?

Matt Petkun - *Davidson & Company - Analyst*

Yes.

Brian Bronson - *RadiSys Corporation - CFO*

Let me try it this way. It was really strong growth '07 over '08, and it's a meaningful part of that $100 million number.

Matt Petkun - *Davidson & Company - Analyst*

Okay. And then my next question -- when you look back in '07, I think was the last data point we got, roughly 50 new customers that you were tracking in ATCA. Is there any way to give us a sense, if we were to use that as a number -- and I think the last time you gave us that number was when you reported Q3 '07, so it has been a while, but it has been, maybe a good while to get a sense -- what percentage of those designs are now in, call it, volume production?

Scott Grout - *RadiSys Corporation - President & CEO*

This is going to sound odd, Matt. I don't necessarily cut it that way. I will tell you there are still many new customers in that, in the ATCA space, between organic and through acquisition,p you are going to have six to 12, quote unquote, new and meaningful customers in ATCA, that do and will make up a bulk of revenue over the next, call it 12 months.

Matt Petkun - *Davidson & Company - Analyst*

Yes.

Brian Bronson - *RadiSys Corporation - CFO*

But there's many more customers. I'm thinking about the 80/20 rule in terms of revenue.

Matt Petkun - *Davidson & Company - Analyst*

Right. I'm just trying to get a sense -- when you look out over the next year and obviously we have all tried to attach some theoretical growth rate to ATCA -- how far along we are along that path versus what you were expecting in '07, and how the macro may or may not be impacting that.

Scott Grout - *RadiSys Corporation - President & CEO*

Yes, that's a good question, Matt, I would say from a milestone perspective, we're on track to where we want to be in terms of releasing the product, having the customer validate a carrier's [accepted], so from a milestone perspective it has progressed pretty nicely. In terms of customers ramping up, and new programs going into production, it has been slower than we expected. As we talked about before, I would expect that there will be impact from some of these programs from the economic strife that is being felt across a lot of different businesses. I don't know how big it will be, I just have to think that it is going to cause some of the programs to delay or change.

Matt Petkun - *Davidson & Company - Analyst*

Okay. Thanks a lot. Nice quarter.

Scott Grout - *RadiSys Corporation - President & CEO*

Okay. Thanks, Matt.

Operator

There are no further questions in queue, sir.

Scott Grout - *RadiSys Corporation - President & CEO*

Okay. Thank you again, Jennifer, and thanks again to everybody for participating in the call, and see you all shortly. Bye-bye.

Operator

This concludes today's conference call. You may now disconnect.