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RADVISION LTD  
Form 6-K  
November 21, 2006

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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F O R M 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR  
15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of November 2006

RADVISION LTD.  
(Name of Registrant)

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

Indicate by check mark whether the registrant files or will file  
annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form  
6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form  
6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information  
contained in this Form, the registrant is also thereby furnishing the  
information to the Commission pursuant to Rule 12g3-2(b) under the Securities  
Exchange Act of 1934.

Yes  No

If "Yes" is marked, indicate below the file number assigned to  
the registrant in connection with Rule 12g3-2(b): 82- \_\_\_\_\_

This Form 6-K is being incorporated by reference into the Registrant's Form S-8  
Registration Statements File Nos. 333-45422, 333-53814, 333-55130, 333-66250,  
333-82488, 333-104377 and 333-116964.

RADVISION Ltd.

6-K Items

1. RADVISION Ltd. Consolidated Financial Statements and Management's  
Discussion and Analysis of Financial Condition and Results of  
Operations for the Three and Nine Month Periods ended September 30,  
2006.

RADVISION LTD. AND ITS SUBSIDIARIES  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2006

U.S. DOLLARS IN THOUSANDS

UNAUDITED

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RADVISION LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

September 30, 2006	December 31, 2005
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	Unaudited	Audited
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 19,879	\$ 32,927
Short-term bank deposits	35,859	17,503
Short-term marketable securities	35,285	46,015
Trade receivables (net of allowance for doubtful accounts of \$ 731 and \$ 734 at September 30, 2006 and December 31, 2005, respectively)	15,656	12,257
Other accounts receivable and prepaid expenses	2,995	4,318
Inventories	3,110	2,593
Total current assets	112,784	115,613
-----	-----	-----
LONG-TERM INVESTMENTS AND RECEIVABLES:		
Long-term bank deposits	14,349	11,395
Long-term marketable securities	30,340	17,111
Severance pay fund	3,427	2,931
Total long-term investments and receivables	48,116	31,437
-----	-----	-----
PROPERTY AND EQUIPMENT, NET	3,512	3,190
-----	-----	-----
GOODWILL	2,966	2,966
-----	-----	-----
INTANGIBLE ASSETS, NET	2,723	3,542
-----	-----	-----
Total assets	\$ 170,101	\$ 156,748
-----	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 1,571	\$ 1,783
Deferred revenues	9,176	8,533
Other accounts payable and accrued expenses	14,551	12,122
Total current liabilities	25,298	22,438
-----	-----	-----
ACCRUED SEVERANCE PAY	4,367	3,643
-----	-----	-----
Total liabilities	29,665	26,081
-----	-----	-----
SHAREHOLDERS' EQUITY:		
Share capital:		
Ordinary shares of NIS 0.1 par value -		
Authorized: 25,000,000 shares at September 30, 2006		
and December 31, 2005; Issued and outstanding:		
22,251,552 and 21,803,997 shares at September 30, 2006		
and December 31, 2005, respectively		
	227	218
Additional paid-in capital	124,329	116,446

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Treasury stock (369,173 and 0 Ordinary shares at September 30, 2006 and December 31, 2005, respectively)	(5,661)	-
Retained earnings	21,541	14,003
	-----	-----
Total shareholders' equity	140,436	130,667
-----	-----	-----
Total liabilities and shareholders' equity	\$ 170,101	\$ 156,748
-----	=====	=====

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

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RADVISION LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

	Nine months ended September 30,		Three months ended September 30,	
	2006 *)	2005	2006 *)	2005
	----- Unaudited -----			
Revenues:				
Products	\$ 39,012	\$ 31,705	\$ 14,362	\$ 11,415
License and royalties	11,415	10,551	3,790	3,790
Services	15,335	10,586	5,470	4,829
	-----	-----	-----	-----
Total revenues	65,762	52,842	23,622	19,934
-----	-----	-----	-----	-----
Cost of revenues:				
Products	10,087	6,603	3,849	2,826
Services	2,826	2,677	984	1,900
	-----	-----	-----	-----
Total cost of revenues	12,913	9,280	4,833	4,726
-----	-----	-----	-----	-----
Gross profit	52,849	43,562	18,789	15,208
	-----	-----	-----	-----
Operating costs and expenses:				
Research and development	18,476	14,880	6,571	5,470
Marketing and selling	22,801	17,928	7,635	6,571
General and administrative	4,605	3,476	1,629	1,629
Patent settlement reserve	1,900	-	1,900	-
	-----	-----	-----	-----
Total operating costs and expenses	47,782	36,284	17,735	13,670
-----	-----	-----	-----	-----
Operating income	5,067	7,278	1,054	1,538

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Financial income, net	4,204	2,103	1,500	
Income before taxes on income	9,271	9,381	2,554	3
Taxes on income	1,178	41	569	
Net income	\$ 8,093	\$ 9,340	\$ 1,985	\$ 3
Basic net earnings per Ordinary share	\$ 0.37	\$ 0.45	\$ 0.09	\$
Diluted net earnings per Ordinary share	\$ 0.36	\$ 0.42	\$ 0.09	\$

\*) See Note 2 to the interim consolidated financial statements. Net income for the nine and three months ended September 30, 2006 included a stock-based compensation expense under SFAS 123(R) of \$ 3,458 and \$ 1,215, respectively, related to employee stock options. There was no stock-based compensation expense related to employee stock options under SFAS 123(R) in the nine and three months ended September 30, 2005 because the Company had not yet adopted the recognition provisions of SFAS 123(R).

