RADVISION LTD
Form 10-Q
November 14, 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 September 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 November 12, 2002 the Registrant had 20,069,224 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 in the future 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.

RADVISION LTD. AND ITS SUBSIDIARIES

RADVISION LTD.

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PART I - FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands, except share data

	September 3 2002
	Unaudited
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 14,628
Short-term investments	28,392
Trade receivables, net of allowance for doubtful accounts of $ 1,829 and $ 1,126 as of September 30, 2002 and December 31, 2001, respectively	6,546
Other accounts receivable and prepaid expenses	2,187
Inventories	1,110
Total current assets	52,863
LONG-TERM INVESTMENTS	43,878
PROPERTY AND EQUIPMENT, NET	3,678
DEPOSIT WITH INSURANCE COMPANIES	1,456
Total assets	$ 101,875
LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Current maturities of long-term loans	$ -
Trade payables	363
Other accounts payable and accrued expenses	16,323
Total current liabilities	16,686

ACCRUED SEVERANCE PAY	1,992
SHAREHOLDERS' EQUITY:	
Ordinary shares of NIS 0.1 par value - Authorized: 24,984,470 shares; Issued and outstanding: 20,017,885 and 19,889,690 shares as of September 30, 2002 and December 31, 2001, respectively	185
Additional paid-in capital	104,358
Deferred stock-based compensation	(163)
Accumulated deficit	(9,426)
	94,954
Less - cost of Treasury stock - 1,866,115 and 1,585,446 Ordinary shares of NIS 0.1 par value as of September 30, 2002 and December 31, 2001, respectively	11,757
Total shareholders' equity	83,197
Total liabilities and shareholders' equity	$ 101,875

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

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Nine months ended September 30,		
	2002	2001	2
		Unaudited	
Revenues	$ 35,422	$ 35,532	$
Cost of revenues	7,744	8,063	
Gross profit	27,678	27,469	
Operating costs and expenses:			

Research and development	11,726	13,639	
Marketing and selling	13,698	12,895	
General and administrative	3,113	3,534	
Restructuring costs	-	3,023	
Total operating costs and expenses	28,537	33,091	
Operating income (loss)	(859)	(5,622)	
Financial income, net	2,073	3,959	
Other expenses	-	(174)	
Net income (loss)	$ 1,214	$ (1,837)	
Basic net earnings (loss) per Ordinary share	$ 0.07	$ (0.10)	
Weighted average number of Ordinary shares used in calculation of basic earnings (loss) per share	18,298,174	19,088,173	18,1
Diluted earnings (loss) per Ordinary share	$ 0.06	$ (0.10)	$ 0
Weighted average number of Ordinary shares used in calculation of diluted earnings (loss) per share	19,381,940	19,088,173	18,7

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

Cash flows from operating activities:	
Net income (loss)	$
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation	1,83
Severance pay, net	(136
Amortization of deferred stock-based compensation	136
Decrease (increase) in trade receivables, net	(1,4
Increase in other accounts receivable and prepaid expenses	(928
Decrease in inventories	774
Decrease in trade payables	(402
Increase (decrease) in other accounts payable and accrued expenses	2,76
Other	-
Net cash provided by (used in) operating activities	3,78
Cash flows from investing activities:	
Decrease in short-term investments	24,3
Increase in long-term investments	(17,
Purchase of property and equipment	(991
Proceeds from sale of property and equipment	-
Net cash provided by (used in) investing activities	5,85
Cash flows from financing activities:	
Issuance of share capital	152
Purchase of Treasury stock	(1,8
Payment of issuance expenses	-
Repayment of long-term loans	(19)
Net cash used in financing activities	(1,7
Increase (decrease) in cash and cash equivalents	7,91
Cash and cash equivalents at beginning of period	$
Cash and cash equivalents at end of period	$

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

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 financial statements.

b. Recently issued 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 adopted 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.

