RADVISION LTD
Form 10-Q
August 13, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2002

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ____to ___

Commission file number: 000-29871

RADVISION LTD.
(Exact Name of Registrant as Specified in Its Charter)

Israel	N/A
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

24 Raoul Wallenberg Street, Tel Aviv 69719, Israel
(Address of Principal Executive Offices)

972-3-645-5220
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

As of August 6, 2002 the Registrant had 20,002,745 Ordinary Shares, par value NIS 0.1 per share, outstanding.

Preliminary Notes: RADVision Ltd. is incorporated in Israel and is a "foreign private issuer" as defined in Rule 3b-4 under the Securities Exchange Act of 1934 (the "1934 Act") and in Rule 405 under the Securities Act of 1933. As a result, it is eligible to file this quarterly report on Form 6-K (in lieu of Form 10-Q) and to file its annual reports on Form 20-F (in lieu of Form 10-K). However, RADVision Ltd. elects to file its interim reports on Forms 10-Q and 8-K and to file its annual reports on Form 10-K.

Pursuant to Rule 3a12-3 regarding foreign private issuers, the proxy solicitations of RADVision Ltd. are not subject to the disclosure and procedural requirements of Regulation 14A under the 1934 Act, and transactions in its equity securities by its officers and directors are exempt from Section 16 of the 1934 Act.

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PART I - FINANCIAL INFORMATION

RADVISION LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands, except share data

	June 30, 2002	December 31, 2001
	Unaudited	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 7,405	$ 6,717
Short-term investments	36,886	52,785
Trade receivables, net of allowance for doubtful accounts of $1,688 atJune 30, 2002 and $1,126 at December 31, 2001	7,108	5,078
Other receivables and prepaid expenses	1,500	1,259
Inventories	1,010	1,884
Total current assets	53,909	67,723
LONG-TERM INVESTMENTS	41,192	26,326
PROPERTY AND EQUIPMENT, NET	4,102	4,518
DEPOSIT WITH INSURANCE COMPANIES	1,362	1,200
Total assets	$ 100,565	$ 99,767
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term loans	$ 6	$ 19
Trade payables	566	765
Other payables and accrued expenses	15,586	13,562
Total current liabilities	16,158	14,346

ACCRUED SEVERANCE PAY	1,936	1,872
SHAREHOLDERS' EQUITY:		
Ordinary shares of NIS 0.1 par value: Authorized - 24,984,470 shares; Issued and Outstanding - 19,990,145 shares as of June 30, 2002 and 19,889,690 shares as of December 31, 2001	184	182
Additional paid-in capital	104,327	104,209
Deferred stock-based compensation	(208)	(299)
Accumulated deficit	(10,075)	(10,640)
	94,228	93,452
Less - cost of treasury stock - 1,866,115 Ordinary shares of NIS 0.1 par value as of June 30, 2002 and 1,585,446 Ordinary shares as of December 31, 2001	11,757	9,903
Total shareholders' equity	82,471	83,549
Total liabilities and shareholders' equity	$ 100,565	$ 99,767

The accompanying notes are an integral part of the consolidated financial statements.

RADVISION LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands, except per share and share data

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
	Unaudited			
Revenues	$ 11,707	$ 10,430	$ 23,264	$ 25,3
Cost of revenues	2,571	2,240	5,129	5,9
Gross profit	9,136	8,190	18,135	19,3

Operating costs and expenses:				
Research and development	3,870	4,563	7,911	9,3
Marketing and selling	4,587	4,365	9,056	9,2
General and administrative	1,073	1,308	2,042	2,4
Restructuring costs	-	3,023	-	3,0
Total operating costs and expenses	9,530	13,259	19,009	24,0
Operating loss	394	5,069	874	4,6
Financing income, net	686	1,264	1,438	2,8
Other expenses	-	-	-	(1
Net income (loss)	$ 292	$ (3,805)	$ 564	$ (1,9
Basic net earnings (loss) per Ordinary share	$ 0.02	$ (0.20)	$ 0.03	$ (0.
Weighted average number of Ordinary shares used in computation of basic earnings (loss) per share	18,063,334	19,199,771	18,274,259	19,204,1
Diluted earnings (loss) per Ordinary share	$ 0.02	$ (0.20)	$ 0.03	$ (0.
Weighted average number of Ordinary shares used in computation of diluted earnings (loss) per share	18,864,264	19,199,771	19,342,119	19,204,1

The accompanying notes are an integral part of the consolidated financial statements.