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

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RADVISION LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Nine months ended September 30,	
	2006	2005
	Unaudited	
Cash flows from operating activities:		
Net income	\$ 8,093	\$ 9,340
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,097	1,919
Accrued interest and amortization of premium on held-to-maturity marketable securities and bank deposits, net	(967)	193
Stock based compensation expense	3,458	-
Gain on sale of property and equipment	(22)	(13)
Increase in trade receivables, net	(3,399)	(3,677)
Decrease in other accounts receivable and prepaid expenses	1,362	184
Increase in inventories	(517)	(597)
Increase in deferred tax assets	(54)	-

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Increase (decrease) in trade payables	(212)	1,049
Increase in deferred revenues	643	220
Increase (decrease) in other accounts payable and accrued expenses	2,429	(245)
Accrued severance pay, net	228	(52)
	-----	-----
Net cash provided by operating activities	13,139	8,321
	-----	-----
Cash flows from investing activities:		
-----		
Proceeds from redemption of held-to-maturity marketable securities	41,804	19,825
Purchase of held-to-maturity marketable securities	(43,998)	(15,822)
Proceeds from withdrawal of bank deposits	10,161	11,320
Purchase of bank deposits	(30,809)	(17,694)
Purchase of property and equipment	(1,600)	(1,538)
Proceeds from sale of property and equipment	22	19
Purchase of FVC assets, net (1)	-	(7,001)
	-----	-----
Net cash used in investing activities	(24,420)	(10,891)
	-----	-----
Cash flows from financing activities:		
-----		
Purchase of treasury stock	(6,993)	-
Exercise of options by employees	4,508	5,817
Tax benefits related to exercise of stock options	718	-
	-----	-----
Net cash provided by (used in) financing activities	(1,767)	5,817
	-----	-----
Increase (decrease) in cash and cash equivalents	(13,048)	3,247
Cash and cash equivalents at the beginning of period	32,927	20,206
	-----	-----
Cash and cash equivalents at the end of period	\$ 19,879	\$ 23,453
	=====	=====
Supplemental disclosure of non-cash flow from		
-----		
investing and financing activities:		
-----		
Receivables on account of shares	\$ -	\$ 40
	=====	=====

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

RADVISION LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

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U.S. dollars in thousands

(1) Supplemental disclosure of cash flow information:

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In March 2005, the Company acquired the assets of First Virtual Communication Inc. ("FVC"). The net fair value of the assets acquired and the liabilities assumed at the date of acquisition was as follows:

	Nine months ended September 30, 2005
	----- Unaudited -----
Working capital, excluding cash and cash equivalents	\$ 265
Property and equipment	57
Technology	3,285
Distribution networks	1,075
Goodwill	2,319
	-----
	\$ 7,001
	=====

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

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RADVISION LTD. AND ITS SUBSIDIARIES  
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands

NOTE 1:- GENERAL

- a. RADVISION Ltd. ("the Company") is an Israeli corporation which designs, develops and supplies products and technology that enable real-time voice, video and data communications over packet networks, including the Internet and other networks based on the Internet Protocol ("IP").

The Company's products and technology are used by its customers to develop systems that enable enterprises and service providers to use packet networks for real-time IP communications.

The Company operates under two reportable segments: 1) the Networking Business Unit ("NBU"), which focuses on networking solutions and products and is responsible for developing networking products for IP-centric voice, video and data conferencing services; and 2) the Technology Business Unit ("TBU"), which focuses on creating developer toolkits for the underlying IP communication protocols and testing tools needed for real-time voice and video over IP.

The Company has eight wholly-owned subsidiaries: RADVISION Inc. in the United States, RADVISION HK in Hong Kong, RADVISION U.K.

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in the United Kingdom, RADVISION Japan KK in Japan, RADVISION FRANCE S.A.R.L in France, RADVISION B.V. in the Netherlands and RADVISION GmbH in Germany, all of which are primarily engaged in marketing the Company's products and technology, and RADVISION Communication Development (Beijing) Co. Ltd. in China, which is primarily engaged in research and development.

- b. Acquisition of assets and the business of First Virtual Communication Inc. ("FVC"):

On March 15, 2005, following a bidding process held under the supervision of a United States Bankruptcy Court, the Company acquired substantially all of the assets of FVC and its wholly-owned subsidiary, CUseeMe Networks, Inc. FVC creates leading software products that enable interactive voice, video and data collaboration over IP-based networks. The cash purchase price for the acquisition, including transaction costs, was \$ 7,496.

The acquisition was accounted for under the purchase method of accounting, in accordance with SFAS No. 141, and accordingly, the purchase price was allocated to the assets acquired and the liabilities assumed based on their estimated fair value at the date of acquisition and the results of FVC's operations were included in the consolidated financial statements commencing from the date of acquisition. The excess of the purchase price over the estimated fair value of the net assets acquired was recorded as goodwill. The purchase price of the acquisition was determined and paid based on significant consideration for synergistic and strategic benefits.

RADVISION LTD. AND ITS SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 1:- GENERAL (Cont.)