FASB recently also issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146"). SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". SFAS 146 improves financial reporting by requiring that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. Adoption of SFAS 146 is not expected to have a material effect on the Company's financial position or operating results.

NOTE 2: UNAUDITED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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.

NOTE 3: SHORT-TERM INVESTMENTS

September 30, 2002

	Unaudited
Bank deposits in U.S. dollars bearing annual interest at a rate of approximately 2.7%	$12,732
Marketable debentures, bearing annual interest at a rate of approximately 6.1%	$15,660
	$28,392

Marketable debentures in the amount of $ 29,516 that mature later than September 30, 2003, bearing annual interest of 4.7%, as well as a bank deposit in the amount of $ 14,362 bearing annual interest of 3.7%, are presented as long-term investments.

The interest rates are as of September 30, 2002.

NOTE 4: INVENTORIES

	September 30, 2002
	Unaudited
Raw materials, parts and supplies	$ 429
Work in progress	559
Finished products	122
	$ 1,110

NOTE 5: OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	September 30, 2002
	Unaudited
Deferred income	$ 2,127
Employees and employee institutions	1,419
Accrued expenses	12,777
	$ 16,323

NOTE 6: SEGMENTS AND CUSTOMER INFORMATION

a. Intersegment revenues and cost of revenues:

	Nine months ended September 30, 2002	Nine months ended September 30, 2001	
	Unaudited		
Revenues:			
Product sales	$ 25,956	$ 22,091	$ 9,0
Software sales	9,466	13,441	3,
Total revenues	$ 35,422	$ 35,532	$ 12,
Cost of revenues:			
Product sales	$ 7,656	$ 7,744	$ 2,6
Software sales	88	319	
Total cost of revenues	$ 7,744	$ 8,063	$ 2,6

b. For the nine months ended September 30, 2002 and 2001, one customer accounted for approximately 27% and 35%, 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:

	Nine months ended September 30, 2002	Nine months ended September 30, 2001	Three months September 2002	
	Unaudited			
Numerator:				
Net income (loss)	$ 1,214	$ (1,837)	$ 650	$
Numerator for diluted earnings per share - income (loss)	$ 1,214	$ (1,837)	$ 650	$
Number of shares:				

Denominator:				
Denominator for basic earnings (loss) per share - weighted average of Ordinary shares	18,298,174	19,088,173	18,137,900	18
Effect of dilutive securities:				
Employee stock options and unvested restricted shares	1,083,766	*) -	654,968	1
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	19,381,940	19,088,173	18,792,868	20

*) Antidilutive.

NOTE 8: ONE-TIME EXPENSES

The Company recorded a one-time expense 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.

NOTE 9: SUBSEQUENT EVENTS

Effective October 20, 2002, the Company's shares were listed for dual trading on the Tel-Aviv Stock Exchange. The Company's shares had previously been listed for trading only on the Nasdaq National Market.

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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 98-9, 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 sales 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 on 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 September 30,		Nine months ended September 30,	
	2001	2002	2001	2002
	Unaudited	Unaudited	Unaudited	Unaudited
Revenues				
Networking products	61.2%	74.3%	62.2%	72.9%
Technology products	38.8	25.7	38.8	27.1
Total revenues	100.0	100.0	100.0	100.0
Cost of revenues				
Networking products	19.8	21.4	21.8	21.7
Technology products	0.8	0.1	0.9	0.2
Total cost of revenues	20.6	21.5	22.7	21.9
Gross profit	79.4	78.5	77.3	78.1
Operating expenses				
Research and development	42.3	31.4	38.4	33.1
Marketing and selling	36.2	38.2	36.3	38.7
General and administrative	10.3	8.8	9.9	8.8
Restructuring costs	-		8.5	
Total operating expenses	88.8	78.4	93.1	80.6
Operating profit (loss)	(9.4)	0.1	(15.8)	(2.5)
Financial income, net	11.0	5.2	10.6	5.9
Net income (loss)	1.6	5.3	(5.2)	3.4

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

Revenues. Revenues increased from $10.2 million for the three months ended September 30, 2001 to $12.2 million for the three months ended September 30, 2002, an increase of $2.0 million, or 19.6%. This increase was due to a $2.9 million, or 46.8%, increase in sales of our networking products, and a decrease of $900,000, or 22.5%, in sales of technology products.