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RADVISION LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended June 30,	
	2002	2001

	Unaudited	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 564	$ (1,997
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Income and expenses not affecting operating cash flows:		
Depreciation	1,274	769
Severance pay, net	(97)	245
Amortization of deferred stock-based compensation	91	178
Other	-	173
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables, net	(2,030)	1,693
Decrease (increase) in other receivables and prepaid expenses	(241)	175
Decrease in inventories	874	2,953
Decrease in trade payables	(199)	(2,185
Increase (decrease) in other payables and accrued expenses	2,024	(3,248
Net cash provided by (used in) operating activities	2,260	(1,244
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in short-term investments	15,899	16,583
Increase in long-term investments	(14,866)	(10,593
Purchase of property and equipment	(858)	(1,151
Proceeds from sale of property and equipment	-	9
Net cash provided by investing activities	175	4,848
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of share capital	120	401
Purchase of treasury stock	(1,854)	(2,677
Payment of issuance expenses	-	(550
Repayment of long-term loans	(13)	(27
Net cash used in financing activities	(1,747)	(2,853
Increase in cash and cash equivalents	688	751
Cash and cash equivalents at beginning of period	6,717	41,617
Cash and cash equivalents at end of period	$ 7,405	$ 42,368

The accompanying notes are an integral part of the consolidated financial statements.

RADVISION LTD. AND ITS SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 1:- SIGNIFICANT ACCOUNTING POLICIES

a. The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2001, are applied consistently in these interim financial statements.

b. Financial statements in U.S. dollars:

The Company's transactions are recorded in new Israeli Shekels. Company's management believes that the U.S. dollar is the currency of the primary economic environment in which the Company operates, thus the functional and reporting currency of the Company is the dollar.

Accordingly, transactions and balances, denominated in U.S. dollars, are presented at their original amounts. Non-dollar transactions and balances have been remeasured into U.S. dollars, in accordance with Statement No. 52 of the Financial Accounting Standards Board ("FASB"). All transaction gains or losses from remeasurement of monetary balance sheet items denominated in non-dollar currencies, are reflected in the statements of operations as financial income or expenses, as appropriate.

c. Recently issued new accounting standards:

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS 144"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and superseded SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations for a Disposal of a Segment of a Business". FAS 144 is effective for fiscal years beginning after December 15, 2001, with earlier application encouraged. The Company expects to adopt FAS 144 as of January 1, 2002 and it does not expect that the adoption of the Statement will have a significant impact if any, on the Company's financial position and results of operations.

NOTE 2:- UNAUDITED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles in the United States for interim financial information. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ended December 31, 2002.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 3:- SHORT-TERM AND LONG-TERM INVESTMENTS

	June 30, 2002	December 31, 2001
	Unaudited	
Bank deposits in U.S. dollars bearing annual interest rate of approximately 3%	$ 16,245	$ 28,396
Marketable debentures, bearing annual interest of approximately 6.3%	20,641	24,389
	$ 36,886	$ 52,785

Marketable debentures in the amount of $24,792 that mature later than June 30, 2003, bearing annual interest of 4.8%, as well as a bank deposit in the amount of $16,400 bearing annual interest of 3.7%, are presented as long-term investments.

The interest rates are as of June 30, 2002.