Based upon a valuation of tangible and intangible assets acquired, the Company has allocated the total cost of the acquisition to FVC's net assets as follows:

Tangible assets acquired (including cash and cash equivalents)	\$ 1,167
Liabilities assumed	(350)
Intangible assets:	
Technology	3,285
Distribution networks	1,075
Goodwill	2,319
	-----
Total consideration	\$ 7,496
	=====

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES



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The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2005 are applied consistently in these financial statements.

a. Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

b. For further information, refer to the consolidated financial statements as of December 31, 2005.

c. Accounting for stock-based compensation:

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors, including employee stock options and employee stock purchases related to employee stock purchase plans ("employee stock purchases") based on estimated fair values. SFAS 123(R) supersedes the Company's previous accounting under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") for periods beginning January 1, 2006.

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### RADVISION LTD. AND ITS SUBSIDIARIES

#### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands

#### NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company adopted SFAS 123(R) using the modified prospective transition method. In accordance with the modified prospective transition method, the Company's consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123(R). As a result of adopting SFAS 123(R) on January 1, 2006, the Company's income before income taxes and net income for the nine and three months ended September 30, 2006, is \$ 3,458 and \$ 1,215 lower than if it had continued to account for stock-based compensation under APB 25. Basic net earnings per share for the nine and three months ended September 30, 2006, are \$0.15 and \$0.06 per share lower, respectively, than if the Company had continued to account for share-based compensation under APB 25. Diluted net earnings per share for the nine and three months ended September 30, 2006, are \$0.15 and \$0.05 per share lower, respectively, than if the Company had continued to account for share-based compensation under APB 25.

SFAS 123(R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that

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is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's consolidated statement of income. Prior to the adoption of SFAS 123(R), the Company accounted for stock-based awards to employees and directors using the intrinsic value method in accordance with APB 25 as allowed under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). There was no stock-based compensation expense related to employee stock options and employee stock purchases recognized during the nine and three months ended September 30, 2005.

In conjunction with the adoption of SFAS 123(R), the Company estimates option values using the Black-Scholes method of attributing the value of stock-based compensation to expense using the straight-line method. The option-pricing model requires a number of assumptions, of which the most significant are the expected stock price volatility, pre-vesting forfeiture rate and option term (the amount of time from the grant date until the options are exercised or expire). Expected volatility was calculated based upon actual historical stock price movements over the most recent periods ending September 30, 2006 equal to the expected option term. Expected pre-vesting forfeitures were estimated based on actual historical pre-vesting forfeitures over the most recent periods ending September 30, 2006 for the expected option term. The expected option term was calculated using the "simplified" method permitted by SAB 107.

The fair value estimated at the date of grant using a Black - Scholes Option Valuation Model with the following weighted-average assumptions for the nine and three months ended September 30, 2006 and 2005:

	Nine months ended September 30,		Three months ended September 30,	
	2006	2005	2006	2005
	Unaudited			
Risk free interest	4.61%	3.95%	5.20%	3.95%
Dividend yields	0%	0%	0%	0%
Volatility	0.669	0.378	0.426	0.378
Expected life (years)	5.86	4	4.16	4

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### NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

For the nine and three months ended September 30, 2005, the Company applied the intrinsic value method of accounting for stock options as prescribed by APB 25, whereby compensation expense is equal to the excess, if any, of the quoted market price of the stock over the exercise price at the grant date of the award. Since all options granted during the quarterly period ended September 30, 2005 had an exercise price equal to the closing market price of the underlying common stock on the grant date, no compensation expense was recognized. If compensation expense had been recognized based on the estimated fair value of each option granted in accordance with the provisions of SFAS 123, as amended by Statement of Financial Accounting Standard No. 148, net income and net earnings per share would have been reduced to the following pro-forma amounts:

	Nine months ended September 30, 2005	Three mont ended September 3 2005
	----- Unaudited -----	
Net income as reported	\$ 9,340	\$ 3,95
Deduct - stock-based compensation expense determined under fair value method for all awards	2,689	98
	-----	-----
Pro forma net income	\$ 6,651	\$ 2,96
	=====	=====
Basic net earnings per share, as reported	\$ 0.45	\$ 0.1
	=====	=====
Pro forma basic net earnings per share	\$ 0.31	\$ 0.1
	=====	=====
Basic diluted net earnings per share, as reported	\$ 0.42	\$ 0.1
	=====	=====
Pro forma diluted net earnings per share	\$ 0.32	\$ 0.1
	=====	=====

Pro forma compensation expense under SFAS 123, among other computational differences, does not consider potential pre-vesting forfeitures. Because of these differences, the pro forma stock compensation expense presented above for the prior period ended September 30, 2005 under SFAS 123 and the stock compensation expense recognized during the current quarterly period ended September 30, 2006 under SFAS 123(R) are not directly comparable. In accordance with the modified prospective transition method of SFAS 123(R), the prior comparative quarterly results have not been restated.

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RADVISION LTD. AND ITS SUBSIDIARIES  
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

### d. Recently issued accounting pronouncements:

In July 2006, the FASB issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 utilizes a two-step approach for evaluating tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) is only addressed if step one has been satisfied (i.e., the position is more-likely-than-not to be sustained). Under step two, the tax benefit is measured as the largest amount of benefit, determined on a cumulative probability basis that is more-likely-than-not to be realized upon ultimate settlement.

FIN 48 applies to all tax positions related to income taxes subject to the Financial Accounting Standard Board Statement No. 109, "Accounting for income taxes" ("FAS 109"). This includes tax positions considered to be "routine" as well as those with a high degree of uncertainty.