Revenues from networking products increased from $6.2 million for the three months ended September 30, 2001 to $9.1 million for the three months ended September 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 $4.0 million for the three months ended September 30, 2001 to $3.1 million for the three months ended September 30, 2002. This decrease in revenues 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 $5.8 million, or 56% of revenues, for the three months ended September 30, 2001, to $5.4 million, or 44.3% of revenues, for the three months ended September 30, 2002, a decrease of $400,000, or 6.9%. This decrease in sales was primarily as a result of the ongoing softness in enterprise spending in the United States.

Revenues from sales to customers in Europe increased from $2.5 million, or 24.5% of revenues, for the three months ended September 30, 2001, to $3.0 million, or 24.5% of revenues, for the three months ended September 30, 2002, an increase of $500,000, or 20.0%. This increase in sales was primarily attributable to increased sales efforts in this region.

Revenues from sales to customers in the Far East increased from $1.6 million, or 15.7% of revenues, for the three months ended September 30, 2001, to $3.3 million, or 27.0% of revenues, for the three months ended September 30, 2002, an increase of $1.7 million, or 106.2%. This increase in sales was primarily attributable to increased sales efforts in this region.

Revenues from sales to customers in Israel increased from $0.3 million, or 2.9% of revenues, for the three months ended September 30, 2001, to $0.5 million, or 4.1% of revenues, for the three months ended September 30, 2002, an increase of $200,000, or 66.7%.

Cost of Revenues. Cost of revenues increased from $2.1 million for the three month period ended September 30, 2001 to $2.6 million for the three months ended September 30, 2002, an increase of $500,000, or 23.8%. Gross profit as a percentage of revenues decreased slightly from 79.4% for the three months ended September 30, 2001 to 78.5% for the three months ended September 30, 2002.

Research and Development. Research and development expenses, decreased from $4.3 million for the three months ended September 30, 2001 to $3.8 million for the three months ended September 30, 2002, a decrease of $500,000, or 11.6%. This decrease was primarily attributable to a decrease in the number of research and development personnel whom we employed. We have decreased our research and development personnel consistent with the scope of our research and development programs. Research and development expenses as a percentage of revenues decreased from 42.3% for the three months ended September 30, 2001 to 31.4% for the three months ended September 30, 2002.

Marketing and Selling. Marketing and selling expenses increased from $3.7 million for the three months ended September 30, 2001 to $4.6 million for the three months ended September 30, 2002, an increase of $900,000, or 24.3%. We increased our sales and marketing expenses in response to current and expected continued improvement in the market for our products. Marketing and selling expenses as a percentage of revenues increased from 36.2% for the three months ended September 30, 2001 to 38.2% for the three months ended September 30, 2002.

General and Administrative. General and administrative expenses remained constant at a slightly less than $1.1 million for both periods. General and administrative expenses as a percentage of revenues were 10.3% for the three months ended September 30, 2001 and 8.8% for the three months ended September 30, 2002.

Operating Income (Loss). We had an operating loss of $1.0 million for the three months ended September 30, 2001 compared to operating income of $15,000 for the three months ended September 30, 2002 principally as a result of our increased revenues.

Financial Income. We had financial income of $1.1 million for the three months ended September 30, 2001 compared to $635,000 for the three months ended September 30, 2002. This income was principally derived from the investment of the proceeds of our March 2001 initial public offering and private placement. Our financial income declined principally as a result of lower interest rates and the use of a portion of our invested funds in connection with our 2001 stock repurchase program.