NOTE 4:- INVENTORIES

	June 30, 2002	December 31, 2001
	Unaudited	
Raw materials, parts and supplies	$ 482	$ 991
Work in progress	270	391
Finished products	258	502
	$ 1,010	$ 1,884

NOTE 5:- OTHER PAYABLES AND ACCRUED EXPENSES

Deferred income	$ 2,003	$ 3,491
Employees and employee institutions	1,397	2,369
Accrued expenses	12,186	7,702

U.S. dollars in thousands, except per share data

	$ 15,586	$ 13,562

NOTE 6:- SEGMENTS AND CUSTOMER INFORMATION

a. Industry segments reporting:

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
	Unaudited			
Revenues:				
Product sales	$ 8,580	$ 5,835	$ 16,919	$ 15,841
Software sales	3,127	4,595	6,345	9,484
Total revenues	$ 11,707	$ 10,430	$ 23,264	$ 25,325
Cost of revenues:				
Product sales	$ 2,540	$ 2,013	$ 5,048	$ 5,470
Software sales	31	227	81	494
Total cost of revenues	$ 2,571	$ 2,240	$ 5,129	$ 5,964

b. For the period ended June 30, 2002 and 2001, one customer accounted for approximately 30% and 39%, respectively, of sales for the period.

NOTE 7:- EARNINGS (LOSS) PER SHARE

The following table sets forth the calculation of basic and diluted earnings (loss) per share:

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
Numerator:				
Net income (loss)	$ 292	$ (3,805)	$ 564	$ (1,997)
Numerator for basic and diluted net				

earnings (loss) per share - income available to shareholders of Ordinary shares	$ 292	$ (3,805)	$ 564	$ (1,997)
Number of shares:				
Denominator:				
Denominator for basic earnings (loss) per share - weighted average of Ordinary shares	18,063,334	19,199,771	18,274,259	19,204,162
Effect of dilutive securities:				
Employee stock options and unvested restricted shares	800,930	*) -	1,067,860	*) -
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	18,864,264	19,199,771	19,342,119	19,204,162

*) Antidilutive.

RADVISION LTD. AND ITS SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 8:- ONE TIME CHARGE

The Company recorded a one-time charge of $3 million in the second quarter of 2001, for severance costs associated with a 13% workforce reduction as part of its plan to reduce operating expenses.

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RADVISION LTD.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management's discussion and analysis of certain significant factors which have affected our financial position and operating results during the periods included in the accompanying condensed consolidated financial statements.

The discussion and analysis which follows in this quarterly report may contain trend analysis and other forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 which reflect our current views with respect to future events and financial results. These include statements regarding our earnings, projected growth and forecasts, and similar matters that are not historical facts. We remind shareholders that forward-looking statements are merely predictions and therefore are inherently subject to uncertainties and other factors that could cause the future results to differ materially from those described in the forward-looking statements. These uncertainties and other factors include, but are not limited to, the uncertainties and factors included in the "Risk Factors" contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

Overview

We are a leading designer, developer and supplier of products and technology that enable real-time voice, video and data communications over packet networks, including the Internet and other IP networks.

We were incorporated in January 1992, commenced operations in October 1992 and commenced sales of our products in the fourth quarter of 1994. Before that time, our operations consisted primarily of research and development and recruiting personnel. In 1995, we established a wholly owned subsidiary in the United States, RADVision Inc., which conducts our sales and marketing activities in North America. In 2000, we established a wholly owned subsidiary in Hong Kong, RADVision HK Ltd, which conducts our marketing activities in Asia Pacific. In 2001, we established a wholly owned subsidiary in the United Kingdom, RADVision (UK) Ltd, which conducts our marketing activities in England.

Critical Accounting Policies

The following discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting periods. Areas where significant judgments are made include, but are not limited to: inventory valuation and revenue recognition. Actual results could differ materially from these estimates.

Inventories. Inventories are stated at the lower of cost or market. Cost is determined by the moving average method, inventories write-offs and write-down provisions are provided to cover risks arising from slow-moving items or technological obsolescence.