FIN 48 has expanded disclosure requirements, which include a tabular roll forward of the beginning and ending aggregate unrecognized tax benefits as well as specific detail related to tax uncertainties for which it is reasonably possible the amount of unrecognized tax benefit will significantly increase or decrease within twelve months. These disclosures are required at each annual reporting period unless a significant change occurs in an interim period.

FIN 48 is effective for fiscal years beginning after December 15, 2006. The cumulative effect of applying FIN 48 will be reported as an adjustment to the opening balance of retained earnings. The Company does not expect that the adoption of FIN 48 will have a significant impact on the Company's financial position and results of operations.

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RADVISION LTD. AND ITS SUBSIDIARIES  
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

## NOTE 3:- UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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The accompanying unaudited interim consolidated financial statements have been prepared in accordance with GAAP for interim financial information. Accordingly, they do not include all the information and footnotes required by GAAP 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 nine months ended September 30, 2006, are not necessarily indicative of the results of operations that may be expected for the year ended December 31, 2006.

### NOTE 4:- INVENTORIES

	September 30, 2006	December 31, 2005
	Unaudited	Audited
Raw materials	\$ 2,334	\$ 2,451
Finished products	776	142
	\$ 3,110	\$ 2,593

### NOTE 5:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	September 30, 2006	December 31, 2005
	Unaudited	Audited
Payroll and related accruals	\$ 3,843	\$ 3,133
Accrued expenses and other liabilities	5,537	5,932
Contingent liability for patent claims	3,271	3,057
Patent settlement reserve (Note 6)	1,900	-
	\$ 14,551	\$ 12,122

### NOTE 6:- COMMITMENTS AND CONTINGENCIES

In 2005, a third party sent correspondence to the Company alleging that some products manufactured by the Company infringe upon patents held by the third party and offered to license these patents to our company. The Company has been studying the material furnished and has hired outside expert counsel to help us analyze the nature and extent of the matter. The parties have exchanged correspondence and are willing to achieve settlement on behalf of this issue. At this time the Company considers part of this allegation as probable and has ability to estimate the possible loss, and accordingly recorded an accrual for the patent settlement in the amount of \$1,900 thousands.

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RADVISION LTD. AND ITS SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 7:- NET EARNINGS PER SHARE

The following table sets forth the calculation of basic and diluted net earnings per share:

	Nine months ended September 30,		Three months ended September 30,	
	2006	2005	2006	2005
	Unaudited			
-----				
Numerator:				
Net income	\$ 8,093	\$ 9,340	\$ 1,985	\$ 3,9
	=====	=====	=====	=====
Number of shares:				
Denominator:				
Weighted average number of Ordinary shares outstanding during the period used to compute basic net earnings per share	22,097,909	20,976,682	22,082,339	21,220,8
Incremental shares attributable to exercise of outstanding options (assuming proceeds would be used to purchase treasury stock)	621,917	1,063,116	506,794	844,4
	-----	-----	-----	-----
Weighted average number of Ordinary shares used to compute diluted net earnings per share	22,719,826	22,039,798	22,589,133	22,065,2
	=====	=====	=====	=====

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This information should be read in conjunction with the consolidated financial statements and notes included in the consolidated financial statements for the quarterly period ended September 30, 2006 above and the audited consolidated financial statements and notes thereto and Item 5. Operating and Financial Review and Prospects contained in our 2005 Annual Report on Form 20-F. The discussion and analysis which follows may contain trend analysis and other "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, and within the Private Securities Litigation Reform Act of 1995, as amended. Such forward-looking statements 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. Forward-looking statements usually include the verbs, "anticipates," "believes," "estimates," "expects," "intends," "plans," "projects," "understands" and other verbs suggesting uncertainty. We remind shareholders that forward-looking statements are merely predictions and therefore are inherently subject to uncertainties and other factors that could cause the actual results, performance, levels of activity, or our achievements, or industry results, to differ materially from those expressed or implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. We have attempted to identify significant uncertainties and other factors affecting forward-looking statements in the section entitled "Risk Factors" and elsewhere in our 2005 Annual Report on Form 20-F.

### Background

We design, develop and supply products and technology that enable real-time voice, video and data communication over packet networks, including the Internet and other Internet Protocol, or 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. Since our initial public offering on March 14, 2000, our ordinary shares have been listed on the NASDAQ National Market (symbol: RVSN), and our ordinary shares have also traded on the Tel Aviv Stock Exchange since October 20, 2002.

We have eight wholly-owned subsidiaries: RADVISION Inc. in the United States, RADVISION (HK) Ltd. in Hong Kong, RADVISION (UK) Ltd. in the United Kingdom, RADVISION FRANCE S.A.R.L. in France, RADVISION Japan KK in Japan, RADVISION B.V. in the Netherlands and RADVISION GmbH in Germany, all of which are primarily engaged in the sale and marketing of our products and technology, and RADVISION Communication Development (Beijing) Co. Ltd. in China., which is primarily engaged in research and development.

Our revenues are generated in U.S. dollars or are linked to the dollar and a majority of our expenses are incurred in U.S. dollars. Consequently, we use the dollar as our functional currency. Transactions and balances in other currencies are re-measured into dollars according

to the principles in Financial Accounting Standards Board Statement No. 52. Gains and losses arising from re-measurement are reflected in the statements of

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operations as financial income or expenses as appropriate.