Net Income(Loss). Net income for the quarter was $650,000 compared with net income of $160,000 for the third quarter of 2001.

Nine months Ended September 30, 2001 Compared with Nine months Ended September 30, 2002

Revenues. Revenues decreased slightly from $35.5 million for the nine months ended September 30, 2001 to $35.4 million for the nine months ended September 30, 2002, a decrease of $110,000.

Revenues from networking products increased from $22.1 million for the nine months ended September 30, 2001 to $25.9 million for the nine months ended September 30, 2002. The increase in revenues from networking products is attributable to a global increase in demand for these units as customers moved from integrated services digital networks, or ISDN, to IP-based networks, as well as from new OEM agreements that generated additional product sales.

Revenues from technology products decreased from $13.4 million for the nine months ended September 30, 2001 to $9.5 million for the nine months ended September 30, 2002. This decrease in revenues was primarily attributable to decreased market demand.

Revenues from sales to customers in the United States decreased from $22.9 million, or 64.5% of revenues, for the nine months ended September 30, 2001, to $19.8 million, or 55.9% of revenues, for the nine months ended September 30, 2002, a decrease of $3.1 million, or 13.5%. 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 increased from $6.4 million, or 18% of revenues, for the nine months ended September 30, 2001, to $6.6 million, or 18.6% of revenues, for the nine months ended September 30, 2002, an increase of $200,000, or 3.1%.

Revenues from sales to customers in the Far East increased from $4.8 million, or 13.5% of revenues, for the nine months ended September 30, 2001, to $7.4 million, or 20.9% of revenues, for the nine months ended September 30, 2002, an increase of $2.6 million, or 54.2%. This increase in sales was primarily attributable to increased sales efforts in this region.

Revenues from sales to customers in Israel increased from $1.4 million, or 3.9% of revenues, for the nine months ended September 30, 2001, to $1.6 million, or 4.5% of revenues, for the nine months ended September 30, 2002, a increase of $200,000, or 14.3%.

Cost of Revenues. Cost of revenues decreased from $8.1 million for the nine months ended September 30, 2001 to $7.7 million for the nine months ended September 30, 2002, a decrease of $400,000, or 4.9%. Gross profit as a percentage of revenues increased from 77.3% for the nine months ended September 30, 2001 to 78.1% for the nine months ended September 30, 2002, due to the increased level of networking products sales that generate a higher level of profitability.

Research and Development. Research and development expenses decreased from $13.6 million for the nine months ended September 30, 2001 to $11.7 million for the nine months ended September 30, 2002, a decrease of $1.9 million, or 13.9%. 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 38.4% for the nine months ended September 30, 2001 to 33.1% for the nine months ended September 30, 2002.

Marketing and Selling. Marketing and selling expenses increased from $12.9 million for the nine months ended September 30, 2001 to $13.7 million for the nine months ended September 30, 2002, an increase of $800,000, or 6.2%. We increased our sales and marketing expenses in response to current and expected continued improvement in the market for our products. Marketing and selling expenses as a percentage of revenues increased from 36.3% for the nine months ended September 30, 2001 to 38.7% for the nine months ended September 30, 2002.

General and Administrative. General and administrative expenses decreased from $3.5 million for the nine months ended September 30, 2001 to $3.1 million for the nine months ended September 30, 2002, a decrease of $0.4 million or 11.4%. This decrease was primarily attributable to a decrease in personnel expenses. General and administrative expenses as a percentage of revenues was 9.9% for the nine months ended September 30, 2001 and 8.8% for the nine months ended September 30, 2002.

One Time Charge. We recorded a one time charge of $3.0 million in the first nine 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 $5.6 million for the nine months ended September 30, 2001 to $900,000 for the nine months ended September 30, 2002.