Revenue Recognition. Revenues from sales of products and technology are recognized in accordance with Statement of Position (SOP) 97-2, as amended by SOP 98-4, upon delivery, when collection is probable, the vendor's fee is fixed or determinable and persuasive evidence of an arrangement exists. Provided that all other elements of SOP 97-2 are met, revenues are recognized upon delivery, whether the customer is a distributor or the final end user. Revenues for maintenance and support services are deferred and recognized ratably over the service period.

In accordance with SOP 97-2, revenues for multi-element arrangements, that is, sales of products or technology in conjunction with post-contract customer support services, are segregated. Revenues allocated to the delivered elements are recognized upon delivery, provided that the other elements of SOP 97-2 are satisfied. Revenues allocated to the undelivered elements (post-contract customer support services) are deferred and recognized ratably over the service period. The portion of the fee for multi-element arrangements allocated to the undelivered elements (post-contract customer support services) is based on vendor-specific objective evidence determined, in the case of post-contract customer support services, based on the annual renewal rate for such services actually charged to customers for years subsequent to the first year following sale. The remaining portion of the fee is allocated to the delivered elements based on the residual value method.

Revenues from products are recognized in accordance with Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" ("SAB No. 101") when the following criteria are met: persuasive evidence of an arrangement exists, delivery of the product has occurred, the fee is fixed or determinable and collectibility is probable. The Company has no obligation to customers after the date in which products are delivered.

Revenues from maintenance and updates are recognized over the term of agreement.

Deferred revenues include unearned amounts received under maintenance contracts, and amounts billed to customers but not yet recognized as revenues.

Revenues

We generate revenues from sales of our networking products that are primarily sold in the form of stand-alone products, and our technology products that are primarily sold in the form of software development kits, as well as related maintenance and support services. We generally recognize revenues from the sale of our products upon shipment and when collection is probable. Revenues generated from maintenance and support services are deferred and recognized ratably over the period of the term of service. We price our networking products on a per unit basis, and grant discounts based upon unit volumes. We price our software development kits on the basis of a fixed-fee plus royalties from products developed using the software development kits. We sell our products and technology through direct sales and various indirect distribution channels in North America, Europe, the Far East and Israel.

Results of Operations

The following table presents, as a percentage of total revenues, condensed statements of operations data for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2001	2002	2001	2002

	Unaudited	Unaudited	Unaudited	Unaudited
Revenues				
Networking products.........	55.9%	73.3%	62.6%	72.7%
Technology products.........	44.1	26.7	37.4	27.3
Total revenues..............	100.0	100.0	100.0	100.0
Cost of revenues				
Networking products.........	19.3	21.7	21.6	21.7
Technology products.........	2.2	0.3	1.9	0.3
Total cost of revenues......	21.5	22.0	23.5	22.0
Gross profit...................	78.5	78.0	76.5	78.0
Operating expenses				
Research and development.....	43.8	33.0	36.8	34.0
Marketing and selling........	41.9	39.2	36.4	38.9
General and administrative...	12.5	9.2	9.8	8.8
Restructuring costs..........	28.9	-	11.9	-
Total operating expenses......	127.1	81.4	94.9	81.7
Operating loss.................	(48.6)	(3.4)	(18.4)	(3.7)
Financial income, net..........	12.1	5.9	10.5	6.1
Net income (loss)..............	(36.5)	2.5	(7.9)	2.4

Three Months Ended June 30, 2001 Compared with Three Months Ended June 30, 2002

Revenues. Revenues increased from $10.4 million for the three months ended June 30, 2001 to $11.7 million for the three months ended June 30, 2002, an increase of $1.3 million, or 12.2%. This increase was due to a $2.8 million, or 48.3%, increase in sales of our networking products, offset by a decrease of $1.5 million, or 32.6%, in sales of technology products.

Revenues from networking products increased from $5.8 million for the three months ended June 30, 2001 to $8.6 million for the three months ended June 30, 2002. The increase in revenues from networking products is attributable to an increase in demand for these units as customers moved from integrated services digital networks, or ISDN, to IP-based networks.