### Overview

We are the industry's leading provider of high quality, scalable and easy-to-use products and technologies for videoconferencing, video telephony, and the development of converged voice, video and data over IP and 3G (Third Generation) networks. Hundreds of thousands of end-users around the world today communicate over a wide variety of networks using products and solutions based on or built around our multimedia communication platforms and software development solutions.

We have approximately 450 customers worldwide, including Cisco, Aethra, Alcatel, Lucent, Microsoft, Nortel, NTT/DoCoMo, Orange Telecom, Philips, Panasonic, Qualcomm, Samsung, Shanghai Bell, Siemens, Sony and Telecom Italy.

Since 2001, we have conducted our business through two separate business units corresponding to our two product lines to enable our product development and product marketing teams to respond quickly to evolving market needs with new product introductions.

Our Networking Business Unit, or NBU, offers one of the broadest and most complete set of multimedia communication and videoconferencing network solutions for IP, ISDN, SIP, H.323 and 3G-based networks, supporting most end points in the industry today. These products are sold to the enterprise market, U.S. federal government and service provider market.

On March 15, 2005, following a bidding process held under the supervision of a United States Bankruptcy Court, we acquired substantially all of the assets of First Virtual Communications, Inc, or FVC, and its wholly owned subsidiary, CUseeMe Networks, Inc., on an "as is" basis. We acquired FVC's leading software products that enable interactive voice, video and data collaboration over IP-based networks. The products provide cost-effective, integrated end-to-end solutions for large-scale deployments from the desktop to the conference room and also enable best-of-breed collaborative conferencing solutions to be extended to ISDN and ATM networks. FVC's Click to Meet(TM) products provide integrated and scalable desktop conferencing solutions. Click to Meet(TM) products are fully integrated with a single software architecture consisting of the Conference Server, the Conference Client and the Middleware to tie them together. Click to Meet(TM) products are widely used throughout the world and offer a robust set of functionalities. The purchase price was approximately \$7.0 million. We also hired approximately thirty former employees of FVC that were based in Nashua, New Hampshire, and who were involved in marketing, selling and supporting the acquired FVC products.

Our Technology Business Unit, or TBU, is a one-stop-shop for developer platforms that equipment vendors use to build voice and video over IP and 3G products and solutions. Our TBU provides protocol development tools and platforms, as well as associated solutions such as testing platforms and IP phone toolkits that enable equipment vendors and service providers to develop and deploy new IP and 3G-based converged networks, services, and technologies. Our TBU solutions include developer toolkits for SIP, MEGACO/H.248, MGCP, H.323, and 3G-324M, as well as our ProLab(TM) Test Management Suite and IP Phone Toolkit. Our toolkits have



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been used by developers in a wide range of environments from chipsets to simple user devices such as IP phones, and from integrated video systems through carrier class network devices such as gateways, switches, soft switches and 3G multimedia gateways.

Both business units also provide professional services to customers, assisting them to integrate our technology into their products and to customize our products to their specific needs.

### Our Strategy

Our goal is to be the leading provider of solutions that enable real-time multimedia (voice, video and data) collaboration and communication over packet and 3G networks. We provide solutions at every level - protocol developer toolkits, professional services, network infrastructure, as well as integrated solutions that complement the communication solutions of other vendors such as those from Alcatel, Cisco, Microsoft and Sony. We believe that the combination of offering IP-centric networking products, along with software toolkits, positions us as a key enabling vendor in the evolution of IP communications.

### Results of Operations

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

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
	----- Unaudited -----			
Revenues	100%	100%	100%	100%
Cost of revenues.....	20.5	17.8	19.6	17.6
Gross profit.....	79.5	82.2	80.4	82.4
Operating costs and expenses:				
Research and development.....	27.8	27.1	28.1	28.2
Marketing and selling.....	32.3	32.3	34.7	33.9
General and administrative.....	6.9	6.1	7.0	6.6
Litigation reserve.....	8.1	-	2.9	-
Total operating costs and expenses....	75.1	65.5	72.7	68.7
Operating income .....	4.4	16.7	7.7	13.7
Financial income, net.....	6.4	4.1	6.4	4.0
Taxes on income.....	2.4	-	1.8	-
Net income.....	8.4	20.8	12.3	17.7

Three Months Ended September 30, 2006 Compared with  
Three Months Ended September 30, 2005

Revenues. We generate revenues from sales of our networking products that are primarily sold in the form of off-the-shelf 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

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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 the Americas, Europe, and the Asia Pacific region.

Our revenues increased from \$19.1 million for the three months ended September 30, 2005 to \$23.6 million for the three months ended September 30, 2006, an increase of \$4.5 million or 23.6%. This increase in revenues was due to a \$4.2 million increase in sales of our networking products and a \$300,000 increase in sales of our technology products, mainly in the Americas.

Revenues from networking products increased from \$13.5 million for the three months ended September 30, 2005 to \$17.7 million for the three months ended September 30, 2006, an increase of \$4.2 million or 31.1%. The increase in revenues from networking products was primarily attributable to increased OEM sales to Cisco.

Revenues from technology products increased from \$5.6 million for the three months ended September 30, 2005 to \$5.9 million for the three months ended September 30, 2006, an increase of \$300,000 or 5.4%. The increase in revenues from technology products was attributable to a \$600,000 increase in royalty revenues; this increase was offset in part due to a \$300,000 decrease in revenues from software licenses and maintenance.