Financial Income. Financial income decreased from $3.9 million for the nine months ended September 30, 2001 to $2.1 million for the nine months ended September 30, 2002, principally as a result of lower interest rates we derived from the investment of the proceeds of our March 2001 initial public offering and private placement and the use of a portion of our invested funds in connection with our 2001 stock repurchase plan.

Net Income(Loss). Net income for the first nine months of 2002 was $1.2 million compared with a net loss of $1.8 for the first nine months of 2001.

Liquidity and Capital Resources

From our inception until our initial public offering in March 2001, 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 September 30, 2002, we had approximately $14.6 million in cash and cash equivalents and our working capital was approximately $36.2 million.

Net cash provided by operating activities was approximately $3.8 million for the nine months ended September 30, 2002. This amount was primarily attributable to an increase of $2.8 million in other payables and accrued expenses, depreciation expenses of $1.8 million and a decrease in inventories of $800,000. These increases in cash provided by operating activities were offset in part by an increase in trade receivables of $1.5 million and increase in other accounts receivables and prepaid expenses of $900,000.

The decrease in inventory at September 30, 2002 was primarily due to our efforts to manage our inventory to correspond with the expected need of the networking market. The increase in accounts receivable at September 30, 2002 was primarily the result of increased sales in the quarter compared to the lower level of sales during the last months of 2001.

Net cash provided by investing activities was $5.8 million for the nine months ended September 30, 2002. During the nine months ended September 30, 2002, $1.0 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 nine months ended September 30, 2002, those funds were primarily used for stock repurchases.

As of September 30, 2002, we had an unused $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. We anticipate that our cash resources will be used primarily to fund our operating activities, as well as for capital expenditures. We do not believe that our capital expenditures and lease commitments will 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.

On August 28, 2002, we announced that our Board of Directors authorized the repurchase of up to $10 million or 2 million of the company's outstanding ordinary shares in the open market from time to time at prevailing market prices. We are awaiting court approval in order to initiate the repurchase program.

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 material 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.

Item 4. Controls and Procedures

Within the 90 days prior to the date of the filing of this Form 10-Q, the company carried out an evaluation, under the supervision and with the participation of the company's management, including the company's chief executive officer and its chief financial officer, of the effectiveness of the design and operation of the company's disclosure controls and procedures pursuant to Securities Exchange Act of 1934 Rule 13a-14. Based upon that evaluation, the company's chief executive officer and chief financial officer concluded that the company's disclosure controls and procedures are effective in timely alerting them to material information relating to the company required to be included in the company's periodic SEC filings.

There have been no significant changes in the Company's internal controls or other factors which could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

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, 2001. 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 th selling
Number of ordinary shares registered	4,370,000	
Aggregate offering price of shares registered .	$87,400,000	
Number of ordinary shares sold	4,370,000	

Aggregate offering price of shares sold $87,400,000

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 September 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 indire persons other than a
	$6,118,0
Underwriting discounts and commissions	
Finders' fees	550,0
Expenses paid to or for underwriters..................	41,
Other expenses	2,241,11
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

None

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 Section 302 of the Sarbanes-Oxley Act of 2002.

99.2 Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

99.3 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.

99.4 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.

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: November 13, 2002

Exhibit 99.1

CERTIFICATION PURSUANT TO
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002

I, Gad Tamari, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RADVision Ltd.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

/s/Gad Tamari*

Gad Tamari
Chief Executive Officer

* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

Exhibit 99.2

CERTIFICATION PURSUANT TO
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002

I, David Seligman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RADVision Ltd.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

/s/David Seligman*

David Seligman
Chief Financial Officer

* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

Exhibit 99.3

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of RADVision Ltd. (the "Company") on Form 10-Q for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gad Tamari, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/Gad Tamari*

Gad Tamari
Chief Executive Officer
November 13, 2002

* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

Exhibit 99.4

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of RADVision Ltd. (the "Company") on Form 10-Q for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Seligman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/David Seligman*

David Seligman
Chief Financial Officer
November 13, 2002

* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.