Revenues from technology products decreased from $4.6 million for the three months ended June 30, 2001 to $3.1 million for the three months ended June 30, 2002. This decrease in revenues from technology products was primarily attributable to a decreased market demand as budgets for these products declined due to the worldwide economic downturn.

Revenues from sales to customers in the United States increased from $6.1 million, or 58.6% of revenues, for the three months ended June 30, 2001, to $7.1 million, or 60.7% of revenues, for the three months ended June 30, 2002, an increase of $1.0 million, or 16.4%. This increase in sales to customers in the United States was primarily attributable to increased market demand for our networking products in this region.

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Revenues from sales to customers in Europe decreased from $2.2 million, or 21.2% of revenues, for the three months ended June 30, 2001, to $1.9 million, or 16.2% of revenues, for the three months ended June 30, 2002, a decrease of $0.3 million, or 13.6%. This decrease in sales to customers in Europe was primarily attributable to slower adoption of technology in this region.

Revenues from sales to customers in the Far East increased from $1.6 million, or 15.4% of revenues, for the three months ended June 30, 2001, to $2.1 million, or

17.9% of revenues, for the three months ended June 30, 2002, an increase of $0.5 million, or 31.2%. This increase in sales to customers in the Far East was primarily attributable to increased sales efforts.

Revenues from sales to customers in Israel increased from $0.5 million, or 4.8% of revenues, for the three months ended June 30, 2001, to $0.6 million, or 5.1% of revenues, for the three months ended June 30, 2002, an increase of $0.1 million, or 20.0%.

Cost of Revenues. Cost of revenues increased from $2.2 million for the three month period ended June 30, 2001 to $2.6 million for the three months ended June 30, 2002, an increase of $331,000, or 14.8%. Gross profit as a percentage of revenues decreased slightly from 78.5% for the three months ended June 30, 2001 to 78.0% for the three months ended June 30, 2002.

Research and Development. Research and development expenses decreased from $4.6 million for the three months ended June 30, 2001 to $3.9 million for the three months ended June 30, 2002, a decrease of $693,000, or 15.2%. This decrease was primarily attributable to a decrease in the number of research and development personnel whom we employed. Research and development expenses as a percentage of revenues decreased from 43.7% for the three months ended June 30, 2001 to 33.0% for the three months ended June 30, 2002.

Marketing and Selling. Marketing and selling expenses increased from $4.4 million for the three months ended June 30, 2001 to $4.6 million for the three months ended June 30, 2002, an increase of $222,000, or 5.1%. This increase was primarily attributable to an increased sales efforts. Marketing and selling expenses as a percentage of revenues decreased from 41.9% for the three months ended June 30, 2001 to 39.2% for the three months ended June 30, 2002.

General and Administrative. General and administrative expenses decreased from $1.3 million for the three months ended June 30, 2001 to $1.1 million for the three months ended June 30, 2002, a decrease of $235,000 or 18.0%. This decrease was primarily attributable to a decrease in personnel expenses. General and administrative expenses as a percentage of revenues was 12.5% for the three months ended June 30, 2001 and 9.2% for the three months ended June 30, 2002.

One Time Charge. We recorded a one time charge of $3.0 million in the second quarter of 2001 for severance costs associated with a 13% workforce reduction as part of our plan to reduce operating expenses.

Operating Loss. Our operating loss decreased from $5.1 million for the three months ended June 30, 2001 to $394,000 for the three months ended June 30, 2002 as a result of our cost-cutting efforts.

Financial Income. We had financial income of $686,000 in the three months ended June 30, 2002 as compared to $1.3 million for the three months ended June 30, 2001. This income was principally derived from the investment of the proceeds of our March 2000 initial public offering and private placement. Our interest income decreased due to our use of a portion of the proceeds

to repurchase stock in the open market in 2001 and the first quarter of 2002 and due to lower prevailing interest rates.