Revenues from sales to customers in the Americas increased from \$11.4 million, or 59.5% of revenues, for the three months ended September 30, 2005 to \$14.7 million, or 62.3% of revenues for the three months ended September 30, 2006, an increase of \$3.3 million or 28.9%. The increase in sales to customers in the Americas was primarily attributable to increased OEM sales to Cisco.

Revenues from sales to customers in Europe and the Middle East increased from \$4.5 million for the three month period ended September 30, 2005, or 23.8% of revenues, to \$5.2 million, or 21.8% of revenues, for the three months ended September 30, 2006, an increase of \$700,000 or 15.6%. The increase in sales to customers in Europe and the Middle East is primarily attributable to increased sales of our networking products.

Revenues from sales to customers in the Asia Pacific region increased from \$3.2 million for the three months ended September 30, 2005 or 16.7% of revenues, to \$3.7 million, or 15.9% of revenues, for the three months ended September 30, 2006, an increase of \$500,000 or 15.6%. The increase in sales to customers in the Asia Pacific region is primarily attributable to increased sales of our networking products mainly in China, Hong Kong and Korea.

Cost of Revenues. Our cost of revenues consists of component and material costs, direct labor costs, subcontractor fees, overhead related to manufacturing and depreciation of manufacturing equipment. Our gross margin is affected by the selling prices for our products, as well as the proportion of our revenues generated from the sale of our technology products as compared to our networking products and the proportion of our revenues generated from the sale of our software solutions of our technology segment as compared to our hardware products of our networking segment.

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Cost of revenues increased from \$3.4 million for the three month period ended September 30, 2005 to \$4.8 million for the three months ended September 30, 2006, an increase of \$1.4 million, or 41.2%. Gross profit as a percentage of revenues decreased from 82.2% for the three months ended September 30, 2005 to 79.5% for the three months ended September 30, 2006, due to the increased proportion of our networking product sales that have lower profit margins. In addition, cost of revenues for the three months ended September 30, 2006 included \$100,000 of stock-based compensation recorded under Financial Accounting Standards Board Statement No. 123(revised 2004), "Share-Based Payment," or FASB No. 123(R).

Research and Development. Our research and development expenses consist primarily of compensation and related costs for research and development personnel, expenses for testing facilities and depreciation of equipment. Research and development expenses increased from \$5.2 million for the three months ended September 30, 2005 to \$6.6 million for the three months ended September 30, 2006, an increase of \$1.4 million or 26.9%. This increase was primarily attributable to an increase in the number of research and development personnel. In addition, research and development expenses for the three months ended September 30, 2006 included \$400,000 of stock-based compensation recorded under FASB No. 123(R).

Marketing and Selling. Our marketing and selling expenses consist primarily of compensation and related costs for sales personnel, marketing personnel, sales commissions, marketing programs, public relations, promotional materials, travel expenses and trade show exhibit expenses. Marketing and selling expenses increased from \$6.2 million for the three months ended September 30, 2005 to \$7.6 million for the three months ended September 30, 2006, an increase of \$1.4 million or 22.6%. Marketing and selling expenses as a percentage of revenues remained constant at 32.3% for the three months ended September 30, 2005 and 2006. Marketing and selling expenses for the three months ended September 30, 2006 included \$500,000 of stock-based compensation recorded under FASB No. 123(R).

General and Administrative. Our general and administrative expenses consist primarily of salaries and related expenses for executive, accounting and human resources personnel, professional fees, provisions for doubtful accounts and other general corporate expenses. General and administrative expenses increased from \$1.2 million for the three months ended September 30, 2005 to \$1.6 million for the three months ended September 30, 2006, an increase of \$400,000 or 33.3%. General and administrative expenses as a percentage of revenues decreased from 6.1% for the three months ended September 30, 2005 to 6.9% for the three months ended September 30, 2006. This increase was primarily attributable to \$200,000 of stock-based compensation recorded under FASB No. 123(R).

Operating Income. In three months ended September 30, 2006 we recorded an expense in the amount of \$1.9 million with respect of a patent settlement reserve. Our operating income decreased from \$3.2 million for the three months ended September 30, 2005 to \$1.1 million for the three months ended September 30, 2006, a decrease of \$2.1 million or 65.6%. Excluding stock-based compensation recorded under FASB No. 123(R) and the patent settlement reserve, our operating income increased from \$3.2 million for the three months ended September 30, 2005 to \$4.2 million for the three months ended September 30, 2006.

Financial Income, net. Our financial income consists primarily of interest earned on our bank deposits and other liquid investments, and gains and

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losses from the re-measurement of

monetary balance sheet items denominated in non-dollar currencies into dollars. We recorded net financial income of \$800,000 for the three months ended September 30, 2005 compared to \$1.5 million for the three months ended September 30, 2006. This financial income was principally derived from the investment of the proceeds of our March 2000 initial public offering, cash generated from operating activities and the exercise of options by employees. Our financial income increased in the three months ended September 30, 2006 principally as a result of higher prevailing interest rates and an increase in funds available for investment.

Nine Months Ended September 30, 2006 Compared with  
Nine Months Ended September 30, 2005

Revenues. Our revenues increased from \$52.8 million for the nine months ended September 30, 2005 to \$65.8 million for the nine months ended September 30, 2006, an increase of \$13.0 million or 24.6%. This increase in revenues was due to a \$11.8 million increase in sales of our networking products and an \$1.2 million increase in sales of our technology products. The result reflects increased sales in all regions.

Revenues from networking products increased from \$36.1 million for the nine months ended September 30, 2005 to \$47.9 million for the nine months ended September 30, 2006, an increase of \$11.8 million or 32.7%. The increase in revenues from networking products was primarily attributable to increased OEM sales to Cisco, increased revenues from the sales of the Click to Meet products which we acquired in March 2005 and increased revenues from our 3G products.

Revenues from technology products increased from \$16.7 million for the nine months ended September 30, 2005 to \$17.8 million for the nine months ended September 30, 2006, an increase of \$1.1 million or 6.6%. The increase in revenues from technology products was attributable to a \$2.1 million increase in royalty revenues and a \$400,000 increase in maintenance revenues. This increase was offset in part by a \$1.3 million decrease in revenues from software licenses.

Revenues from sales to customers in the Americas increased from \$28.7 million, or 54.4% of revenues, for the nine months ended September 30, 2005 to \$37.6 million, or 57.1% of revenues, for the nine months ended September 30, 2006, an increase of \$8.9 million or 31.0%. The increase in sales to customers in the Americas was primarily attributable to increased sales of our networking products, primarily OEM sales to Cisco.

Revenues from sales to customers in Europe and the Middle East increased from \$14.1 million for the nine month period ended September 30, 2005, or 26.7% of revenues to \$16.9 million or 25.7% of revenues, for the nine months ended September 30, 2006, an increase of \$2.8 million or 19.9%. The increase in sales to customers in Europe and the Middle East is primarily attributable to an increase in sales of our networking products, mainly our 3G products.

Revenues from sales to customers in the Asia Pacific region increased from \$10.0 million, or 18.9% of revenues, for the nine months ended September 30, 2005 to \$11.3 million, or 17.1% of revenues, for the nine months ended September 30, 2006, an increase of \$1.3 million or 13.0%. The increase in sales to customers in the Asia Pacific region is due to strong growth and increased market demand for our networking products, particularly in China, Taiwan and

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Australia.

**Cost of Revenues.** Cost of revenues increased from \$9.3 million for the nine month period ended September 30, 2005 to \$12.9 million for the nine months ended September 30, 2006, an increase of \$3.6 million or 38.7%. Gross profit as a percentage of revenues decreased from 82.4% for the nine months ended September 30, 2005 to 80.4% for the nine months ended September 30, 2006, due to the increased proportion of networking product sales that have lower gross margins. In addition, cost of revenues for the nine months ended September 30, 2006 included \$300,000 of stock-based compensation recorded under FASB No. 123(R).

**Research and Development.** Research and development expenses increased from \$14.9 million for the nine months ended September 30, 2005 to \$18.5 million for the nine months ended September 30, 2006, an increase of \$3.6 million or 24.2%. Research and development expenses as a percentage of revenues decreased from 28.2% for the nine months ended September 30, 2005 to 28.1% for the nine months ended September 30, 2006. The increase in research and development expenses was primarily attributable to an increase in the number of research and development personnel. In addition, research and development expenses for the nine months ended September 30, 2006 included \$1.1 million of stock-based compensation recorded under FASB No. 123(R).

**Marketing and Selling.** Marketing and selling expenses increased from \$17.9 million for the nine months ended September 30, 2005 to \$22.8 million for the nine months ended September 30, 2006, an increase of \$4.9 million or 27.4%. Marketing and selling expenses as a percentage of revenues increased from 33.9% for the nine months ended September 30, 2005 to 34.7% for the nine months ended September 30, 2006. This increase was primarily attributable to an increase in the number of marketing and sales personnel. In addition, marketing and selling expenses for the nine months ended September 30, 2006 included \$1.4 million of stock-based compensation recorded under FASB No. 123(R).

**General and Administrative.** General and administrative expenses increased from \$3.5 million for the nine months ended September 30, 2005 to \$4.6 million for the nine months ended September 30, 2006, an increase of \$1.1 million or 31.4%. General and administrative expenses as a percentage of revenues increased from 6.6% for the nine months ended September 30, 2005 to 7.0% for the nine months ended September 30, 2006. This increase was primarily attributable to \$700,000 of stock-based compensation recorded under FASB No. 123(R).

**Operating Income.** In nine months ended September 30, 2006 we recorded an expense in the amount of \$1.9 million with respect of a patent settlement reserve. Our operating income decreased from \$7.3 million for the nine months ended September 30, 2005 to \$5.1 million for the nine months ended September 30, 2006. Excluding stock-based compensation recorded under FASB No. 123(R) and patent settlement reserve, our operating income increased from \$7.3 million for the nine months ended September 30, 2005 to \$10.4 million for the nine months ended September 30, 2006.

**Financial Income, net.** We recorded financial income of \$2.1 million for the nine months ended September 30, 2005 compared to \$4.2 million for the nine months ended September 30, 2006. This financial income was principally derived from the investment of the proceeds of our March 2000 initial public offering,

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cash generated from operating activities and the exercise of options by employees. Our financial income increased in the nine months ended

September 30, 2006 principally as a result of higher prevailing interest rates and an increase in funds available for investment.