Net Income(Loss). Net income for the quarter was $292,000 compared with a net loss of $3.8 million for the second quarter of 2001.

Six Months Ended June 30, 2002 Compared with Six Months Ended June 30, 2001

Revenues. Revenues decreased from $25.3 million for the six months ended June 30, 2001 to $23.3 million for the six months ended June 30, 2002, a decrease of $2.0 million, or 7.9%. This decrease was due to a $3.1 million, or 32.6%, decrease in sales of our technology products, offset in part by a $1.1 million, or 7.0%, increase in sales of networking products.

Revenues from networking products increased from $15.8 million for the six months ended June 30, 2001 to $16.9 million for the six months ended June 30, 2002. The 7.0% increase in revenues from networking products is attributable to a global increase in demand for these units as customers moved from ISDN to IP-based networks, as well as from new agreements that generated additional product sales.

Revenues from technology products decreased from $9.5 million for the six months ended June 30, 2001 to $6.4 million for the six months ended June 30, 2002. This decrease in revenues from technology products was primarily attributable to decreased market demand as budgets for these products declined due to the worldwide economic downturn.

Revenues from sales to customers in the United States decreased from $17.1 million, or 67.6% of revenues, for the six months ended June 30, 2001, to $14.5 million, or 62.2% of revenues, for the six months ended June 30, 2002, a decrease of $2.6 million, or 15.2%. This decrease in sales to customers in the United States was primarily attributable to the ongoing softness in enterprise spending in the United States.

Revenues from sales to customers in Europe decreased from $3.9 million, or 15.4% of revenues, for the six months ended June 30, 2001, to $3.6 million, or % of revenues, for the six months ended June 30, 2002, a decrease of $0.3 million, or 7.7%. This decrease in sales to customers in Europe was primarily attributable to slower adoption of technology in this region.

Revenues from sales to customers in the Far East increased from $3.2 million, or 12.6% of revenues, for the six months ended June 30, 2001, to $4.1 million, or 35.0% of revenues, for the six months ended June 30, 2002, an increase of $0.9 million, or 28.1%. This increase in sales to customers in the Far East was primarily attributable to increased sales efforts.

Revenues from sales to customers in Israel remained constant at $1.1 million for the six months ended June 30, 2001 (4.3% of revenues), and for the six months ended June 30, 2002 (4.7% of revenues).

Cost of Revenues. Cost of revenues decreased from $6.0 million for the six months ended June 30, 2001 to $5.1 million for the six months ended June 30, 2002, a decrease of $835,000, or 14.0%. Gross profit as a percentage of revenues increased from 76.7% for the six months ended June 30, 2001 to 78.0% for the six months ended June 30, 2002, due to the increased proportion of networking product sales that generate a higher profitability.

Research and Development. Research and development expenses decreased from $9.3 million for the six months ended June 30, 2001 to $7.9 million for the six months ended June 30, 2002, a decrease of $1.4 million, or 15.1%. This decrease was primarily attributable to a decrease in the number of research and development personnel whom we employed. Research and development expenses as a percentage of revenues decreased from 36.8% for the six months ended June 30, 2001 to 34.0% for the six months ended June 30, 2002.

Marketing and Selling. Marketing and selling expenses decreased from $9.2 million for the six months ended June 30, 2001 to $9.1 million for the six months ended June 30, 2002, a decrease of $149,000, or 16.2%. Marketing and selling expenses as a percentage of revenues increased from 36.4% for the six months ended June 30, 2001 to 38.9% for the six months ended June 30, 2002.

General and Administrative. General and administrative expenses decreased from $2.5 million for the six months ended June 30, 2001 to $2.0 million for the six months ended June 30, 2002, a decrease of $435,000 or 17.6%. This decrease was primarily attributable to a decrease in personnel expenses. General and administrative expenses as a percentage of revenues was 9.8% for the six months ended June 30, 2001 and 8.8% for the six months ended June 30, 2002.

One Time Charge. We recorded a one time charge of $3.0 million in the first six months of 2001 for severance costs associated with a 13% workforce reduction as part of our plan to reduce operating expenses.

Operating Loss. Our operating loss decreased from $4.7 million for the six months ended June 30, 2001 to $874,000 for the six months ended June 30, 2002 as a result of cost cutting efforts.

Financial Income. Financial income decreased from $2.8 million for the six months ended June 30, 2001 to $1.4 million for the six months ended June 30, 2002 principally as a result of the decreased interest income we derived from the investment of the proceeds of our March 2000 initial public offering and private placement. Our interest income decreased due to our use of a portion of the proceeds in 2001 and the first quarter of 2002 to repurchase stock in the open market and due to lower prevailing interest rates.

Net Income(Loss). Net income for the first six months of 2002 was $565,000 compared with a net loss of $2.0 million for the first six months of 2001.

Liquidity and Capital Resources

From our inception until our initial public offering in March 2000, we financed our operations through cash generated by operations and a combination of private placements of our share capital and borrowings under lines of credit. Through December 31, 1999, we raised a total of approximately $12.2 million in aggregate net proceeds in four private placements. In March 2000, we sold 4,370,000 of our ordinary shares in an initial public offering and 590,822 ordinary shares in a private placement. We received net proceeds of $89.2 million from the public offering and private placement. As of June 30, 2002, we had approximately $7.4 million in cash and cash equivalents and our working capital was approximately $37.7 million.

Net cash used in operating activities was approximately $2.3 million for the six months ended June 30, 2002. This amount was primarily attributable to a decrease of $2.0 million in other payables and accrued expenses, depreciation expenses of $1.3 million and a decrease in

inventories of $0.9 million. These increases in cash used in operating activities were offset in part by an increase in trade receivables of $2.0

million.

The decrease in inventory for the six months ended June 30, 2002 was primarily due to our continued efforts to manage our inventory to correspond with the expected need of the networking market. The increase in accounts receivable for the six months ended June 30, 2002 was primarily the result of increase in our revenues compared to the last quarter of 2001.

Net cash provided by investing activities was $175,000 for the six months ended June 30, 2002. During the six months ended June 30, 2002, $0.9 million of cash used in investing activities was for purchases of property and equipment .

Net cash used in financing activities was $1.7 million for the six months ended June 30, 2002.

As of June 30, 2002, we had $6,000 outstanding under an equipment term loan facility and a $2.5 million line of credit.

Our capital requirements are dependent on many factors, including market acceptance of our products and the allocation of resources to our research and development efforts, as well as our marketing and sales activities. In the last three years, we have experienced substantial increases in our expenditures as a result of the growth in our operations and personnel. We anticipate that our cash resources will be used primarily to fund our operating activities, as well as for capital expenditures. We anticipate that our capital expenditures and lease commitments will not increase for the foreseeable future due to the anticipated slowdown in the growth of our operations, infrastructure and personnel. Nevertheless, we may establish additional operations as we expand globally.

On February 28, 2001, we announced that our Board of Directors authorized the repurchase of up to 10% of our outstanding ordinary shares in the open market from time to time at prevailing market prices. We completed the share repurchase program in the first quarter of 2002, having repurchased a total of 1,866,115 ordinary shares at a cost of $11.8 million. We may use the repurchased shares for issuance upon exercise of employee stock options or other corporate purposes.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We currently do not invest in, or hold for trading or other purposes, any financial instruments subject to market risk. We invest our cash surplus in time deposits, cash deposits, U.S. federal agency securities and corporate bonds with an average credit rating of A2. We currently pay interest on our equipment term loan facility based on the London interbank offered rate. As a result, changes in the general level of interest rates directly affect the amount of interest payable by us under this facility. However, because our outstanding debt under this facility has never exceeded $218,000, we do not expect our exposure to market risk from changes in interest rates to be material.

We cannot assure you that we will not be materially and adversely affected in the future if inflation in Israel exceeds the devaluation of the NIS against the dollar or if the timing of the devaluation lags behind inflation in Israel.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are not involved in any legal proceedings that are material to our business or financial condition.