### Liquidity and Capital Resources

As of September 30, 2006, we had approximately \$19.9 million in cash and cash equivalents, \$71.1 million in short-term investments and our working capital was approximately \$87.5 million as compared to approximately \$32.9 million in cash and cash equivalents, \$63.5 million in short-term investments and working capital of approximately \$93.2 million at December 31, 2005. Taking into account long-term liquid investments, we had approximately \$135.8 million in cash and liquid investments as of September 30, 2006 compared to \$125.0 million in cash and liquid investments as of December 31, 2005.

The following table summarizes our cash flows for the periods presented:

	Nine Months ended September 30,	
	2006	2005
	(\$ in thousands)	
Net cash provided by operating activities.....	\$ 13.1	\$ 8.3
Net cash used in investing activities.....	\$ (24.4)	\$ (10.9)
Net cash provided by/used in financing activities....	\$ (1.7)	\$ 5.8
Net (decrease) increase in cash and cash equivalents.	\$ (13.0)	\$ 3.2
Cash and cash equivalents at beginning of period.....	\$ 32.9	\$ 20.2
Cash and cash equivalents at end of period.....	\$ 19.9	\$ 23.4

We generated \$13.1 million from operating activities for the nine months ended September 30, 2006, compared to a \$8.3 million for the same period in 2005. This amount was primarily attributable to an increase in our net income, which for cash flow purposes does not reflect stock-based compensation of \$3.5 million recorded under FASB No. 123(R).

Net cash used in investing activities was approximately \$24.4 million for the nine months ended September 30, 2006. Of such cash used in investing activities \$22.8 million was used for investments in bank deposits and marketable securities, net, and \$1.6 million was used for purchases of property and equipment.

Net cash used in financing activities was approximately \$1.7 million for the nine months ended September 30, 2006 compared to \$5.8 million cash flow from financing activities for the same period in 2005. Of such cash used in financing activities, \$7.0 million was used for repurchase of company's shares, and \$4.5 million was attributable to proceeds received from the exercise of employee stock options.

Our capital requirements are dependent on many factors, including market

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acceptance of our products and the allocation of resources to our research and development efforts, as well as our marketing and sales activities. We plan to pursue strategic initiatives and make operating investments in 2006 as we position our company to realize what we perceive to be increasing market opportunities in the coming years. We anticipate that our cash resources will be used primarily to fund our operating activities, as well as for capital expenditures. We may establish additional operations as we expand globally. During the second quarter of 2006, we also

announced that we intend to commence a \$30 million stock buy-back program of which we repurchased approximately \$7.0 million in the third quarter of 2006.

### Off-Balance Sheet Arrangements

We are not a party to any material off-balance sheet arrangements. In addition, we have no unconsolidated special purpose financing or partnership entities that are likely to create material contingent obligations.

### Fourth Quarter 2006 Guidance

Net sales for the fourth quarter of 2006 are expected to be approximately \$24.7 million, an increase of approximately \$3.5 million or 16.5% compared with the fourth quarter of 2005.

Net income for the fourth quarter of 2006 is expected to increase to approximately \$4.1 million, or \$0.18 per diluted share. This includes stock-based compensation expense related to the adoption of FASB No. 123(R) of \$1.3 million or \$0.06 per diluted share

These projections are subject to substantial uncertainty that could cause our future results to differ materially from the guidance we have provided.

### Quantitative And Qualitative Disclosure About Market Risks

We are exposed to a variety of risks, including changes in interest rates and foreign currency fluctuations.

#### Interest Rate Risk

As of September 30, 2006, we had cash and cash equivalents and short-term and long-term investments and deposits of \$135.7 million. We invest our cash surplus in time deposits, cash deposits, U.S. federal agency securities and corporate bonds with an average credit rating of AA. These investments are not purchased for trading or other speculative purposes. Due to the nature of these investments, we believe that we do not have a material exposure to market risk.

Our exposure to market risks for changes in interest rates is limited since we do not have any material indebtedness.

#### Foreign Currency Exchange Risk

We develop products in Israel and sell them in the Americas, the Middle East, Asia and several European countries. As a result our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in foreign markets.

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Our foreign currency exposure with respect to our sales is mitigated, and we expect it will continue to be mitigated, through salaries, purchases of materials and support operations, in which part of these costs are denominated in New Israeli Shekels, or NIS.

Since the beginning of 2006, the NIS has devaluated approximately 6.5% against the dollar. The inflation rate in Israel was approximately 0.8% in the first nine months of 2006 compared to an annual inflation rate of 2.4% in 2005 and 1.2% in 2004.

Since most of our sales are quoted in dollars, and a portion of our expenses are incurred in NIS, our results may be adversely affected by a change in the rate of inflation in Israel or if such change in the rate of inflation is not offset, or is offset on a lagging basis, by a corresponding devaluation of the NIS against the dollar and other foreign currencies.

### Risk Factors

Other than as reflected below, there have been no material changes in our risk factors reported in our Annual Report on Form 20-F for the year ended December 31, 2005.

### Legal Proceedings

In 2005, a third party sent correspondence to us alleging that some products manufactured by us infringe upon patents held by the third party and offered to license these patents to us. We have been studying the material furnished and has hired outside expert counsel to help us analyze the nature and extent of the matter. The parties have exchanged correspondence and are willing to achieve settlement on behalf of this issue. At this time we consider part of this allegation as probable and has ability to estimate the possible loss, and accordingly recorded an accrual for the patent settlement in the amount of \$1.9 million.

### 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/ Arnold Taragin  
-----  
Arnold Taragin



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Corporate Vice President  
and General Counsel

Date: November 21, 2006