Item 2. Changes in Securities and Use of Proceeds

Use of Proceeds. The following information required by Item 701(f) of Regulation S-K relates to our initial public offering of ordinary shares of our company on March 14, 2000. The following table sets forth, with respect to the ordinary shares registered, the amount of securities registered, the aggregate offering price of amount registered, the amount sold and the aggregate offering price of the amount sold, for both the account of our company and the account of any selling security holder.

	For the account of the company	For the account of the selling shareholder
Number of ordinary shares registered ..	4,370,000	N/A
Aggregate offering price of shares registered	$87,400,000	N/A
Number of ordinary shares sold	4,370,000	N/A
Aggregate offering price of shares sold	$87,400,000	N/A

The following table sets forth the expenses incurred by us in connection with our public offering during the period commencing the effective date of the Registration Statement and ending June 30, 2002. None of such expenses were paid directly or indirectly to directors, officers, persons owning 10% or more of any class of equity securities of our company or to our affiliates.

	Direct or indirect payments to persons other than affiliated persons
Underwriting discounts and commissions ..	$6,118,000
Finders' fees	550,000
Expenses paid to or for underwriters.....	41,290
Other expenses	2,241,113
Total expenses	$8,950,403

The net public offering proceeds to us, after deducting the total expenses (set forth in the table above), were $78,449,597.

The following table sets forth the amount of net public offering proceeds used by us for the purposes listed below. None of such payments were paid directly or indirectly to directors, officers, persons owning 10% or more of any class of our equity securities or to our affiliates.

Purpose	Direct or indirect payments to persons other than to affiliated persons
Acquisition of other companies and business(es)	N/A
Construction of plant, building and facilities	N/A
Purchase and installation of machinery and equipment	N/A
Purchase of real estate	N/A
Repayment of indebtedness	N/A
Working capital	$58,448,000
Temporary investments	N/A
Other purposes	N/A

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

During the three month period ended June 30, 2002, we held our Annual General Meeting of Shareholders.

At the meeting, held on June 29, 2002, our shareholders voted:

1. To consider and receive the Directors' Annual Report to Shareholders for the year ended December 31, 2001, and to consider and receive the Company's Consolidated Financial Statements for the year ended December 31, 2001, and the auditor's report thereon.

For	Against	Abstained
11,978,057	3,374	1,180

2. To appoint Kost Forer & Gabbay, a member of Ernst & Young International, to conduct the annual audit of the Company's financial statements for the year ending December 31, 2002, and to authorize the Board of Directors to fix their compensation.

For	Against	Abstained
11,939,595	37,516	5,500

3. To elect the following directors to hold office for a term until their successors are duly elected and qualified at our 2003 Annual General Meeting of Shareholders.

	For	Against	Abstained
Zohar Zisapel.........	11,946,378	36,233	0
Gadi Tamari...........	11,946,378	36,233	0
Ami Amir.............	11,946,378	36,233	0

Efraim Wachtel........	11,946,378	36,233	0
Andreas Mattes........	11,946,378	36,233	0

4. To approve the grant of options to directors of the company.

For	Against	Abstained
4,116,456	1,427,615	9,858

5. To approve an amendment to our Year 2000 Employee Stock Option Plan, increasing the number of ordinary shares reserved for issuance thereunder from 3,009,052 to 3,241,552.

For	Against	Abstained
4,131,066	1,418,300	4,563

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

99.1 Certification by Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 Certification by Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K filed during the last quarter of the period covered by this report:

On April 29, 2002 the Registrant filed with the Securities and Exchange Commission a Form 8-K, bearing a cover date of April 26, 2002, reporting a change in certifying accountant.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RADVISION LTD.
(Registrant)

/s/Gad Tamari

Gad Tamari
Chief Executive Officer

/s/David Seligman

David Seligman
Chief Financial Officer

Date: August 13, 2002